FRANCHISE DISCLOSURE DOCUMENT

Fit 36, LLC
(a Delaware limited liability company)
9780 Meridian Boulevard, Suite 400
Englewood, CO 80112
(303) 663-0880
www.fit36franchise.com
info@fit36fitness.com

Fit 36, LLC, offers franchises for the operation of studios under the name "~~Fit~~FIT36®" offering group fitness training and any related future services and products.

The total investment necessary to begin operation of a Fit 36 studio ranges from $~~161,900~~173,900 to $~~278,950~~266,650. This includes $~~38,139~~66,489 to $~~68,139~~71,489 that must be paid to the franchisor or affiliate.

The total investment necessary under the Area Development Agreement is estimated to be $79,800 (for a 2-studio commitment) to $199,000 (for a 10-studio commitment). This entire amount must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Fit 36 Legal Department at 9780 Meridian Boulevard, Suite 400, Englewood, CO 80112 (303) 663-0880.

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 ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them. (See Exhibit ~~E~~F.)

Issuance date: March ~~30, 2017, as amended November 21, 2017~~12, 2018

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRES THAT ALL DISAGREEMENTS AND DISPUTES BE SETTLED BY BINDING ARBITRATION OR LITIGATION IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS CURRENTLY LOCATED, WHICH IS CURRENTLY ENGLEWOOD, COLORADO. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN OUR HOME STATE RATHER THAN IN YOUR HOME STATE.

2. COLORADO LAW GOVERNS THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT AND THE RELATIONSHIP BETWEEN US AND YOU. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IF YOU ARE A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, OR OTHER BUSINESS ENTITY, YOUR DIRECT AND INDIRECT OWNERS WILL HAVE TO GUARANTEE YOUR OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF OUR FRANCHISE AGREEMENT AND, IF APPLICABLE, AREA DEVELOPMENT AGREEMENT. YOUR SPOUSE MUST SIGN A GUARANTY CONSENTING TO ENCUMBER THE MARITAL ASSETS. THIS GUARANTY PLACES YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4. WE WERE FORMED ON JUNE 25, 2014, AND HAVE OFFERED FRANCHISES SINCE OCTOBER 2014. THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER TO MAKE THIS INVESTMENT.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

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

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

California	~~April 11, 2017, as amended ________________~~Pending
Illinois	March ~~30, 2017, as amended November 22, 2017~~13, 2018
Indiana	March ~~30, 2017, as amended November 21, 2017~~13, 2018
Maryland	~~April 11, 2017, as amended November 30, 2017~~Pending
Michigan	March ~~30, 2017, as amended November 21, 2017~~12, 2018
Minnesota	~~April 26, 2017, as amended November 29, 2017~~Pending
New York	~~May 1, 2017, as amended ________________~~Pending
Rhode Island	~~March 31, 2017, as amended November 22, 2017~~Pending
Virginia	~~May 8, 2017, as amended November 28, 2017~~Pending
Wisconsin	March ~~30, 2017, as amended November 21, 2017~~12, 2018

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of March ~~30, 2017, as amended November 21, 2017.~~

12, 2018.

STATE OF MICHIGAN DISCLOSURE NOTICE

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

(a) A prohibition on the right of a Franchisee to join an association of Franchisees.

(b) A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in the Michigan Franchise 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 before the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

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

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

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

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

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

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

(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 these 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.

Any questions regarding this notice should be directed to: Michigan Attorney General's Office, Consumer Protection Division, Attn: Franchise Section, G. Mennen Williams Building, 1st Floor, 525 West Ottawa Street, Lansing, Michigan 48933, Telephone Number: (517) 373-7117

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

Note: Despite paragraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the ~~f~~Franchise ~~a~~Agreement and Area Development Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

Fit 36, LLC
Franchise Disclosure Document
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ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this Franchise Disclosure Document ("Disclosure Document"), "we," "us," "Franchisor," "Fit 36" or "our" means Fit 36, LLC. "You," "your," or "Franchisee" means the person or legal entity (including an individual, corporation, partnership, limited liability company or other legal entity, and its owners, officers, and directors) buying the franchise. If you are a legal entity, your direct and indirect owners will have to guarantee your obligations and be bound by the provisions of the franchise agreement and other agreements as described in this Disclosure Document.

We were incorporated in the State of Delaware on June 25, 2014, under the name WBB Acquisition, Inc. In September 2014, we changed our name to Fit 36, Inc. On October 9, 2015, we converted to a Delaware limited liability company. Our principal business address is 9780 Meridian Boulevard, Suite 400, Englewood, CO 80112. We conduct business under our company name and no others.

Our agents for service of process are listed on Exhibit ~~E~~F to this Disclosure Document.

Our Business Activities

Franchise Program. We sell franchises to own and operate Fit 36 studios ("Studios"). The Fit 36 franchise system is a unique and comprehensive system providing various forms of group fitness training and related services and products that may be offered in the future to the general public (the "Franchise System").

We will enter into the franchise agreement attached as Exhibit B (the "Franchise Agreement"), which will grant to you a license to use the trademark "FIT36®" ~~as well as other service marks (including those disclosed in Item 13 of this Disclosure Document),~~ for the purpose of owning and operating a Studio.

If we offer you the right to enter into an Area Development Agreement (the "Area Development Agreement"), you will acquire a specified number of franchises and open, according to a specified schedule (the "Development Schedule"), a corresponding number of Studios, each under a separate Franchise Agreement, within a specifically described geographic territory (the "Development Area"). The form of Area Development Agreement you would sign is attached as Exhibit C to this Disclosure Document. For each Studio you develop, you must sign our then-current form of Franchise Agreement, which may be different than the form we were using when you signed the Area Development Agreement.

We do not currently own or operate any Studios. We have offered franchises in the line of business disclosed in this Disclosure Document since October 2014, and other than the area director program described below, we ~~do~~have not offered franchises in any other line of business or conducted any other business.

Area Director Program. ~~In~~From June 2015 to December 2017, we ~~began~~ offer~~ing~~ed qualified individuals franchises for the operation of area director businesses (also known as area representative franchises) ~~under a separate disclosure document~~in specific territories ("Area Directors"). Each ~~a~~Area ~~d~~Director ~~will~~ acts as our representative, with the right to solicit and identify prospective franchisees on our behalf and provide support services to the franchisees in his or her territory. When a franchise is sold, the franchise agreement ~~would be~~is signed by the franchisee and us. To the extent the Area Directors provide sales and support services, they are compensated with a portion of the franchise and royalty fees paid to us by franchisees in the Area Director's territory. We are contractually responsible to you if the services are not performed as required under the Franchise Agreement. We do not grant ~~a~~Area ~~d~~Directors management responsibility relating to the sale or operation of franchises. As of December 31, ~~2016~~2017, there was 1 area director franchise operating in 11 states.

Our Parent, Predecessors and Affiliates

Parents. We are a wholly owned subsidiary of WBZ Investment LLC, a Delaware limited liability company ("WBZ"), which is wholly owned by WBZ Holdings II, LLC, a Delaware limited liability company ("Holdings II"). Holdings II is owned by four Delaware limited partnerships: KSL Capital Partners III, L.P., KSL Capital Partners III TE, L.P., KSL Capital Partners III TE-A, L.P. and KSL Capital Partners III FF, L.P., which are our ultimate parents.

We do not have any predecessors.

Fitness Together Franchise Programs. Our affiliate, Fitness Together Franchise, LLC, a Delaware limited liability company ("FTF"), is the franchisor of the Fitness Together one-on-one personal training studio system. FTF began offering franchises in 1996. As of December 31, ~~2016~~2017, there were ~~153~~144 Fitness Together franchises.

From December 2002 to May 2009 FTF offered, and ~~beginning~~ again ~~in~~from July 2014 to December 2017, FTF offer~~s~~ed ~~,~~ franchises for area director businesses in which the area director acts as a sales representative within a defined geographic area to solicit and identify prospective Fitness Together franchisees, to assist in locating and securing sites for Fitness Together studios within that territory, and to provide additional support before, during, and after the Fitness Together studios open. As of December 31, ~~2016~~2017, there were 8 Fitness Together area director franchises operating in ~~17~~19 states.

Elements Massage Franchise Programs. Our affiliate, Elements Therapeutic Massage, LLC, a Delaware limited liability company ("Elements"), offers and sells franchises to operate massage studios. Elements began offering and selling Elements franchises in 2006. As of December 31, ~~2016~~2017, there were ~~233~~245 Elements franchises in the United States.

From October 2006 to October 2008 and again from December 2013 to December 2017, Elements offered~~, and beginning again in December 2013, Elements offers,~~ franchises for area director businesses in which the area director acts as a sales representative within a defined geographic area to solicit and identify prospective Elements franchisees, to assist in locating and securing sites for Elements studios within that territory, and to provide additional support before, during, and after the Elements studios open. As of December 31, ~~2016~~2017, there were ~~8~~3 Elements area director franchises operating in ~~14~~6 states.

Elements wholly owns Elements Massage Franchise Canada Ltd. ("EMFC"). EMFC operates under an Intellectual Property License Agreement with Elements to sell franchises to own and operate Elements Studios in Canada. EMFC was formed as a corporation on October 17, 2013, under the laws of the Canadian province of British Columbia, and has offered franchises for Elements Studios in Canada since November 11, 2013. As of December 31, ~~2016~~2017, there was 1 franchised Elements Studio in Canada.

WBZ, FTF, Elements, and EMFC each has its principal business address at the same address as ours. The principal business address for the other parent companies described in this Item 1 is 100 Fillmore Street, Suite 600, Denver, Colorado 80206. Other than as described above, none of our parent companies, nor any affiliates required to be disclosed in this Item 1 directly offers franchises in any line of business or otherwise conducts business of the type being offered to you in this Disclosure Document.

Description of the Franchised Business

We grant to each franchisee a license to use the "FIT36®" trademark, together with other trademarks, service marks, trade names, symbols, emblems, slogans, insignias, designs and logos, existing now or which may exist in the future (together, the "Marks") for use in operating the Studio. You will sell and provide various forms of group fitness training services, as well as any related services and products that may be offered in the future. You will operate the Studio according to our standards, specifications, methods, techniques, and operating and other procedures ("System Standards") that constitute the Franchise System. The distinguishing characteristics of the Franchise System include the Marks, the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, worksheets, originals, techniques, rules, ideas, philosophies, illustrations, course materials, the operations manual, any other manuals or materials made available to you, and any additional manuals and materials periodically provided to you regarding the operations of your Studio (collectively, the "Operations Manual"), the System Standards, advertising and promotional materials, other audio, video and written materials, and other aspects of the Franchise System we have developed and designated for use within the Franchise System, or may acquire or develop and designate for use within the Franchise System in the future, all of which we may enhance and further develop (the "Proprietary Assets").

~~We also offer to operators of other fitness businesses who meet our criteria a franchise for the conversion of their business to a Studio. If you qualify for such a franchise, you will sign the Conversion Addendum attached as Exhibit G (the "Conversion Addendum"), together with the Franchise Agreement.~~

The Market and Competition

~~The~~Your Studio will offer its services and products to the general public, but we expect your Studio to serve mainly fitness enthusiasts between the ages of 18 and 60. You will compete with nationally recognized trade names in the fitness industry and with other local and regional businesses offering similar services and products. The market is developed but expanding. Depending on your Studio's location and demographics, certain seasons may be busier than others.

Licenses, Permits, and Industry Regulations

It is your sole and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of your Studio. You must comply with such laws and with all other laws that apply generally to all businesses. We are not aware of any specific federal regulations governing the personal training industry or nutrition programs. However, the state or other locality in which you operate your Studio may have codes, ordinances, statutes, or laws which license or regulate personal trainers, fitness centers, health clubs or businesses such as the one being offered in this Disclosure Document, and such regulations could affect the operations of your Studio. These state and local laws may include such things as posting required statements concerning steroid and other drug use, requiring certain medical equipment in the Studio (such as automated external defibrillators (AEDs)), limiting the supplements that health and fitness clubs can sell, requiring bonds if a health or fitness club sells memberships valid for more than a specified period of time, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called "presale" memberships), and imposing other restrictions on memberships that health or fitness clubs sell. Other regulations may apply to site location and building construction. You must know the laws and regulations applicable to your Studio and ensure that you and your employees comply with all such laws and regulations. You are also responsible for obtaining any licenses or permits required for operating your Studio and you and your employees must obtain national certification as a personal trainer. You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations.

ITEM 2. BUSINESS EXPERIENCE

Joseph Luongo, Manager, Executive Chairman, and Chief Executive Officer

Mr. Luongo has been our Manager, Executive Chairman, and Chief Executive Officer since October 2017. Mr. Luongo also holds the following positions with our affiliates, each in Englewood, Colorado: (a) Manager for Elements, FTF, and WBZ since October 2017, (b) Director for WellBiz Brands, Inc. ("WellBiz"), and FTHC Operating Company since October 2017, (c) Executive Chairman for WellBiz, FTF, WBZ Holdings, Inc. ("Holdings"), and WBZ since October 2017, and (d) Chief Executive Officer for WellBiz, FTF, FTHC Operating Company, Holdings, and WBZ since October 2017. In addition, since March 2016, Mr. Luongo has been a consultant for Stone Eagle Advisors, LLC, in Phoenix, Arizona. From September 2013 to February 2016, Mr. Luongo was Chief Operating Officer for Massage Envy Franchising, LLC, in Scottsdale, Arizona. From September ~~2008~~2012 to September ~~2012~~2013, Mr. Luongo was ~~Chief Executive Officer and President for Peter Piper, Inc., in Phoenix,~~self-employed as the owner of the Zella's Pizza & Cheesesteaks restaurant concept, located in multiple locations in Arizona.

Daniel M. Colbourne, Executive Vice President, Chief Financial Officer, and Treasurer

Mr. Colbourne has been our Executive Vice President, Chief Financial Officer, and Treasurer since our inception and has held the same positions at WellBiz, Elements, and FTF since September 2009, for EMFC since October 2013, and for Holdings and WBZ since October 2015, each in Englewood, Colorado.

~~Scott Wendrych, Executive Vice President and Chief Operating Officer~~

~~Mr. Wendrych has been our Executive Vice President and Chief Operating Officer since February 2015 and has held the same positions at WellBiz, FTF, Elements, and EMFC, each in Englewood, Colorado, since that time. Mr. Wendrych was our Executive Vice President and Chief Development Officer from our inception in June 2014 and held the same position at WellBiz, Elements, and FTF from February 2013 to February 2015 and for EMFC from October 2013 to February 2015, each in Englewood, Colorado. From September 2008 to February 2013, Mr. Wendrych was Senior Vice President and Chief Sales Officer at WellBiz, Elements, and FTF.~~

Trever Ackerman, Chief Marketing Officer

Since April 2017, Mr. Ackerman has been our Chief Marketing Officer, and he has held the same position at WellBiz, Elements, EMFC, and FTF, each in Englewood, Colorado. From December 2013 to March 2017, Mr. Ackerman was the Vice President of Marketing and Chief Marketing Officer for Les Mills US in Chicago, Illinois. From September 2007 to October 2013, he held multiple leadership roles for 24 Hour Fitness in San Ramon, California, including Vice President of Communications from March 2008 to October 2013, Vice President of Human Resources from August 2010 to March 2012, Vice President of Marketing from March 2012 to March 2013, and Interim Chief Marketing Officer from March 2013 to October 2013.

Matt Stanton, Chief Development Officer

Since December 2017, Mr. Stanton has been our Chief Development Officer, and has held the same position at WellBiz, Elements, EMFC, and FTF, each in Englewood, Colorado, since that time. From June 2016 to December 2017, Mr. Stanton served as Vice President, Development, for Taco Bueno Restaurants in Dallas, Texas. From November 2011 to April 2016, Mr. Stanton served as Vice President, Strategy and Development, for Smashburger Franchising LLC in Denver, Colorado.

Kevin Betts, Vice President of Operations

Mr. Betts has been our Vice President of Operations since January 2017. From July 2014 to January 2017, he was our Senior Vice President of Business Development and held the same position with WellBiz in Englewood, Colorado. From March 2014 to July 2014, Mr. Betts was a General Manager for Roto Rooter Service Company, based in Cincinnati, Ohio, and was their Business Development Manager from May 2013 to March 2014. From July 2012 to May 2013, Mr. Betts was on sabbatical. ~~From September 2008 to July 2012, Mr. Betts was Chief Operating Officer for FTF.~~

Evan Colbert, Vice President of Legal Services & Corporate Counsel

Since January 2018, Mr. Colbert has been our Vice President of Legal Services & Corporate Counsel, and has held the same position at WellBiz, Elements, EMFC, and FTF, each in Englewood, Colorado, since that time. From January 2013 to January 2018, Mr. Colbert served in various roles for us, WellBiz, Elements, EMFC, and FTF, including: Senior Director of Legal Services & Associate Counsel (September 2017 to January 2018); Director of Legal Services & Associate Counsel (June 2014 to September 2017); Legal Clerk (September 2013 to June 2014); and Intern (January 2013 to April 2013).

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fees. ~~When~~Unless you are signing ~~the~~a Franchise Agreement under an Area Development Agreement, when you sign a Franchise Agreement to develop a single Studio, you must pay us an initial franchise fee ~~of $34,900. If this is your second or subsequent Franchise Agreement, you must pay us an initial franchise fee of $29,900. If you enter into multiple Franchise Agreements at the same time, and become eligible for the reduced franchise fee of $29,900 for each Franchise Agreement after your first Franchise Agreement, your total initial franchise fees will be allocated equally among all the Franchise Agreements you purchase.~~(the “Initial Franchise Fee”) of $39,900. You must pay the Initial Franchise Fee as a lump sum by wire transfer. The Initial Franchise Fee is fully earned by us when paid by you.

Development Fee. If we grant you the right to develop 2 or more Studios under an Area Development Agreement, you must pay us a one-time development fee (the "Development Fee") upon executing your Area Development Agreement. Your Development Fee will depend on the number of Studios we grant you the right to develop within the Development Area and is calculated as follows:

(1) $79,800 if you sign an Area Development Agreement in which you agree to develop 2 studios;

(2) $29,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 3 to 5 studios;

(3) $24,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 6 to 9 studios; and

(4) $19,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 10 or more studios.

Typically, an area developer is expected to develop 2 to 10 Studios and the range of the Development Fee in that case would be $79,800 to $199,000. You will be required to enter into our then-current form of Franchise Agreement for each Studio you wish to develop under your Area Development Agreement, but you will not be required to pay an Initial Franchise Fee at the time you execute each of these Franchise Agreements.

The Development Fee is due in a lump sum when you sign your Area Development Agreement. The Development Fee is fully earned by us upon your execution of the Area Development Agreement.

Veteran's and Active-Duty Military Discount. We offer a ~~veteran's and active-duty military discount of $5,000 for the 1st franchise you purchase if you are a veteran or~~20% discount on the Initial Franchise Fee (or the Development Fee if you sign the Area Development Agreement) for veterans and active-duty members of the ~~military~~United States armed forces who meet the requirements of the VetFran Program offered by the International Franchise Association.

~~*Conversion Program.* If you are signing the Conversion Addendum described in Item 1, you must pay us the initial franchise fee when you sign the Franchise Agreement. You will have 180 days to convert your existing business into a Studio; however, you will pay royalties on your gross receipts that accrue beginning on the date on which your Franchise Agreement is fully executed by you and us. If you fail to convert your business into a Studio within this time period, we will have the right to terminate your Franchise Agreement and retain the non-refundable initial franchise fee.~~

~~**Payment of Fees**. The initial franchise fees must be paid to us as a lump sum in the form of a cashier's check or wire transfer at the time the Franchise Agreement is signed. All initial franchise fees are fully earned by us when paid by you and are not refundable under any circumstances.~~

We reserve the right to waive or reduce the ~~i~~Initial ~~f~~Franchise ~~f~~Fee for other franchisees. In the fiscal year ended December 31, ~~2016~~2017, we received ~~i~~Initial ~~f~~Franchise ~~f~~Fees ~~in amounts ranging from $24,900 to~~of $34,900.

Other Initial Payments. Before you open your Studio, you are required to pay us the fees stated below:

Set-Up and Technology Fees. You are required to pay us a $499 set-up fee for the set-up of certain required software programs. You are also required to pay us the technology fee for the 2 months before opening ($545 per month).

~~*Lease Review Fee.* When you enter into a letter of intent for the lease of your Studio premises, you will be~~*Construction Management Fee.* If we approve an exception to the requirement that you use one of our Approved Suppliers of construction services, you are required to pay us a ~~$1,650 lease review fee. We will charge you only one lease review fee, unless you refuse to sign a lease that we have approved and we are then required to review other leases for the Studio location.~~construction management fee of $5,000.

~~*Initial Marketing Spend Requirement*. During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least $30,000 to advertise, market and promote your Studio. However, if you purchase an existing Studio, the $30,000 Initial Marketing Spend Requirement applies during the first 180 days after you take possession of the Studio. We reserve the right to require you to pay us the Initial Marketing Spend Requirement. If we require you to pay us the Initial Marketing Spend Requirement, we will advertise, market, and promote your Studio on your behalf.~~*Grand Opening Spend Fee*. No later than 10 days after the date that you sign an approved lease for your Studio premises (or 10 days after the date you purchase an existing Studio), you must pay us, by ACH, $25,000 as a non-refundable grand opening spend fee (the "Grand Opening Spend Fee"). However, if you are signing the Franchise Agreement in connection with the renewal of an existing Studio, we do not charge a Grand Opening Spend Fee.

~~All~~Except as otherwise noted, the initial fees described above are not ~~non-~~refundable under any circumstances.

ITEM 6. OTHER FEES

Type of Fee*	Amount	Due Date	Remarks
Royalty	6% of gross receipts (reduced to 3% for 18 months beginning on the date you sign a Franchise Agreement for a new Studio)	5th day of each month	See Note 1
Marketing Fund	Greater of 2% of gross receipts or $500 per month (subject to maximum monthly contribution of $1,000)	5th day of each calendar month	See Note 2
Local Advertising Fee	$950 per month	15th day of each calendar month	See Note 3
Local Spend Amount	2% of gross receipts	As incurred	Payable to the Approved Supplier, which may be us. (See Note 3)
Default Fee	$250	Upon receipt of statement	See Note ~~2~~4

Type of Fee*	Amount	Due Date	Remarks
Dishonored Check or Insufficient Funds Fee	$150	Upon receipt of statement	See Note ~~3~~5
~~Defense or Enforcement Costs~~	~~All costs including attorneys' fees (variable)~~	~~Upon settlement or conclusion of a claim or other legal action~~	~~See Note 4~~
~~Indemnification~~	~~All costs including attorneys' fees (variable)~~	~~Upon settlement or conclusion of a claim or other legal action~~	~~See Note 5~~
~~Collection Costs~~	~~Actual costs to collect past due or other amounts~~	~~Upon settlement or conclusion~~	~~See Note 6~~
Default Operation Costs (in event of your default)	Up to $~~5,000~~7,500 per month	1st day of each month upon occurrence	See Note ~~7~~6
~~Royalty Underpayments (audit)~~	~~Varies. Difference between amount reported and correct amount, plus 12% of such amount (and if understated amount is more than 2%, plus our costs (including attorneys' and accountants' fees)).~~	~~Time of audit~~	~~See Note 8~~
~~Supplies or Supplier Approval~~	~~$100 per hour~~	~~Upon request~~	~~See Note 9~~
Technology Fee	$545 per month; additional $7.50 per month per email user in excess of 4	1st day of each calendar month	See Note ~~10~~7
~~Computer Hardware and Software Upgrades~~Renewal Fee	~~Varies depending on requirements, but typically $100 to~~ $10,000 ~~per upgrade~~	~~At time of upgrade~~Upon renewal	See Note ~~11~~8
~~Extension Fee~~	~~$7,500~~	~~At the time we grant an extension to open your Studio~~	~~See Note 12~~
~~Marketing Fund~~	~~Greater of 2% of gross receipts or $500 per month~~	~~5th day of each calendar month~~	~~See Note 13~~
~~Ongoing Marketing Spend Requirement~~	~~$3,500 per month~~	~~Beginning on the date your Studio first opens for business (or, if you are purchasing an existing Studio, on the date you take possession of the Studio)~~	~~See Note 14~~
~~Marketing Cooperatives~~	~~As established by Marketing Cooperative~~	~~As established~~	~~See Note 15~~

Type of Fee*	Amount	Due Date	Remarks
~~Training (refresher)~~	~~We may require a $500 fee and you must pay all costs for travel, meals, lodging and other expenses~~	~~If a fee is payable, before attendance at training program; costs and expenses as incurred~~	~~See Note 16~~
~~Insurance~~	~~Varies by coverage and provider~~	~~If you fail to obtain insurance, we may obtain it for you and you will be required to reimburse us for any premiums and other costs we incur.~~	~~See Note 17~~
Transfer Fee – Franchise Agreement	50% of the then-current initial franchise fee	Upon signing the consent to transfer	See Note ~~18~~9
Transfer Fee – Area Development Agreement	$10,000	Upon signing the consent to transfer	
Transfer Fee Deposit	$5,000	Upon signing the consent to transfer	See Note ~~19~~10
Royalty Underpayments (audit)	Varies. Difference between amount reported and correct amount, plus 12% of such amount (and if understated amount is more than 2%, plus our costs (including attorneys' and accountants' fees)).	Time of audit	See Note 11
Defense or Enforcement Costs	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 12
Indemnification	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 13
Collection Costs	Actual costs to collect past due or other amounts	Upon settlement or conclusion	See Note 14
Arbitration and Proceeding Costs	Our arbitration or other proceeding fees and costs plus attorneys' fees and costs if we prevail in the arbitration or proceeding	Upon conclusion of arbitration or proceeding	See Note ~~20~~15

Type of Fee*	Amount	Due Date	Remarks
~~Renewal Fee~~Liquidated Damages	~~$10,000~~An amount equal to the net present value of the Royalties and Marketing Fund contributions that would have become due following termination of the Franchise Agreement for the period beginning on the date of termination and ending 24 months from the termination date, unless the scheduled expiration of the term of the Franchise Agreement expires earlier, in which case the period for calculating the damages will end on the date of the scheduled expiration (the "Measurement Period").	Upon ~~renewal~~termination of Franchise Agreement by you without cause or because of your default	See Note ~~21~~16

* Except as otherwise noted, all fees are uniformly imposed on all franchisees and collected by, and payable to, us (or our designated affiliate). Any fees paid to us are non-refundable unless otherwise noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors. We will auto-debit your bank account (known as "ACH") for all fees you are required to pay to us under the Franchise Agreement. We will ACH your bank account for the amounts due based on your gross monthly receipts from the previous month, as obtained by us from our approved computer system used by you to record receipts. Your ACH will remain in effect throughout the term of the Franchise Agreement. You must ensure that funds are available in your bank account to cover our withdrawals. Some banks charge fees for us to ACH your account; you must pay those fees. We may require you to pay any amounts due under the Franchise Agreement or otherwise by means other than ACH (*e.g.*, by check or credit card) whenever we deem appropriate, and you must comply with our payment instructions. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs. In addition, your failure to comply with our payment instructions will be considered a default under the Franchise Agreement.

NOTES:

1. **Royalty.** You must pay us a monthly royalty on the 5th day of each month starting with the 1st full calendar month after opening the Studio~~ (or if you are converting an existing business to a Studio, the 1st full calendar month after the date you sign the Franchise Agreement)~~. We reserve the right to collect royalties on a weekly, rather than monthly, basis upon notification to you.

   If you are signing a Franchise Agreement to develop a new Studio, so long as you are in compliance with the Franchise Agreement, we will reduce the royalty to 3% of your gross receipts through the end of the 18th calendar month following the effective date of the Franchise Agreement. The discounted royalty described in this paragraph does not apply to renewals or transfers of existing Studios.

   If we are unable to obtain your gross receipts directly from our approved computer system used by you to record receipts, we may debit your account for an estimated royalty equal to 110% of the average of your last 3 months of gross receipts for your Studio ("Estimated Royalty"). If the Estimated Royalty we debit from your account is less than the amount you actually owe us (once we have determined your Studio's true and correct gross receipts), we will debit your account for the balance on the day we specify. If the Estimated Royalty we debit from your account is greater than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

Despite any designation you make, we may apply any of your payments to any past due amounts you owe us.

"Gross receipts" include all of your revenue and receipts, including those taken by cash, credit card, debit card, check, trade, barter or exchange, electronic funds transfer, or any other means of credit, which are derived from the operations of your Studio, including the sale of pre-opening memberships, the sale of memberships, fitness services, gift cards which are not sold under our national gift card programs, merchandise, products or any other products or services sold by you, whether sold at your Studio location or from an off-site location. Gross receipts also include the gross amount of redemptions for gift cards sold under our national gift card program. Gross receipts exclude sales, use or privilege taxes paid to the appropriate taxing authority, refunds made to clients, and gross redemption amount of gift cards sold under any of our national gift card programs. In addition, should your business be interrupted for any reason and you are receiving business interruption insurance payments, the gross amount of these payments will be considered to be gross receipts and will be subject to the Royalty.

2. **Marketing Fund**. You must make contributions to a marketing fund (the "Marketing Fund") of the greater of 2% of the gross receipts of your Studio or $500 per month (subject to a maximum monthly contribution of $1,000), which we will spend on preparing advertising and promotional materials and advertising, marketing and promotional programs for your Studio. You must also satisfy the Grand Opening Spend Fee and the Local Marketing Spend Requirement described below.

3. **Local Marketing Spend Requirement**. You must pay us a fee of $950 per month (the "Local Advertising Fee"). In addition, you must spend a minimum of 2% of the gross receipts of your Studio toward approved advertising, marketing and promotional programs for your Studio within an area reasonably surrounding your Studio (the "Local Spend Amount"). We will refer to the Local Advertising Fee and your Local Spend Amount together as the "Local Marketing Spend Requirement." Your Local Marketing Spend Requirement excludes any contributions you make to the Marketing Fund, but any contributions you make to a Marketing Cooperative will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the Local Spend Amount. We currently collect the Local Advertising Fee on the 15th day of each month for the preceding month. We may change the day of the month on which we collect the Local Advertising Fee. We or our affiliates may be an Approved Supplier of local advertising, marketing and promotional programs for your Studio.

4. ~~2.~~ **Default Fee.** If you are in default of the Franchise Agreement and we send you a default notice, you must pay us a default fee.

5. ~~3.~~ **Dishonored Checks or Insufficient Funds Fee**. If you write us a check that is returned, cancelled or dishonored, or if we ACH your bank account (in accordance with the terms of the Franchise Agreement) and your account has insufficient funds or is inaccessible, you must pay us an insufficient funds fee.

~~4. **Defense or Enforcement Costs**. If we are successful in any action based on your breach of the Franchise Agreement, we will be entitled to have you pay our reasonable attorneys' fees, court costs, expenses of litigation and all other costs associated with any other appropriate remedies.~~

~~5. **Indemnification**. You must indemnify, defend and hold us, our affiliates, and our and their respective stockholders, members, owners, principals, directors, officers, employees, representatives and agents, harmless from any and all losses, expenses, judgments, claims, reasonable attorneys' fees and damages related to the Studio or from your breach of the Franchise Agreement. You must notify us in writing within 5 calendar days of any lawsuit, complaint or proceeding filed by or against you regarding the operation of the Studio and, upon request, must furnish us with copies of all documents related to the lawsuit, complaint or proceeding.~~

~~6. **Collection Costs.** If you withhold monies owed to us in the absence of a court order permitting you to do so, you must pay us all reasonable costs, including court costs, attorneys' fees, reasonable value for our employees' time, witness fees and travel expenses incurred in pursuing the collection of the withheld monies.~~

6. ~~7.~~ **Default Operation Costs (in the event of your default).** If you are in default of the Franchise Agreement and have not cured the default within the applicable cure period, we have the right to enter your Studio, to make modifications necessary to protect the Proprietary Assets, to cure any default under the Franchise Agreement or under the lease for the premises, and assume all of your rights under the lease (including making lease payments), including the right to assign or sub-lease. We shall also have the right to remove your equipment and signage. If we choose to enter and manage your business in the case of your breach of the Franchise Agreement, you must pay us a monthly fee. We have these rights whether or not your Franchise Agreement is terminated.

~~8. **Royalty Underpayments (audit).** If an inspection or audit of your books and records reveals that any payments due or made to us were based upon understated amounts, then, upon our demand, you must immediately pay us an amount equal to the payment that would have been due or paid in the absence of understated amounts, minus the payment actually due or made, plus 12% interest, calculated on an annual basis, from the date the disputed amount was originally due until the correct amount is paid. If the understatement is 2% or more, then you will also reimburse us for any costs and expenses, including accounting and attorneys' fees, in connection with the inspection or audit.~~

~~9. **Supplies or Supplier Approval**. If you wish to purchase supplies that are not Approved Supplies, or purchase supplies from a supplier that is not an Approved Supplier, you must first submit your request to us for approval. We will charge you a fee to evaluate the supplies or supplier, payable upon receipt of our invoice. We may withhold approval of any supplies or suppliers for any reason.~~

7. ~~10.~~ **Technology Fee**. We require you to use our designated scheduling software program, the client satisfaction software, our proprietary software to maintain a website for your Studio, our key performance indicator program and the email platform we designate. The technology fee is payable monthly, which we will ACH from your bank account on the 1st day of each month beginning 60 days before your Studio opens. The email portion of the technology fee includes 4 users; you will be required to pay an additional $7.50 per month for each email user in excess of

4. If you want access to technologies other than email before opening, then the technology fee will accrue at the monthly rate from such time.

8. **Renewal Fee**. If you are approved to renew your Franchise Agreement, you will sign our then-current forms of renewal addendum and franchise agreement (which may contain terms and conditions materially different from those in the form of Renewal Addendum and Franchise Agreement attached to this Disclosure Document) and pay us a renewal fee. The renewal fee is due upon renewal of the Franchise Agreement and is payable by cashier's check or wire transfer.

~~11. **Computer Hardware and Software Upgrades**. During the term of the Franchise Agreement, you must upgrade any hardware component or software program at any time to be compatible with the software package required by us. The cost for any upgrade will vary depending upon the upgrades required. The low end of the typical range contemplates a minor software update and the high end contemplates a complete installation of an alternative software and hardware platform.~~

~~12. **Extension Fee**. You must have your Studio open and operating within 1 year from the date you sign the Franchise Agreement, unless otherwise specifically approved by us in writing. If you fail to meet this opening deadline, and wish to maintain your right to open and operate a Studio, we may, at our sole discretion, grant you a one-time, 1-year extension to open a Studio. This one-time extension will expire automatically on the date that is 2 years after the date you sign the Franchise Agreement. In exchange for our granting you this one-time extension, you agree to execute such documents and agreements as we require, which will include our form of general release, and which will include a non-disparagement clause, and, if you have not signed a lease for your Studio's location, pay us a one-time, nonrefundable extension fee of $7,500.~~

~~13. **Marketing Fund**. You must make contributions to a marketing fund (the "Marketing Fund") of the greater of 2% of the gross receipts of your Studio or $500 per month, which we will spend on preparing advertising and promotional materials and advertising, marketing and promotional programs for your Studio. You must also satisfy the Initial Marketing Spend Requirement and the Ongoing Marketing Spend Requirement described below.~~

~~14. **Ongoing Marketing Spend Requirement**. Beginning on the date your Studio opens for business, you must spend a minimum of $3,500 per month on advertising, marketing and promotional programs for your Studio (the "Ongoing Marketing Spend Requirement"). Your Ongoing Marketing Spend Requirement excludes any contributions you make to the Marketing Fund, but does include any contributions you make to a Marketing Cooperative. Your required Marketing Cooperative contributions could, by themselves, exceed the minimum Ongoing Marketing Spend Requirement. In addition, we have the right to collect all or a portion of your minimum Ongoing Marketing Spend Requirement and use those funds for local, regional or national advertising or promotional programs. We currently collect $1,961.50 per month of your Ongoing Marketing Spend Requirement (the "Contribution Amount") on the 15th day of each month for the preceding month. We may change the day of the month on which we collect the Contribution Amount, and we may reduce or increase (up to the Ongoing Marketing Spend Requirement) the Contribution Amount.~~

~~15. **Marketing Cooperatives**. We may establish a marketing cooperative in a geographic area in which 3 or more Studios are located ("Marketing Cooperative"). The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. We may also require that you join an existing Marketing Cooperative~~

~~operating in a geographic area encompassing or near your Studio. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving 1 vote. We may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. We may form, modify, change, dissolve, or merge Marketing Cooperatives. As of the date of this Disclosure Document, there are no Marketing Cooperatives in existence.~~

~~16. **Training (refresher)**. If we periodically provide refresher training courses or programs to our franchisees, we may require you to pay a $500 fee per individual you designate to attend such training, and you must pay all costs for travel, meals, lodging and other expenses related to attendance at any refresher training course or program. We may require attendance at a refresher training course for a number of reasons, such as if we introduce a new service, if our System Standards change, if an existing franchisee needs to be educated in new systems, or if a franchisee has committed an operational default and needs additional training.~~

~~17. **Insurance**. You must obtain from our Approved Supplier, and retain, the required insurance coverage specified by us. If you fail to obtain or retain such insurance, we may, but are not obligated to, obtain such insurance for you and charge you the costs of the premiums, plus our reasonable costs in obtaining such insurance.~~

9. ~~18.~~ **Transfer Fee**. You must pay us a transfer fee if you sell or transfer ownership of your Studio, or if you assign or sell your controlling interest in the Studio to another party. You must pay us this transfer fee in a lump sum by cashier's check or wire transfer at the time you sign the conditional consent to transfer. If the transferee is referred to you by a broker, you must also pay the broker's fees. You do not have to pay a transfer fee if you transfer your individual interest in the Franchise Agreement to a corporation, limited liability company, partnership or similar entity in which you own a controlling interest. If we terminate our conditional consent to the transfer or the transferee's franchise agreement for certain reasons (for instance, if the transfer does not occur or the transferring parties fail to meet the conditions to our consent), and the transferring parties sign a general release, then we will refund the transfer fee. However, if the transferee has already attended any portion of initial training, we will only refund 50% of the transfer fee.

10. ~~19.~~ **Transfer Fee Deposit**. In the event of a transfer, you must pay us a fee deposit of $5,000 when you sign the conditional consent to transfer. We will refund the deposit to you, less any amounts which may be due under the Franchise Agreement, within 30 days following the effective date of the transfer or the date on which you and the transferee have complied with all terms in our agreement and conditional consent to transfer, whichever is later.

11. **Royalty Underpayments (audit).** If an inspection or audit of your books and records reveals that any payments due or made to us were based upon understated amounts, then, upon our demand, you must immediately pay us an amount equal to the payment that would have been due or paid in the absence of understated amounts, minus the payment actually due or made, plus 12% interest, calculated on an annual basis, from the date the disputed amount was originally due until the correct amount is paid. If the understatement is 2% or more, then you will also reimburse us for any costs and expenses, including accounting and attorneys' fees, in connection with the inspection or audit.

12. **Defense or Enforcement Costs**. If we are successful in any action based on your breach of the Franchise Agreement, we will be entitled to have you pay our reasonable attorneys' fees, court costs, expenses of litigation and all other costs associated with any other appropriate remedies.

13. **Indemnification**. You must indemnify, defend and hold us, our affiliates, and our and their respective stockholders, members, owners, principals, directors, officers, employees, representatives and agents, harmless from any and all losses, expenses, judgments, claims, reasonable attorneys' fees and damages related to the Studio or from your breach of the Franchise Agreement. You must notify us in writing within 5 calendar days of any lawsuit, complaint or proceeding filed by or against you regarding the operation of the Studio and, upon request, must furnish us with copies of all documents related to the lawsuit, complaint or proceeding.

14. **Collection Costs.** If you withhold monies owed to us in the absence of a court order permitting you to do so, you must pay us all reasonable costs, including court costs, attorneys' fees, reasonable value for our employees' time, witness fees and travel expenses incurred in pursuing the collection of the withheld monies.

15. ~~20.~~ **Arbitration and Proceeding Costs**. The prevailing party of any arbitration or other proceeding will be entitled to its reasonable attorneys' fees and costs.

~~21. **Renewal Fee**. If you are approved to renew your Franchise Agreement, you will sign our then-current forms of renewal addendum and franchise agreement (which may contain terms and conditions materially different from those in the form of Renewal Addendum and Franchise Agreement attached to this Disclosure Document) and pay us a renewal fee. The renewal fee is due upon renewal of the Franchise Agreement and is payable by cashier's check or wire transfer.~~

16. **Liquidated Damages**. You will be required to pay us this fee if we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement without cause. Royalties and Marketing Fund contributions will be calculated by multiplying (1) the number of calendar months in the Measurement Period by (2) the aggregate of the Royalties and Marketing Fund contributions percentages by (3) the average monthly gross receipts of the Studio during the 12 full calendar months immediately preceding the termination date. If you have not operated your Studio for at least 12 months preceding the termination date, Royalties and Marketing Fund contributions will be calculated based on the average monthly gross receipts of all Studios during our last fiscal year.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(FRANCHISE AGREEMENT)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[1]	$~~34,900~~39,900	Lump sum	Upon signing Franchise Agreement	Us
Real Property and Utility Security Deposits[2]	$~~3,950~~3,250 - $~~8,100~~6,000	As arranged	As arranged, generally 2 months before opening or when lease is executed	Landlord and utility providers
Leasehold Improvements (net of landlord tenant allowances) [3]	$~~33,000~~27,000 - $~~104,000~~88,000	As arranged	As arranged	Landlord, Approved Suppliers, and contractors and us
Fitness Equipment and Supplies[4]	$26,200	Lump sum	8 weeks before opening	Approved Suppliers
Furniture, Décor and Other Equipment[5]	$~~11,600~~11,700 - $~~13,300~~13,400	As arranged	2–3 weeks before opening	Third-party suppliers
Computer Hardware and Software[6]	$~~8,800~~9,600 - $~~12,100~~13,700	As arranged	4–6 weeks before opening	Us and Approved Suppliers or other third party suppliers
Initial Training Expenses[7]	$~~1,400~~1,350 - $~~4,200~~4,050	As incurred	As incurred	Third-party providers
~~Initial Marketing~~Grand Opening Spend ~~Requirement~~Fee[8]	$~~30,000~~25,000	As arranged	~~Up to 60 days before Studio opening and first 90 days after Studio opening (180 days if you are~~No later than 10 days after the date that you sign an approved lease for your Studio premises (or 10 days after you purchas~~ing~~e an existing Studio).	Us~~, Approved Suppliers, or other third parties~~
Signs[9]	$4,000 - $8,000	Lump sum	6–8 weeks before opening	Approved Suppliers
Business Licenses and Permits[10]	$100 - $1,000	As arranged	6–8 weeks before opening	Government agencies or other licensing authorities

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Insurance[11]	$800 - $900	As arranged	At signing of lease	Approved Supplier
Miscellaneous Opening Costs[12]	$~~0~~20,000 - $~~500~~30,500	As incurred	As incurred	Employees and ~~T~~third-party suppliers
~~Lease Review Fee[13]~~	~~$1,650~~	~~As incurred~~	~~As incurred~~	~~Us~~
Additional Funds (3 months) ~~[14]~~[13]	$~~5,500~~5,000 - $~~34,100~~10,000	As arranged	First 3 months of operation	Landlord, utilities providers, suppliers, other operating expenses
TOTAL ESTIMATED INITIAL INVESTMENT~~[15]~~[14]	$~~161,900~~173,900 - $~~278,950~~266,650			

NOTES:

1. **Initial Franchise Fee**. ~~If this is your second or subsequent~~Unless you are signing a Franchise Agreement under an Area Development Agreement, when you sign a Franchise Agreement to develop a single Studio, you must pay us an ~~i~~Initial ~~f~~Franchise ~~f~~Fee of $~~29,900. We also offer a veteran's and active-duty military discount of $5,000 for the 1st franchise you purchase if you are a veteran or an active-duty member of the military.~~39,900. You must pay the Initial Franchise Fee as a lump sum by wire transfer. The Initial Franchise Fee is fully earned by us when paid by you.

2. **Real Property Deposits and Utility Deposits**. If you do not own retail space adequate to open your Studio, you must lease or rent the retail space from a third party. Studios are typically located in upscale retail areas, and require approximately 1,800 to 2,200 ~~to 2,600~~ square feet. Estimated monthly lease payments range from $~~3,700~~3,000 to $~~7,600~~5,500 (including common area maintenance payments) depending on the size, condition, and location of the leased premises. Your landlord may require a security deposit before leasing the premises to you, which is typically equal to 1 month's rent. Some utility companies also may require a security deposit before commencing services. We estimate the total amount of utility security deposits to be approximately $250 to $500.

3. **Leasehold Improvements (net of landlord tenant allowances).** The cost of construction build-out before occupying the leased premises for your Studio, including the cost of design and architectural services and services performed by one of our Approved Suppliers for construction services, will vary depending on the size of your Studio, the state, city or area in which your Studio is located, the specific location and condition of the premises, the demand for the premises among prospective lessees, the site's previous use, and the nature and extent of improvements required. Typically, costs are higher in large metropolitan areas or if you choose premises with square footage in excess of the high range of ~~2,600~~2,200 square feet. The range disclosed in the chart includes the construction management fee you must pay us in the event we approve an exception to the requirement that you use one of our Approved Suppliers for

construction. The range disclosed in the chart is the range of costs after deducting any landlord allowances (tenant improvements, rent deduction and the like), which may or may not be granted by your landlord, and assumes that the landlord will deliver the premises to you in a "vanilla shell" condition. Your construction costs may be higher depending on all of the factors described in this note.

4. **Fitness Equipment and Supplies**. You must purchase from our Approved Suppliers specific fitness equipment for the operation of the Studio as detailed by us in the Operations Manual. This equipment includes a chest strap and monitoring system that transmits heart rate, calories, and effort in real time to a live display. The range of estimated costs represents the minimum equipment required to the maximum equipment recommended (depending on the square footage of your Studio and the equipment selected). The estimate includes freight and assumes a 5% sales tax rate.

5. **Furniture, Décor and Other Equipment**. You must purchase furniture and décor items for your Studio as specified by us in the Operations Manual or otherwise. These items include items for your Studio's front desk and bathrooms, phone systems, wall art, and a pre-opening membership sales kit. The cost will depend on supplier financing terms (if available), the brands purchased, the quality of the items purchased and other factors. The estimate assumes a 5% sales tax rate.

6. **Computer Hardware and Software**. Before opening your Studio, we typically require you to purchase 2 computer workstations, 2 iPads for client check-in, 3 sensors for the heart-rate monitoring system, 3 televisions and an input device (e.g., Apple TV), a printer, and related equipment and our designated and other software programs. Your minimum requirements for these items are designated in the Operations Manual and in Items 8 and 11 of this Disclosure Document. You must pay us a $499 set-up fee for the set-up of certain required software programs and the technology fee for the 2 months before opening ($545 per month), each of which is included in the estimate range stated in the Table. The estimate includes freight and assumes a 5% sales tax rate.

7. **Initial Training Expenses**. You must pay your own transportation, meals, lodging and any other living expenses for you and any other persons attending the Initial Training outlined in Item 11 of this Disclosure Document, which consists of three phases. The amount you spend per individual will depend on the distance traveled and the type of accommodations you choose. The low estimate contemplates attendance by just you traveling to our Support Center office in Colorado for 5 days. The high estimate contemplates attendance by you and 2 other people traveling to our Support Center office in Colorado for 5 days. ~~For each additional person above 5 designated by you to attend the third phase of Initial Training, you must pay us a $500 fee (which is not refundable under any circumstances), and pay for the additional person's transportation, meals, lodging and other living expenses.~~ The estimates do not include any wages or salary you may choose to pay yourself or others while attending Initial Training.

8. ~~**Initial Marketing Spend Requirement**. During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least $30,000 to advertise, market and promote your Studio. However, if~~**Grand Opening Spend Fee**. No later than 10 days after the date that you sign an approved lease for your Studio premises (or 10 days after the date you purchase an existing Studio), ~~the $30,000 Initial Marketing Spend Requirement applies during the first 180 days after you take possession of the Studio. The Initial Marketing~~you must pay to us the Grand Opening Spend Fee of

$25,000 by ACH. The Grand Opening Spend ~~Requirement~~Fee is in addition to your ~~Ongoing~~Local Marketing Spend Requirement. ~~The Initial Marketing Spend Requirement will be used~~We will use the Grand Opening Spend Fee to advertise, market~~,~~ and promote your Studio in accordance with a marketing plan that we determine in our sole discretion. We may require you to spend the Grand Opening Spend Fee directly (rather than pay us the Grand Opening Spend Fee), and if we so request, you will advertise, market, and promote your Studio in accordance with an advertising and marketing plan we approve before the opening of your Studio. ~~We have the right to obtain from you information with respect to the results achieved from meeting your Initial Marketing Spend Requirement and implementing your approved advertising and marketing plan. We also reserve the right to require you to pay us the Initial Marketing Spend Requirement. If we require you to pay us the Initial Marketing Spend Requirement, we will advertise, market, and promote your Studio on your behalf.~~

9. **Signs**. The estimate includes our required interior signs and 1 exterior sign which bear the Marks. The cost of the signs varies depending on the type, size and location of the sign, and may also be affected by shipping costs, as well as local zoning and other ordinances and regulations and landlord restrictions. If you want additional exterior signs, your cost will be higher.

10. **Business Licenses and Permits**. The cost includes the licenses and permits required to operate a Studio in your location. The license and permit requirements are specific to the state and city/town in which your Studio is located. Certain states may require that you file and post a bond for pre-opening membership sales, the estimated cost of which is not included in the table.

11. **Insurance**. You must obtain insurance coverage from our Approved Supplier with the limits required by us as described in Item 8 of this Disclosure Document. Your landlord may require additional insurance. Under our required insurance program, you pay 20% of the annual premium up front and the remaining premiums for the year in equal installments on a monthly basis. The estimate shown in the table reflects the initial 20% payment, which is paid before your Studio opens. However, franchisees have the option of paying the entire annual premium up front. If you elect to pay your entire annual insurance premium up front, these figures will be higher.

12. **Miscellaneous Opening Costs**. This cost includes pre-opening labor costs (excluding a draw or salary for you or your manager if you are not the manager but including payroll costs you may incur in obtaining pre-opening membership sales) and other start-up costs and expenses (including employee-recruitment costs) but does not include any advisor fees or bank financing costs you may incur.

~~13. **Lease Review Fee.** When you enter into a letter of intent for the lease of your Studio premises, you will be required to pay us or our Approved Supplier (which may be an affiliate of ours) this fee. We will charge you only one lease review fee, unless you refuse to sign a lease that we have approved and we are then required to review other leases for the Studio location.~~

13. ~~14.~~ **Additional Funds (first 3 months of operations)**. The range of estimated costs represents your estimated initial start-up expenses (other than the amounts separately identified in the table), which include payroll costs ~~(excluding a draw or salary for you or your manager if you are not the manager but including payroll costs you may incur in obtaining pre-opening membership sales)~~, lease payments, advertising and marketing expenses, uniform expenses, the costs of supplies, and other operating expenses. The 3-month period is not intended, and should

not be interpreted, to identify a point at which your Studio will break even. This estimated amount may vary based on a number of factors, including the extent to which you follow our methods and procedures, local economic conditions, the local market for your services, competition, sales levels, local wage rates (and the prevailing minimum wage rate in your jurisdiction), owner's salary, the extent of your actual participation in the Studio, your business acumen, your partners or shareholders (if applicable), and any other persons involved in the Studio. We have ~~not previously offered franchises for the Fit 36 franchise program. Accordingly, we have~~ relied on our and our affiliates' many years of business experience in selling and supporting Elements ~~and~~, Fitness Together, and Fit 36 franchises to compile these estimates.

14. ~~15.~~ **Total Estimated Initial Investment**. You should review these figures carefully with your professional advisors, including financial and legal advisors, before making any decision to purchase a Studio. The amounts may vary based on your geographic location. You should consider the costs of each of the items described in this Disclosure Document in your geographic location. ~~If you are converting your existing business to a Studio, your actual investment may vary depending on the size of your Studio premises, the scope of the leasehold improvements required by us, and whether we approve your existing equipment and supplies for use in your Studio after the conversion.~~ Fees paid to us are not refundable under any circumstances, unless otherwise stated in the Franchise Agreement. Fees or costs due to any other entity are subject to the terms set under their agreements. Inflation, discretionary expenditures, fluctuating interest rates and other factors may affect your actual costs to open your Studio. You are responsible for all costs and variances from the estimated costs in this Item 7, or variances from any other estimates we may provide during any phase of the development of your Studio. The availability and terms of financing depend on the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation. We do not currently finance any portion of the initial investment.

YOUR ESTIMATED INITIAL INVESTMENT

(AREA DEVELOPMENT AGREEMENT)

Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Development Fee[1]	$79,800 to $199,000	Lump sum	Upon signing Area Development Agreement	Us
Additional Funds (3 months)[2]	$0	Not applicable	Not applicable	Not applicable
TOTAL ESTIMATED INITIAL INVESTMENT[3]	$79,800 to $199,000			

NOTES:

1. **Development Fee**. If we grant you the right to develop 2 or more Studios under an Area Development Agreement, you must pay us a one-time Development Fee upon executing your Area Development Agreement. Your Development Fee will depend on the number of Studios we grant you the right to develop within the Development Area and is calculated as follows: (1) $79,800 if you sign an Area Development Agreement in which you agree to develop 2 studios; (2) $29,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 3 to 5 studios; (3) $24,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 6 to 9 studios; and (4) $19,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop 10 or more studios. Typically, an area developer is expected to develop 2 to 10 Studios and the range of the Development Fee in that case would be $79,800 to $199,000. The Development Fee is due in a lump sum when you sign your Area Development Agreement. The Development Fee is fully earned by us upon your execution of the Area Development Agreement.

2. **Additional Funds (3 months)**. Based on our and our affiliates' many years of business experience in selling and supporting Elements, Fitness Together, and Fit 36 franchises, we estimate that you will not require any additional funds for the first three months of operating your development business. However, as described in Note 3 below, you will incur fees and expenses in opening each Studio you commit to develop under the Area Development Agreement. Those additional funds are reflected in the table above reflecting the initial investment necessary to commence operation of a Studio.

3. **Total Estimated Initial Investment**. This amount is in addition to the fees and expenses you will incur in opening each Studio you commit to develop under the Area Development Agreement. Fees paid to us are not refundable under any circumstances. We do not currently finance any portion of the initial investment for an Area Development Agreement.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To maintain the quality, consistency, and goodwill of the Franchise System, you must comply with and maintain our System Standards. We can modify, amend and change our System Standards, the Operations Manual or any other standards and specifications at any time, and will notify you of any such modifications. Notifications may be made by various means, including written or electronic correspondence, verbal or telephone communication, amendments or updates to the Operations Manual, bulletins and similar means of communications.

We may designate specific products or services that you must purchase. You may be permitted to purchase a product or service from a vendor of your choice and, in those cases, we may, but are not obligated to, provide you with a list of preferred vendors. However, we may require that you purchase the products or services only from certain manufacturers, vendors, distributors, suppliers and producers we approve, which may be us or our affiliates (collectively, "Approved Suppliers") and you will be required to purchase those products or services only from the Approved Suppliers and no other supplier or vendor.

We reserve the right to require you to purchase consumer merchandise (such as apparel, beverages, nutritional supplements, and workout gear), which may or may not be branded with the Marks ("Fitness Products"). You must prominently display the Fitness Products for sale at your Studio and in the manner that we designate. You must purchase the Fitness Products only from Approved Suppliers. You must reorder and stock Fitness Products as reasonably necessary to meet expected consumer demand at the Studio.

To the extent we have designated Approved Suppliers for products or services, you must purchase those products or services only from the Approved Suppliers (which may be one supplier for any given product or service) under terms, in the manner, and from the source designated by Franchisor or any of its affiliates. We currently have designated Approved Suppliers for Fitness Products, advertising and promotional materials and other stationery supplies, digital marketing services, design, architecture and construction services, ~~lease review,~~ furniture and fixtures, fitness equipment (including a required chest strap and monitoring system that transmits heart rate, calories, and effort in real time to a live display), Studio insurance, music services, software (including scheduling/point-of-sale software and customer satisfaction software), uniforms and apparel, signs, and hotel accommodations. During the term of the Franchise Agreement, we may require you to purchase other items or services only from Approved Suppliers (which might include us or our affiliates). Except as stated below, neither we nor our affiliates are currently an Approved Supplier of any goods and services, though we may become an Approved Supplier for additional goods and services in the future.

Approval of Alternative Suppliers. With respect to products or services for which we have designated 1 or more Approved Supplier(s), you may request that we permit you to purchase from an alternative supplier other than an Approved Supplier by submitting a written request for our approval. ~~Our~~ We do not charge you a fee for evaluating the requested supplies or supplier ~~is $100 per hour, which you must pay to us when billed~~. We will typically provide a response to the written request within 30 days from our receipt of the request. We may require that samples of the product produced by the proposed alternative supplier be delivered to us for review and testing. We do not make available to our franchisees our criteria for approving suppliers. We may withhold approval of a supplier for any reason. We will not approve a new supplier or continue to approve any supplier unless the supplier has agreed that we have a right to inspect the supplier's premises and products. If any inspection discloses a supplier's failure to maintain our specified criteria for products or services, we may revoke our approval by providing you written notice of the revocation. If an exclusive supplier already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new vendor, your request for a new vendor likely will be rejected without further review or investigation.

Advertising

All advertising and promotional materials, signs, and other items we designate for use in your Studio must bear the Marks in the form, color, location and manner we specify, and you must obtain all such materials from Approved Suppliers. Your advertising and promotional materials must meet our standards and specifications as described in our Operations Manual. You may prepare and use your own advertising and promotional materials only with our advance written approval. We will provide a written response to your request for approval within 30 days after we receive it.

We require you to use our social media program for the management of social media including Facebook, Google, mapping management and other social technologies that we periodically integrate.

You must prominently display a statement in your Studio that clearly indicates your Studio is independently owned and operated by you and that you are not our agent. In addition, you must display our standard franchise opportunity sign in a highly visible area of your Studio.

You agree to play only the types of music and display only the types of visual entertainment, at the decibel levels and using the equipment and in the manner that we prescribe at your Studio.

Insurance

Throughout the term of the Franchise Agreement (including any renewal periods) you are required to maintain certain minimum amounts and types of insurance coverage as we periodically specify in the Operations Manual or otherwise in writing. Except for worker's compensation insurance, which you may obtain from your payroll provider or any reputable insurer maintaining a minimum rating of A by A.M. Best, and owned-auto insurance, which you may obtain from any reputable insurer maintaining a minimum rating of A by A.M. Best, you must purchase insurance from our Approved Supplier which represents insurance carriers with a performance rating of A or higher as rated in the most recent edition of Best's Insurance Reports. Currently we require, at a minimum, the following types of insurance and minimum coverage limits: (a) general liability limits not less than $1,000,000 per occurrence ($2,000,000 in the aggregate); (b) professional liability coverage due to errors or omissions in the performance of services at your Studio with limits not less than $1,000,000 per occurrence ($2,000,000 in the aggregate); (c) hired and non-owned auto liability limits not less than $1,000,000 per occurrence; (d) owned-auto combined single liability limits not less than $100,000; (e) sexual abuse and molestation limits not less than $100,000 per occurrence ($300,000 in the aggregate); (f) cyber liability limits not less than $1,000,000 in the aggregate; (g) employment practices liability limits not less than $100,000 in the aggregate; (h) property insurance limits in amounts that adequately protect your business personal property, fixtures, improvements and business interruption and extra expense exposures; and (i) worker's compensation insurance (in compliance with state and local laws). The types of coverage and minimum coverage limits we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverage and coverage limits which are or might be appropriate for your particular Studio. Additional types of coverage and higher coverage limits might be appropriate based upon, for example, the location of your Studio, and we recommend that you consult with your insurance advisor regarding the appropriate types of coverage and coverage limits sufficient to protect your Studio.

Before you open your Studio~~ (or convert your existing business to a Studio)~~, and then a minimum of annually or at our request, you must provide us or our designee with copies of each certificate of insurance (including those of each of your employees, if then required) together with evidence of payment of premiums. The certificates must show the minimum limits of coverage required by us and must provide that the insurance cannot be canceled, terminated, materially amended or modified without providing us and any other additional insureds 30 days advanced written notice. ~~If you fail to obtain or retain the insurance that we require, we may, but are not obligated to, obtain insurance for you, and you must reimburse us for all related premiums, plus our reasonable costs in obtaining the insurance. ~~Each insurance policy for your Studio must designate as additional insured parties, us and, if requested by us, any of our affiliates or Area Directors or other parties we may periodically designate.

Products, Equipment, Furniture and Fixtures, and Supplies

You will at all times maintain sufficient products, equipment, furniture and fixtures, and supplies to permit your Studio to operate at maximum capacity. Some of these items may only be available from 1 source, and we or our affiliates may be that source. Items that you are not required to purchase from an Approved Supplier can be purchased from any supplier, so long as the suppliers and supplies you purchase meet our System Standards and other specifications and quality standards.

We have negotiated purchase arrangements with certain Approved Suppliers for the benefit of the Franchise System. We or our affiliates may derive revenue or profit from your dealings with the Approved Suppliers in the form of rebates, cash payments, discounts, promotional allowances, and/or other payments. We have these types of arrangements only with the Approved Suppliers disclosed in this Item 8. We also derive revenue on direct purchases that you make from us or from our affiliates. We retain all of the rebates, commissions or other consideration we are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

Revenue from Third-Party Suppliers Based on Franchisee Purchases

The third-party Approved Suppliers from whom we receive rebates, cash payments, discounts, or other consideration as a result of your purchase of certain equipment, supplies, products and services are listed below.

> *Insurance*. You must purchase insurance from our Approved Supplier which represents various insurance carriers. We receive 10% of the total commissions that this Approved Supplier receives from the insurance carriers from whom they obtain your required insurance coverage. In the fiscal year ended December 31, ~~2016~~2017, we received payments of $~~492~~3,293 from this Approved Supplier, all of which we contributed toward expenses associated with our annual franchisee conference.

Revenue We or Our Affiliates Receive from Franchisee Purchases

We or our affiliates derive revenue from required purchases by you as follows:

> *Technology Fees*. You must pay us a set-up fee and a monthly fee to use the required point-of-sale and other management information software programs required to operate your Studio. The monthly fee is included in the technology fee payable to us. A portion of the monthly technology fee is remitted to the licensors of the software programs and we retain a portion of the monthly fee. In fiscal year ended December 31, ~~2016~~2017, we derived $~~24,087~~85,583 in revenues from our franchisees' use of the required software programs and websites, which was ~~9.3~~10.0% of our total revenues of $~~258,019~~855,046.

Our affiliates did not receive any revenues from our franchisee purchases during the fiscal year ended December 31, ~~2016~~2017.

Except as described above, neither we nor any of our affiliates are currently an Approved Supplier of any other product or service. We are not aware of any rebates paid by Approved Suppliers to our area directors based on required purchases by franchisees, and we prohibit area directors from receiving such rebates.

We estimate that the cost of your purchases from designated or approved suppliers, or according to our standards and specifications will range from approximately 83% to 86% ~~to 95%~~ of the total cost of establishing, and approximately ~~9~~19% to ~~12~~24% of the total cost of operating, your Studio.

None of our officers owns an interest in any of our Approved Suppliers. Currently, there are no purchasing or distribution cooperatives in the Franchise System.

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	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	2.1, 2.2, 2.4, ~~4.12,~~ 7.2 ~~(Conversion Addendum Sections 2, 3 and 6)~~ Area Development Agreement – 2.B	5, 7, 8, 11, 12
b.	Pre-opening purchase/leases	4.5, 4.7, 5.4, 5.5, 7.5(c), 7.5(e), 7.5(g), 7.5(n), 7.6(i), 8.6 ~~(Conversion Addendum Section 5)~~	5, 7, 8, 11
c.	Site development and other pre-opening requirements	5.4, 5.5, 7.3, 7.6(i) ~~(Conversion Addendum Section 6 and 8)~~ Area Development Agreement – 2.B	5, 7, 8, 11
d.	Initial and ongoing training	5.2, 5.3, 7.5(d), 7.6(a)	6, 7, 11
e.	Opening	7.3(b) ~~(Conversion Addendum Section 7)~~ Area Development Agreement – 1.B, 2.D	5, 7, 11
f.	Fees	4, 5.2, 5.3, ~~5.4,~~ 7.3(a), 7.3(b), 7.5(h), ~~7.6~~7.5(m), 8.1(c), 8.4, 8.6, 10.3, 10.6(b), 10.7, 11.1(m), 11.1(p) ~~(Conversion Addendum Section 4)~~ Area Development Agreement – 3	5, 6, 7, 8, 11
g.	Compliance with standards and policies/ Operations Manual	4.9, 5.4, 7.5, 7.6	1, 8, 11, 13, 14, 15, 16
h.	Trademarks and proprietary information	6, 7.5(b), 7.5(e), 7.6, 12.4 Area Development Agreement – 4	8, 11, 13, 14, 16
i.	Restrictions on products/services offered	7.5(c), 7.5(k), 7.6, 8.6	8, 11, 16
j.	Warranty and customer service requirements	7.5(m) and 7.6(r)	8, 11, 16
k.	Territorial development and sales quotas	2.3 Area Development Agreement – 2.D	12
l.	Ongoing product/service purchases	4.5, 4.7, 5.4, 7.5(c), 7.5(e), 7.5(f), 7.5(g), 7.5(m), 7.6(i), 8.6	6, 8, 11
m.	Maintenance, appearance and remodeling requirements	3.2(h), 7.6(i), 7.6(u), 7.6(v), 7.6(x~~)~~ ~~(Conversion Addendum 7~~)	8, 11, 17

Obligation		Section in Franchise Agreement	Disclosure Document Item
n.	Insurance	7.4, 7.6(c~~) (Conversion Addendum Sections 9 and 10~~)	6, 7, 8
o.	Advertising	4.11, 7.6(h), 8	6, 8, 11
p.	Indemnification	9 Area Development Agreement – 8.B	6
q.	Owner's participation/management/staffing	5.2, 7.1, 7.5(d), 7.6(a)-(c) Area Development Agreement – 1.D	15
r.	Records and reports	7.5(e), 7.5(g), 7.5(l), 7.6(n), 7.6(w) Area Development Agreement – 2.E	N/A
s.	Inspections and audits	7.5(e), 7.5(h), 7.5(l)	6
t.	Transfer	11 Area Development Agreement – 6	6, 17
u.	Renewal	3.2	6, 17
v.	Post-termination obligations	10.4, 10.5, 12.2, 12.4 Area Development Agreement – 7.B, 7.C	6, 17
w.	Non-competition covenants	7.6(s), 12.1, 12.2, 12.4 Area Development Agreement – 5, 7.C	17
x.	Dispute resolution	14 Area Development Agreement – 9	17
y.	Other: Licenses	7.3, 7.5, 7.6(c)	1, 7

ITEM 10. FINANCING

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

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

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

Pre-Opening Assistance (Franchise Agreement). Before you open your Studio, we or our authorized representative will assist you with the following:

1. **Site Selection Assistance**. Although we or a third party may assist you in finding a site, it is your sole responsibility to locate suitable premises for your Studio. We will make the final determination to approve or not approve any site that you propose to us. We must review and approve any lease for your Studio premises. Our review of your lease is for our benefit and the benefit of the Franchise System. We make no guaranty or assurance that any particular site or area in which you have expressed an interest will be available, and your obligations under the Franchise Agreement are not conditioned upon securing any particular site or a site in a particular area. Our review and approval is conditioned on a variety of factors including the site's demographics, location, and proximity to other businesses, the character of the neighborhood, the size and appearance of the premises to be leased, and other characteristics and criteria that may change. Upon executing the Franchise Agreement, you must begin searching for a site for your Studio, making diligent efforts to work with us (or a third party that we may designate) to review site information, view locations and review letters of intent, so that you can locate a site and sign a lease in a timely manner. Although there is no deadline by which you are

required to select a site, you must open your Studio within 1 year after you sign the Franchise Agreement or we may terminate the Franchise Agreement. ~~However, despite our right to terminate the Franchise Agreement if you fail to open your Studio within 1 year, we reserve the right to grant you a one-time, 1-year extension. If we grant you this 1-year extension and you do not have a signed lease 1 year after you sign the Franchise Agreement, you will pay us a $7,500 extension fee. If you are converting your existing business to a Studio, you must complete the conversion within 180 days after you sign the Franchise Agreement.~~ (Sections 2.2, 7.2 and 7.3(b) of the Franchise Agreement ~~and Sections 7 and 8 of the Conversion Addendum~~)

You and your legal and other advisors are solely responsible for negotiating the terms of the lease for your Studio premises, including negotiating the terms of our required Letter of Intent and Lease Addendum attached as Exhibit 6 to the Franchise Agreement. You (and not any of your affiliates or owners) must be the tenant on the lease for your Studio's premises. Any review of your lease by us or by our legal counsel is for our benefit and not for your benefit. (Section 7.2 of the Franchise Agreement)

We do not typically own or lease any Studio sites.

2. **Site Design and Layout Specifications**. We, or at our option, our Approved Supplier will provide you with specifications and guidelines for the design and layout of a typical Studio, as well as the typical leasehold improvements necessary to complete the build-out of your Studio premises. You must obtain our written approval before making any alterations to the design and layout of the Studio or make replacements or alterations to the equipment, furniture and fixtures or signs we require that you use in opening and operating ~~(or converting)~~ your Studio. (Sections 5.5, 7.3(a) and 7.6 of the Franchise Agreement ~~and Section 6 of the Conversion Addendum~~)

3. **Equipment, Furniture and Fixtures, Inventory and Supplies**. We will provide you with specifications and guidelines for the equipment, furniture and fixtures, inventory and supplies necessary to open your Studio, a portion of which currently must be purchased from our Approved Suppliers (but may in the future be required to be purchased from us). These specifications and guidelines are contained in the Operations Manual or elsewhere as we may designate. Other required equipment, furniture and fixtures, inventory and supplies may be purchased from any supplier, so long as the supplier and the items purchased meet our specifications. We do not deliver or install any items. Some Approved Suppliers may perform installation services; in other cases you will be responsible for installation or obtaining installation services from a third party. (Sections 4.5 and 5.4 of the Franchise Agreement)

4. **Operations Manual**. We will make available online our Operations Manual or other manuals or written materials we have or may designate for use in the Franchise System (and appropriate updates and revisions) (as more fully described below). (Section 7.5 of the Franchise Agreement)

5. **Training**. As more fully described below, after you sign a lease for your Studio premises and before you open your Studio, we or our designee will provide initial training ("Initial Training"). You are responsible for all travel, living, and miscellaneous expenses for all individuals who attend Initial Training. (Section 5.2 of the Franchise Agreement)

6. **Grand Opening**. As more fully described below, we will use the $25,000 Grand Opening Spend Fee you pay us to advertise, market, and promote your Studio in accordance with a marketing plan that we determine in our sole discretion. (Section 8.2 of Franchise Agreement)

7. ~~6.~~ **Opening Requirements and Support**. The typical length of time from the date you sign the Franchise Agreement to the opening of your first Studio is approximately 8 to 12 months. The amount of time it will take you to open your Studio will depend on factors such as the location of the business, condition of the leased space, contractor and construction schedules, the time it takes to obtain required licenses and permits, zoning requirements, weather, availability of equipment and supplies, the economy and other factors. The Franchise Agreement requires that your Studio be open and operating within 1 year after the effective date of the Franchise Agreement, unless otherwise approved by us in writing. If you ~~convert your existing business to a Studio, you must complete the conversion within 180 days after the effective date of the Franchise Agreement. If you~~ do not open by the required date, we may terminate the Franchise Agreement. If you purchase more than 1 Franchise Agreement at the same time, you must open each additional Studio within the period after the effective date of the Franchise Agreement as we may designate, typically within 2 years after the effective date of the 2nd Franchise Agreement and 3 years after the effective date of the 3rd Franchise Agreement. However, we have the right to designate such other periods of time as we may determine. (Section 7.3(b) of the Franchise Agreement ~~and Section 7 of the Conversion Addendum~~)

We or our designee will provide, at no additional cost to you, ~~no less than~~ 2 to 5 days of on-site assistance and support in connection with the opening and initial operations of your Studio. We will determine the duration of on-site assistance and support based on factors such as whether you are a new or existing franchisee, how long the franchisee would like us to remain on-site, and the availability of our personnel. We have discretion to determine the individuals who will provide this on-site support. If, upon the arrival of the support team at your Studio, we determine that you are not ready to open your Studio, or if we determine that you require or would benefit from more than ~~2~~5 days of on-site opening support, you will be responsible for the reasonable travel and living expenses incurred by our support team in providing the postponed or additional assistance. (Section 5.2 of the Franchise Agreement)

You may not open your Studio for business until we notify you that you have properly equipped your Studio; you and your employees and other personnel have successfully completed the applicable training to our satisfaction; you have paid all amounts due to us and our Approved Suppliers and other vendors; you have obtained all required licenses and permits to operate your Studio; you have obtained our required minimum insurance coverage for your Studio and have provided us with a certificate of insurance and evidence that you have paid your insurance premium; if you are an individual, you transfer ownership of your Studio to an entity; and you have sold a minimum of 200 pre-opening membership sales. (Section 7.3(b) of the Franchise Agreement ~~and Section 7 of the Conversion Addendum~~)

Pre-Opening Assistance (Area Development Agreement). After you sign an Area Development Agreement, but before you open a Studio, we or our authorized representative will assist you with the following:

1. **Site Selection Assistance**. Review sites you propose for the development of a Studio and, if approved, issue you a Franchise Agreement. We are obligated to use reasonable efforts to provide you with our decision within 30 days of our receipt of all requested information and materials regarding the proposed site. (Section 2.B of Area Development Agreement) In determining whether to approve the sites you propose for future Studios and the Protected Areas (defined in Item 12) for those Studios, our then-current standards will apply.

Post-Opening Assistance. During the operation of your Studio, we or our authorized representative (which may be an affiliate of ours) will perform for you the following services:

1. **Equipment, Products and Materials**. We, or our Approved Suppliers, will make equipment, products and materials available to you at the prices disclosed in the Operations Manual, or other prices we designate, as may be periodically amended. (Sections 4.4 and 5.4 of the Franchise Agreement)

2. **Operational Advice and Support**. Periodically, we will provide you with operational support, assistance and consultation in person, by telephone, or otherwise, as we determine is appropriate. This advice may be based on periodic inspections of your Studio we or our authorized representatives perform. (Section 5.6 of the Franchise Agreement)

3. **Marketing and Advertising Support**. Periodically, we will provide you with recommendations and guidelines for advertising and promoting your Studio (as more fully described below). (Section 5.6 of the Franchise Agreement)

4. **Computer Software**. We will provide you the computer software required for conducting point-of-sale transactions, management information processes and activities and other business activities for a monthly technology fee of $545 per month plus an additional $7.50 per month per email user in excess of 4. (Section 4.7 of the Franchise Agreement)

5. **Operations Manual**. We will make available online our Operations Manual or other manuals or written materials we have or may designate for use in the Franchise System (and appropriate updates and revisions) (as more fully described below). (Section 7.5 of the Franchise Agreement)

We are not obligated to provide you any post-opening assistance under the Area Development Agreement.

Advertising

Marketing Fund. You must contribute the greater of 2% of your Studio's gross receipts or $500 per month to the Marketing Fund (subject to a maximum monthly contribution of $1,000). We have the right to collect for deposit into the Marketing Fund any advertising, marketing, or similar allowances paid to us by suppliers to the Franchise System who instruct us to use the allowances for advertising or marketing purposes. We may incorporate the Marketing Fund or operate it through a separate entity as we deem appropriate. We have no fiduciary obligations to you in connection with our administration of the Marketing Fund. We do not use any of the funds contributed to the Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Marketing Fund on the same basis as you and our other franchisees.

We designate all programs to be financed by the Marketing Fund and have sole control over the creative concepts, materials, and endorsements prepared and used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials (including marketing and promotional materials and local store marketing advertisements we prepare) and electronic media; administering regional and multi-regional marketing and advertising programs, including purchasing space in print publications, direct mail, radio and other media advertising and for advertising, promotion, and marketing agencies and other advisors who provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing activities; developing and maintaining websites for the Franchise System; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); and developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices.

The Marketing Fund will advertise in printed materials, on radio or television for local, regional or national circulation, and via digital media. We and/or our regional or national advertising agency will produce all advertising and marketing. We determine the use of the funds contributed to the Marketing Fund, including allocating a portion of any Marketing Fund contributions to any regional advertising programs we may establish in the future. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Studio will be located. In addition, we are not required to ensure that Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of advertising and marketing materials directly or in proportion to its Marketing Fund contributions. We intend for the Marketing Fund to promote the applicable Marks, patronage of Studios, and the ~~Fit~~FIT36® brand generally. We may use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as specifically provided in the Franchise Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Marketing Fund.

We do not currently have a marketing committee or other type of franchisee advertising council, but we reserve the right to establish one.

We account for the Marketing Fund separately from our other funds and do not use the Marketing Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Marketing Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions. The Marketing Fund is not our asset and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If we terminate the Marketing Fund, we will spend all unspent amounts on marketing services.

We prepare annual unaudited financial statements for the Marketing Fund that are available to you upon written request 120 days after the end of the Marketing Fund's fiscal year. We are not required to audit the Marketing Fund but may do so at our discretion.

In the fiscal year ended December 31, ~~2016~~2017, the Marketing Fund contributions were utilized as follows: ~~60.4~~70.5% for production; ~~21.0~~2.9% for media placement; ~~7.1~~9.1% for administrative expenses; and ~~11.5~~17.5% on other expenses (consisting of ~~9.0~~16.4% for public relations; and ~~2.5~~1.1% for research and test marketing).

Marketing Cooperatives. We may ~~establish a Marketing Cooperative in~~designate a geographic area in which 3 or more Studios are located as an area in which to establish a Marketing Cooperative. The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. We will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration ~~and~~, determination of contribution levels, and the collection of contributions from members. All Marketing Cooperatives will be governed by written documentation generated and/or designated by us. Such documentation is available for Marketing Cooperative member review. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving 1 vote. We may form, modify, change, dissolve, or merge Marketing Cooperatives. Funds contributed to a Marketing Cooperative will not be utilized to solicit new franchise sales. As of the date of this Disclosure Document, there are no Marketing Cooperatives in existence.

~~**Initial Marketing Spend Requirement**~~. ~~During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least $30,000 to advertise, market and promote your Studio. However, if~~**Grand Opening Spend Fee**. No later than 10 days after the date that you sign an approved lease for your Studio premises (or 10 days after the date you purchase an existing Studio), ~~the $30,000 Initial Marketing Spend Requirement applies during the first 180 days after you take possession of the Studio. The Initial Marketing~~you must pay to us a Grand Opening Spend Fee of $25,000 by ACH. The Grand Opening Spend ~~Requirement~~Fee is in addition to your ~~Ongoing~~Local Marketing Spend Requirement ~~described below. The Initial Marketing Spend Requirement will be used~~. We will use the Grand Opening Spend Fee to advertise, market, and promote your Studio in accordance with a marketing plan that we determine in our sole discretion. We may require you to spend the Grand Opening Spend Fee directly (rather than pay us the Grand Opening Spend Fee), and if we so request, you will advertise, market, and promote your Studio in accordance with an advertising and marketing plan we approve before the opening of your Studio. ~~We have the right to obtain from you information with respect to the results achieved from meeting your Initial Marketing Spend Requirement and implementing your approved advertising and marketing plan. We also reserve the right to require you to pay us the Initial Marketing Spend Requirement. If we require you to pay us the Initial Marketing Spend Requirement, we will advertise, market, and promote your Studio on your behalf.~~

~~Ongoing~~Local Marketing Spend Requirement. ~~Beginning on the date your Studio opens for business~~You must pay us the Local Advertising Fee of $950 per month. In addition, you must spend a minimum of ~~$3,500 per month on~~2% of the gross receipts of your Studio toward approved advertising, marketing and promotional programs for your Studio ~~as your Ongoing~~within an area reasonably surrounding your Studio (the "Local Spend Amount"). We will refer to the Local Advertising Fee and your Local Spend Amount together as the "Local Marketing Spend Requirement." Your ~~Ongoing~~Local Marketing Spend Requirement excludes any contributions you make to the Marketing Fund, but ~~does include~~ any contributions you make to a Marketing Cooperative will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the ~~minimum Ongoing Marketing Spend Requirement. In addition, we have the right to collect all or a portion of your minimum Ongoing Marketing Spend Requirement and use those funds for local, regional or national advertising or promotional programs~~Local Spend Amount. We currently collect the ~~Contribution Amount (currently, $1,961.50)~~Local Advertising Fee on the 15th day of each month for the preceding month. We may change the day of the month on which we collect the ~~Contribution Amount, and we may reduce or increase (up to the Ongoing Marketing Spend Requirement) the Contribution Amount.~~Local Advertising Fee. We or our affiliates may be an Approved Supplier of local advertising, marketing and promotional programs for your Studio.

Your Advertising and Marketing Materials; Website. Your (and your Marketing Cooperative's) advertising, promotion, and marketing must be clear, factual and not misleading, conform to the highest standards of ethics and comply with all advertising and marketing policies that we periodically prescribe. You cannot use any advertising or marketing materials unless we have prepared the materials on your behalf, or unless and until you receive our written approval of the materials. We will respond to you within 30 days of receiving any request for approval of your marketing and advertising materials.

At least 90 days before you open your Studio ~~(or if you are converting your existing business to a Studio, at least 90 days before the conversion of your existing business, or purchasing an existing Studio, at least 30 days before taking possession of the Studio)~~, you must submit to us a completed trade area survey and submit to us for approval an advertising and marketing plan describing your pre-opening advertising plan and your plan for the first 3 months after the opening~~, conversion~~ or purchase. You will not be permitted to open and/or operate your Studio until we receive the completed trade area survey and approve this advertising and marketing plan. Following such period, and during the term of your Franchise Agreement, you must prepare and execute an advertising and marketing plan that you must provide to us upon our request. You must also provide to us upon request information about the results achieved from implementing your advertising and marketing plan and meeting your ~~Ongoing~~Local Marketing Spend Requirement.

Restrictions on advertising apply to any and all advertising materials and information relating to us, you, your Studio or the Franchise System, including what you plan to use on a website or in social media and to any changes to any website and social media information.

Studio Website. You must pay us or a party we designate a fee to establish and maintain a website for your Studio. This fee is currently included in the technology fee specified in Item 6 ($545 per month), but we reserve the right to charge you additional fees for the Studio Website. If you own more than 1 Studio, you must maintain a separate website for each of your Studios. You must use our Approved Suppliers to set-up, design and host your Studio website. We retain the right to require you to cease maintaining your Studio website and participate, at your cost, in a website that we, at our option, maintain for all Studios. Your Studio website, including any pictures or other media you may post on the Studio Website, must comply with all applicable laws, such as laws governing copyright.

Social Media. We require you to use our social media program for the management of social media including Facebook, Google, mapping management and other social technologies that we periodically integrate. You may use any social media website or any other Internet community that we approve. You must follow our guidelines when using social media. You may be required to obtain our approval of any message you compose for or post on social media website. We may revoke our approval to use any social media website at any time. Your use of social media, including any pictures or other media you may post, must company with all applicable laws, such as laws governing copyright.

Computer Systems

General. Our required computer systems (including the hardware and software programs described below) will allow you to generate and store a variety of information, including the amount of sales generated by your Studio, client profiles, client scheduling information, and payroll information. In order to operate your computers, you will need a high-speed internet connection and a keyboard, mouse, color monitor and laser or ink-jet color printer. You must keep your computers in good working order and must provide any upgrades necessary at your cost. We and our affiliates and authorized representatives will have direct and independent access to your computers and other systems, and the information and data generated by your computer systems. There are no contractual limitations on our and our affiliates' right to access this information and data.

Computer Hardware. The minimum computer hardware requirements are specified in the Operations Manual or otherwise in writing by us. We typically require you to have 2 computer workstations. Some of the minimum requirements include the Windows 10 operating system, a Core I5 Intel processor, 8 GB random access memory, and a 500 GB hard drive operating the Microsoft Windows operating system. You may use any brand of computer hardware that meets these specifications and may acquire your computer hardware from any source. We also require you to have certain peripherals, such as printers, 2 iPads for client check-in, 3 sensors for the heart-rate monitoring system, and 3 televisions and an input device (e.g., Apple TV). We estimate that the cost to purchase the minimum computer hardware, software and peripherals will be approximately $~~8,800~~9,600 to $~~12,100~~13,700, which includes the software set-up fee described below and a technology fee for the 2 months before opening ($545 per month). The estimate includes freight and assumes a 5% sales tax rate.

Computer Software. We require you to use the designated software programs described in the Operations Manual or otherwise in writing by us. Currently, before you open your Studio~~ (or if you are converting your existing business to a Studio, within 30 days after you sign the Franchise Agreement or on another date we may approve)~~, you must pay us a $499 set-up fee for the set-up of the required software programs. You must also pay us a monthly technology fee of $545 per month plus an additional $7.50 per month per email user in excess of 4. (See Item 6). You may be required to enter into a license, lease or similar agreement (typically a “clickwrap” style agreement) in order to obtain the right to use designated software programs.

Computer Hardware and Software Upgrades. During the term of your Franchise Agreement, you must maintain, repair and upgrade any hardware component or software program periodically in order to maintain compatibility with the components and programs we require, including upgrading your software based on periodic releases provided by the licensor of the computer systems and programs. There is no annual minimum cost for optional or required maintenance, updating, upgrading, and support contracts for your computer system. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to your hardware components or software programs. You must obtain and use any computer system components that we may later specify, and/or obtain service and support, as we require. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs.

Operations Manual

We will make available online, 1 copy of our Operations Manual or other manuals or written materials we have or may designate for use in the Franchise System (and appropriate updates and revisions) for use in operating your Studio. These manual(s) and materials contain mandatory and suggested specifications, standards and procedures, rules and other criteria related to the operation and marketing of your Studio. The manuals and materials may consist of CDs, DVDs, webinars and/or other written and intangible materials, all of which constitute our proprietary and confidential information. You may not copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Operations Manual and such other manuals and materials will remain our sole property and must be kept in a secure place on the Studio premises. We may provide the confidential manuals in any manner we choose, including by electronic or hard copy. We may update the Operations Manual and other manuals to implement new or different operating requirements and fees applicable to you. You must comply with all requirements, terms and conditions of the Franchise Agreement, Operations Manual and other written policies supplied to you by us.

The table of contents of our Operations Manual is included as Exhibit I to this Disclosure Document. Our current Operations Manual has a total of ~~63~~58 pages.

Training

Initial Training. We or our designee will provide Initial Training, which consists of three phases: (i) the first phase is a general orientation program; (ii) the second phase covers local studio marketing; and (iii) the third phase covers general franchise training topics.

You (or one of your owners) must complete the first phase of Initial Training to our satisfaction within 60 days after the effective date of the Franchise Agreement. In addition, if you have hired a manager (or other individual having responsibility for the day-to-day operation of your Studio) for your Studio at the time you (or one of your owners) attend the first phase of Initial Training, he or she also must attend and complete the first phase of Initial Training to our satisfaction. You (or one of your owners) must complete the second phase of Initial Training to our satisfaction at least 60 (but not more than 90) days before your Studio opens. In addition, if you have hired a manager (or other individual having responsibility for the day-to-day operation of your Studio) for your Studio at the time you (or one of your owners) attend the second phase of Initial Training, he or she also must attend and complete the second phase of Initial Training to our satisfaction. Once we or our designee have provided the first and second phase of Initial Training, we are not obligated to provide these phases of the Initial Training again to any additional individuals.

You (or one of your owners) and your manager (or other individual who will be responsible for the day-to-day operation of your Studio) must complete the third phase of Initial Training to our satisfaction at least 30 (but not more than 60) days before your Studio opens. ~~Other individuals may attend the third phase of Initial Training at any time before or after your Studio opens. However, after your Studio is open, scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training. If you want (or if we or the Franchise Agreement requires) more than 5 individuals to attend the third phase of Initial Training, you must pay us a fee of $500 per person.~~ You must pay for all travel, accommodations, meals and other expenses incurred by all individuals whom you designate to attend each phase of Initial Training.

If, after your Studio has commenced operation, your manager (or the individual having responsibility for the day-to-day operations of your Studio) is terminated, resigns, or is otherwise no longer employed at your Studio, you must appoint a replacement manager (or an individual having responsibility for the day-to-day operations of your Studio) and he or she must also attend and complete the third phase of Initial Training to our satisfaction within 90 days following such termination, resignation, or other departure.~~ If you are converting your existing business to a Studio, then you (or, if you are an entity, one of your owners) and, if not the same person as you (or the designated owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete each phase of Initial Training within 180 days after you sign the Franchise Agreement.~~

The first and third phases of Initial Training consist of home study and training conducted at a location we designate, currently at our Support Center in Colorado. The second phase of Initial Training will be conducted at a location in your local market or at your Studio premises. Classes are scheduled on an as-needed basis. The first and second phases of Initial training generally last 2 business days each, and the third phase of Initial Training generally lasts 3 business days. Although we do not currently do so, we reserve the right to conduct additional training in a Studio. The primary instructional material is the Operations Manual. The topics covered, instructional materials, hours of classroom and/or hands-on training, and the training program instructors are subject to change.

In addition to the Initial Training, we or our designee will provide, at no additional cost, ~~no less than~~ 2 to 5 days of on-site assistance and support in connection with the opening and initial operations of your Studio. We will determine the duration of on-site assistance and support based on factors such as whether you are a new or existing franchisee, how long the franchisee would like us to remain on-site, and the availability of our personnel.

~~If you purchase additional franchise agreements, you will designate up to the maximum number of individuals per franchise agreement to attend each phase of Initial Training; however, neither you nor your owners will be required to attend Initial Training if you have already done so.~~

Initial Training currently consists of the following:

TRAINING PROGRAM

Subject	**Hours of Classroom/Home Study Training**	**Hours of On-The-Job Training**	**Location**
Orientation	16.0	0	Colorado Support Center
Local Studio Marketing	1.0	16.0	Home Study; In Studio/In Territory
Finance Tutorial	6.0	0	Home Study
Marketing	3.0	0	Home Study
Software Overview	2.0	0	Home Study
Foundation and System Overview	0.5	0	Colorado Support Center
Initial Training Overview and Resources	1.0	0	Colorado Support Center
Opening Timeline	0.5	0	Colorado Support Center
Studio Set-Up	2.0	0	Colorado Support Center
Fitness Programming	1.0	0	Colorado Support Center
Software	3.5	0	Colorado Support Center
Client Conversion	2.0	0	Colorado Support Center
Service Path	3.0	0	Colorado Support Center
Staffing/Scheduling/Management/ Training Resources	2.5	0	Colorado Support Center
Marketing	1.5	0	Colorado Support Center
Opening Preparation	2.5	0	Colorado Support Center
In Studio Practice	0	3.0	Colorado Studio
Total Hours	**48.0**	**19.0**	

Additional Training and Conferences. We may require ~~that~~ you ~~pay a fee of up to $500 per individual you designate~~ to attend any refresher training we make (or that we authorize a third party to make) available to our franchisees~~ or for any optional training programs we may periodically conduct~~. You must attend any annual conferences or seminars that we may require at a location we designate. You shall pay all costs to attend any refresher training, conferences or seminars.~~ (Section 5.3 of the Franchise Agreement)~~

Training Staff. Stacy Nordby, who is our Learning and Performance Manager and who has a B.S. degree in communications, is currently our training supervisor. She is certified with the American

Society of Training and Development. Ms. Nordby has ~~10~~11 years of experience with us and our affiliates and more than 20 years of experience in the subjects taught.

~~Scott Wendrych and~~ Kevin Betts (see Item 2~~ of this Disclosure Document~~)) and Heather Story, who is our Senior Manager of New Studio Openings, may also assist with the training program. Mr. ~~Wendrych~~Betts has ~~12~~16 years of experience with us and our affiliates and ~~12~~23 years of experience in the subjects taught. ~~Mr~~Ms. ~~Betts~~Story has ~~15~~1 year~~s~~ of experience with us and our affiliates and ~~22~~more than 15 years of experience in the subjects taught.

ITEM 12. TERRITORY

Franchise Agreement

You will operate your Studio at a specific location that we approve. During the term of the Franchise Agreement (as long as you are not in default of the Franchise Agreement) we will not, and we will not grant to any other person the right to, establish or operate a Studio within a 1-mile radius of your Studio (the "Protected Area").

You will select a specific defined territory we approve ("Territory") within which you will search for and select a site, which we must approve, for your Studio. There is no minimum Territory size. The Territory is the area in which you will focus your efforts to find a location we approve for your Studio. The Territory will be specified in your Franchise Agreement and any change to the Territory must be made by amending the Franchise Agreement, before beginning the site selection process in the amended Territory. We identify the Territory in order to facilitate the orderly development of the market. You will not receive any territorial rights to the Territory. The Territory is not your Protected Area. Typically, your Protected Area will be substantially smaller than the Territory.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control within the Territory. Our approval of your Studio site is conditioned on a variety of factors, including site demographics, location (including proximity to other businesses), neighborhood character, the size and appearance of the premises to be leased, and other characteristics and criteria that may periodically change. We confirm demographic data about territories and locations utilizing a mapping software we license from a third party.

Unless we otherwise agree in writing, you must operate your Studio only at the location approved by us, and you must provide all authorized fitness services and products only at your Studio location. Once it is open, you may not relocate the Studio without our advance written consent, which we will not unreasonably withhold. The conditions under which we will approve a relocation of your Studio include the same factors we consider when approving your initial site, such as the proposed site's demographics, location, proximity to other businesses, the character of the neighborhood, the size and appearance of the premises to be leased, and other characteristics and criteria that may change. If we approve a relocation of your Studio, you will be responsible for paying any associated costs, including our reasonable costs incurred in connection with approving the relocation. You will also be required to sign a relocation addendum which will include our form of general release. If you cease to operate your Studio for more than 30 days before relocation, we may terminate the Franchise Agreement and require you to sign our then-current franchise agreement for the new location.

We may change your Protected Area boundaries or other characteristics when you renew, transfer or assign a controlling interest in, the Franchise Agreement. Your rights in the Protected Area do not depend on you achieving a sales volume, market penetration or other contingency.

The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchise agreements. If you want to own and operate additional Studios, you must purchase 1 additional franchise agreement per Studio. Each additional franchise agreement will dictate the terms and conditions under which you may own and operate any additional Studio.

So long as you are not in default under your Franchise Agreement, you have the Protected Area described above. We reserve all other rights with respect to the Studio and related Territory and Protected Area. Those rights include the right to offer, sell or distribute in your Territory and Protected Area, through alternative distribution channels (including in retail stores, on the internet or via similar future information technology, or otherwise) any proprietary products or other products that are part of, or which become part of, the Franchise System, such as, fitness equipment, small wares, and other products that use the Marks or other marks that we may develop. In addition, we have the right to purchase or be purchased by, or merge or combine with, any competitive business or other business, even if the business has locations within the Protected Area. Any such activities in which we engage will be without compensation to you. The alternative distribution channels may be available to us as the result of being the franchisor of the Franchise System or as the result of other brands we may control, which may compete with your Studio. You may also face competition from other Studios operated by us or by other franchisees.

You may advertise your Studio and solicit clients from any area, so long as you provide services only at the Studio location we have approved. You are not required to compensate any individual or entity in connection with this advertising and solicitation. We and our other franchisees reserve the same right to solicit, accept and provide fitness services to clients who live or work within your Protected Area, without compensating you.

You have the right to use other channels of distribution, such as direct mail, email and internet (but only through the website you maintain through us) to make sales within and outside of your Protected Area, provided that we have approved any marketing materials you use.

As described in Item 1, our affiliate FTF is the franchisor of the Fitness Together one-on-one personal training studio system. FTF offers and sells franchises to operate one-on-one personal training studios. FTF operates under the "Fitness Together®" trademark. FTF offers franchised outlets and reserves the right to operate company-owned outlets. FTF franchisees and company-owned outlets may operate within your Protected Area. We have no specific plan for resolving conflicts between our franchisees and FTF's franchisees in terms of territories, customers, or franchisor support. However, we expect to maintain separate field operations support staff for the Fitness Together and Fit 36 franchise programs. FTF's principal business address is the same as ours. We have no immediate plans to maintain physically separate offices. Currently, the training facilities for each program are the same.

Other than FTF, as of the date of this Disclosure Document, neither we nor any of our affiliates own or operate businesses similar to the Studios, nor do we or our affiliates have plans to own or operate such businesses under a trademark different from the Marks that will sell similar goods or services to those offered by franchisees in the Franchise System; however, we reserve the right to do so.

Area Development Agreement

While you are in compliance with the Area Development Agreement and all your Franchise Agreements, we will not establish or license others to establish Studios within your Development Area during the term of the Area Development Agreement. You are not required to achieve certain sales volume, market penetration or other contingencies in order to maintain your protection for the Development Area, but your failure to comply with the Development Schedule will be a material breach of the Area Development Agreement, which may result in our terminating the Area Development Agreement.

The Area Development Agreement grants you the right to acquire franchises to develop, own and operate Studios within the designated "Development Area" that will be described in Exhibit A attached to the Area Development Agreement.

The boundaries of the Development Area will be described by map coordinates, city limits, counties, states, or other boundaries when appropriate. We will determine in our discretion the Development Area we will offer to you before you sign the Area Development Agreement. We determine the size of the Development Area based on multiple factors, including demographics, traffic patterns, competition, your capacity to recruit and provide services in the Development Area, and site availability among other economic and market factors.

We and our affiliates retain the right to: (1) establish, operate and allow others to establish and operate, Studios using the Marks and the Fit 36 franchise system, at any location outside the Development Area on terms and conditions we deem appropriate; (2) establish, operate and allow others to establish and operate other exercise and workout studios, anywhere in the world, that may offer products and services that may be identical or similar to products and services offered by Studios, but under trade names, trademarks, service marks and commercial symbols other than the Marks; (3) operate or license others to operate Studios that we or our designee acquires from a franchisee as a result of the exercise of our right of first refusal or right to purchase as provided in the Franchise Agreement, and (4) establish, operate and allow others to establish and operate other businesses and distribution channels (including the Internet), wherever located or operating and regardless of the nature or location of the customers with whom these other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and that sell products or services that are identical or similar to, or competitive with, those that Studios customarily sell. In addition, we specifically retain the right under the Area Development Agreement to (1) acquire the assets or ownership interests of one or more businesses including Competitive Businesses (as defined in Item 17), and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area), (2) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any Competitive Business, even if this business operates, franchises or licenses these businesses in the Development Area, (3) operate or grant a third party the right to operate any Studios that we or our designees acquire as a result of an exercise of a right of first refusal or purchase right under a Franchise Agreement, and (4) engage in all other activities not expressly prohibited by the Area Development Agreement.

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

You may not engage in any promotional or similar activities, directly or indirectly, through or on the Internet, catalog sales, telemarketing or other direct marketing campaigns, without our consent.

As noted above, Fitness Together franchisees may conduct business and solicit customers in your Development Area.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Development Area.

ITEM 13. TRADEMARKS

The Franchise Agreement grants you a non-exclusive license to use the Marks. All of the primary Marks described below are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO") and all required affidavits and renewals for the Marks have been filed.

Mark	Registration Number	Registration Date
FIT36	4770402	July 7, 2015
Fit 36 Design	4801134	August 25, 2015

Currently, there are no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks. There are currently no effective agreements that significantly limit our right to use, license or sublicense the Marks. Neither we nor our affiliates know of any infringing uses or superior prior rights that could materially affect your use of the Marks.

Your use of the Marks and any goodwill associated with the Marks are solely for our benefit. You have no ownership or other interest in the Marks. You may not at any time contest the validity, ownership, distinctiveness or enforceability of the Marks. You must follow our rules when you use the Marks and the Marks are the only marks you may use to identify your Studio. You may not use any Mark or any part of any Mark as part of any corporate or trade name; with any prefix, suffix, or other modifying words, terms, designs, or symbols; as part of a domain name or electronic address you maintain on the internet, the worldwide web, or any other similar proprietary or common carrier electronic delivery system; to advertise or sell any unauthorized service; or in any other manner unless authorized by us in writing.

You must identify yourself as the independent owner of your Studio as directed or required by us. You may not take any action that will harm the Franchise System, other Studios or the goodwill associated with the Marks. We and our agents will have the right to enter and inspect your Studio to make sure you are complying with our standards and directives concerning the proper use of the Marks.

You must modify or discontinue using any Mark, at your expense, if we require you to do so. We need not reimburse you for your direct expenses related to changing your Studio's signs or replacing proprietary supplies, for your lost revenue, or for your promotion of the modified or newly required Marks.

You must notify us immediately of any apparent infringement of, or challenge to, your use of any Mark and may not communicate information about such an infringement or challenge with any person other than us, our affiliates or our counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or

USPTO or other administrative proceeding arising out of any infringement, challenge or claim related to the Marks. We will indemnify you against any losses or damages incurred by you as a result of any successful claim of trademark infringement brought by a third party that is related solely to your authorized use of the Marks in accordance with the terms of your franchise agreement. We will not pay any of your attorneys' fees if you hire your own attorney. You must cooperate with us in any litigation. You must sign documents, render assistance, and perform acts as may be necessary or advisable to protect and maintain our interests in the Marks.

Upon expiration or termination of your Franchise Agreement, you will have no further right to use the Marks and you must immediately discontinue using the Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered or pending owned by us or our affiliates that are material to the Franchise System although we do claim copyright protection for our Franchise Agreement, the Operations Manual, other manuals or writings related to operating the Studio, training materials, and various sales, promotional and other materials we periodically produce or create (the "copyrighted material"). We have not registered the copyrighted material with the United States Registrar of Copyrights, but need not do so to protect it. You may use the copyrighted materials or any future copyrights or patents we may claim or obtain in the operation of your Studio only as we direct and specify.

Currently, there are no effective determinations of the USPTO, the United States Copyright Office, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted material. There are currently no effective agreements that significantly limit our right to use, license or sublicense the copyrighted material. Neither we nor our affiliates know of any infringing uses or superior prior rights that could materially affect your use of the copyrighted material.

You must notify us immediately of any apparent infringement or challenge to your use of any copyrighted material or any copyrights or patents we may claim or obtain in the future. You may not communicate information about such an infringement or challenge with any person other than us, our affiliates or our counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or USPTO or other administrative proceeding arising out of any infringement, challenge or claim related to the copyrighted material or any copyrights or patents we may claim or obtain in the future. We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the copyrighted material or any copyrights or patents we may claim or obtain in the future, nor are we required to participate in your defense or indemnify you. However, we might choose to do so if, in the opinion of our legal counsel, such action is necessary or appropriate under the circumstances.

You must modify or discontinue using any of the copyrighted materials or other items or processes that may be covered by a claim of copyright, or covered by a registered copyright or patent in the future, at your expense, if we require you to do so. We need not reimburse you for your direct expenses related to such modification or discontinuance of use or for your lost revenue.

We possess certain proprietary confidential information consisting of the methods, techniques, formats, specifications, procedures, information, systems, business management methods, sales, and promotion techniques and knowledge and experience in the operation of Studios. We will disclose this information to you during Initial Training, other training programs we may periodically offer, in the Operations

Manual and otherwise during the term of your Franchise Agreement. Information about your Studio's clients (e.g., names, addresses, phone numbers, e-mail addresses, and so forth) is also our confidential information. You will have no right or interest in or to the confidential information, other than to use it in the operation of your Studio and its use in any other business venture would constitute unfair competition. The confidential information is proprietary, includes our trade secrets, and is disclosed to you solely on the condition that you not use the confidential information in any other business, you use it solely for the purpose of operating your Studio, you maintain the absolute confidentiality of the confidential information during and after the term of your Franchise Agreement, that you not make any unauthorized copies of the confidential information disclosed in writing or tangible form, and that you adopt and implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the confidential information. We have the perpetual right to use any material, such as photos or videos, that you or your owners post to social media websites, without paying you any fee or royalty.

You must take reasonable steps to protect us, the Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess against any misappropriation or other action by any third party that could damage us, the Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess, and immediately notify us of any misappropriation or other such action. We are not obligated to take any action against any unauthorized use of our Proprietary Assets, Marks or confidential information. We are not obligated to indemnify you for claims brought by a third party arising from your use of our Proprietary Assets, Marks and confidential and proprietary information.

The Operations Manual and any other materials we provide you for the purpose of operating your Studio belong to us and are loaned to you for the term of your Franchise Agreement. You must return all of these confidential materials to us when your Franchise Agreement expires or is terminated for any reason. You must keep the confidential materials updated and they must be located on the Studio's premises. If there is dispute regarding the correct terms or interpretation of any provisions of the Operations Manual or other manuals or materials we provide to you that you are required to keep updated, the terms of our master copies of such materials will control. We will be entitled to equitable remedies, such as injunctive relief, in order to protect our Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess.

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

During the term of the Franchise Agreement, you must use the Studio premises solely to operate your Studio. You must operate your Studio on the days and for the number of hours as we may specify. You, your owner(s) or your fully trained manager(s) must devote full time and best efforts to the management and operation of the Studio. All individuals providing direct day-to-day supervision must have first satisfactorily completed the third phase of our Initial Training. You must ensure that an individual who has successfully completed the third phase of Initial Training is on-site at your Studio ~~for a minimum of 50 hours per week. If more than 1 individual has satisfactorily completed the third phase of Initial Training, you may combine their hours to meet the 50-hour requirement~~at all times. You must devote such time as is necessary to effectively and efficiently operate your Studio.

If you are approved to develop multiple Studios, each Studio must have its own direct day-to-day supervisor, who must have satisfactorily completed the third phase of our Initial Training. If the supervisor is an employee and the employee's employment terminates for any reason, you will promptly designate a replacement manager, who must attend and satisfactorily complete the third phase of our next scheduled Initial Training program. We do not impose requirements with respect to your employees; however, you and all of your employees must obtain any licenses required to operate the Studio, must comply with all applicable laws, and must not harm the goodwill associated with the Franchise System, the Proprietary Assets and the Marks. You must ensure that all fitness instructors are licensed (if required in your jurisdiction) and have adequate insurance, including professional liability insurance or the equivalent.

If you sign the Area Development Agreement, you must at all times faithfully, honestly and diligently perform your obligations and fully exploit the development rights granted to you. You may not subcontract, subfranchise, or delegate any of your obligations to any third parties.

Your employees, agents and independent contractors must enter into a confidentiality and non-solicitation agreement in the form attached to the Franchise Agreement as Exhibit 5.

If you are an entity, we do not require any manager you hire to have an equity interest in you. Although you may hire a manager to conduct the day-to-day operations of your Studio, you will still be obligated to comply with the terms of the Franchise Agreement and ensure that the Studio is properly operated.

If you are an individual, you must sign, and if you are an entity, each of your direct and indirect owners must sign, a Guaranty and Assumption of Obligations in the form attached as Exhibit 4 to the Franchise Agreement and Exhibit B to the Area Development Agreement. The persons signing the Guaranty and Assumption of Obligations agree to personally assume and perform all of the Franchisee's obligations under the Franchise Agreement and all of the area developer's obligations under the Area Development Agreement. In addition, the spouse of the person signing will be required to acknowledge and consent to the Guaranty and Assumption of Obligations.~~ Your landlord might also require you, or if you are an entity, your owners, to personally guaranty the tenant obligations under your lease.~~

If you are a corporation, limited liability company or partnership (or any other form of legal entity), all of your officers, directors, partners, shareholders and members and their spouses (and if you are an individual, your spouse) must agree to be bound by the non-competition and non-disclosure provisions of the Franchise Agreement and Area Development Agreement.

We require you to sell a minimum of 200 pre-opening membership sales before you may open your Studio for business.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must perform all services and offer all products that we require or may in the future require for operating the Studio. You must not offer, sell or promote any products, services or other types of fitness services or programs under any of the Marks, except for services, products, and programs approved by us. You must sell or offer for sale at the Studio only services and products that we require or recommend and meet our current System Standards established in our Operations Manual. We have the right, without restriction, to periodically change any of the products, goods and services we require you to offer and sell.

We retain the right to establish both minimum and maximum prices that you may charge for products and services offered by your Studio, subject to applicable law. You must offer to customers any membership program that we require.

You must not install or maintain on the premises of the Studio any newspaper racks, video games, juke boxes, games, gaming machines, gum machines, rides, vending machines or other similar items without our written approval.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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.

Provision		Section in franchise or other agreement~~Section Franchise Agreement~~	Summary
a.	Length of the franchise term	Franchise Agreement – 3.1	10 years
		Area Development Agreement – 1.B	Term ends on the scheduled opening date of the last studio as specified on the Development Schedule or the last day of the last development period, whichever occurs first.
b.	Renewal or extension of the term	Franchise Agreement – 3.2	One ~~A~~additional term~~s~~ of ~~5~~10 years~~ each~~
		Area Development Agreement – Not applicable	
c.	Requirements for franchisee to renew or extend	Franchise Agreement – 3.2	You must: 1) provide written notice of your election to renew; 2) not be in default; 3) pay all monies due; 4) sign the then-current form of our franchise agreement (which may contain terms and conditions materially different from those in your original Franchise Agreement); 5) sign our then-current form of general release; 6) attend refresher training; 7) pay the renewal fee; and 8) update/remodel the Studio to our then-current standards.
		Area Development Agreement – Not applicable	
d.	Termination by franchisee	Not applicable	Not applicable.
e.	Termination by franchisor without cause	Not applicable	Not applicable.
f.	Termination by franchisor with cause	Franchise Agreement – 10.1, 10.2	We can terminate the Franchise Agreement after providing you notice.

Provision		Section in franchise or other agreement~~Section Franchise Agreement~~	Summary
		Area Development Agreement – 7.A	We may terminate only if you or your owners commit one of several violations. Under cross-default provision, we can terminate the Area Development Agreement if you or your approved affiliate fails to comply with any provision of any Franchise Agreement and does not cure such failure within the applicable cure period.
g.	"Cause" defined—curable defaults	Franchise Agreement – 10.1, 10.2	Curable defaults include: 1) 10 days to cure a failure to pay or a misuse/unauthorized use of Marks or Proprietary Assets; 2) 30 days to cure any breach of the Franchise Agreement other than those provided in "h" below; and 3) cure period for a failure to cure loan default, as determined by us or a third-party lender.
		Area Development Agreement – 7.A	You have 10 days to cure monetary defaults, failure to furnish reports, financial statements, tax returns or any other documentation required, or any failure to observe, perform or comply with any other of the terms or conditions of the Area Development Agreement; and applicable cure period for defaults under Franchise Agreement or failure to pay any third-party obligations.
h.	"Cause" defined—non-curable defaults	Franchise Agreement – 10.1 ~~(Conversion Addendum Section 14)~~	Non-curable defaults include: 1) unauthorized disclosure of confidential information; 2) commission of fraud or engagement in conduct which may harm the Marks, the goodwill associated with the Marks, or the Franchise System; 3) abandonment for 2 consecutive days or expressing an intent to abandon; 4) insolvency or similar proceeding of you, your owner or an affiliate; 5) failure to satisfy a final judgment of $5,000 or more or similar events; 6) conviction of felony or other crime that is likely to harm the Marks, the Proprietary Assets or the Franchise System and any related reputation or goodwill; 7) unethical conduct that is likely to harm the Marks, the Proprietary Assets or the Franchise System and any related reputation or goodwill; 8) failure to commence operations within 1 year ~~(2 years if we grant an extension and you pay us an extension fee) (or convert existing business to a Studio within 180 days)~~; 9) failure to satisfactorily complete Initial Training or cheating at Initial Training; 10) underreporting gross receipts; 11) 3 default notices from us within a 1-year period; 12) unauthorized transfer; 13) loss of right to occupy Studio premises; 14) termination of other agreement between you (or one of your owners) and us; ~~and~~ 15) you create or allow to exist a health or safety concern; and 16) you fail to perform required background checks.

Provision		Section in franchise or other agreement~~Section Franchise Agreement~~	Summary
		Area Development Agreement – 7.A	Non-curable defaults under the Area Development Agreement include ceasing or threatening to cease to carry on the business; liquidation of your assets; failure to pay any debts or other amounts incurred by you in operating the business when these debts or amounts are due and payable; an assignment for the benefit of creditors; appointment of a trustee or receiver; 3 or more repeated violations during any 12-month period; 2 or more repeated violations during any 6 month period; in the event you are an entity, liquidation or dissolution or amalgamation; or if you lose your charter by expiration, forfeiture or otherwise; material misrepresentations or omissions; conviction of a felony; dishonest or unethical conduct; unapproved transfers of the Area Development Agreement or an ownership interest in you.
i.	Franchisee's obligations on termination/non-renewal	Franchise Agreement – 3.2, 10.4, 10.5, 12.2, 12.4	Obligations include: cease selling memberships; pay all sums due; de-identify; return all manuals and other confidential materials; assign the business telephone and fax numbers to us or our designee; notify clients; direct clients to another Studio; transfer client list to us or our designee; if required by law, refund clients; cooperate with us to preserve client goodwill; pay all damages and costs incurred by us in enforcing the termination provisions of the Franchise Agreement; comply with the covenants not to compete; and comply with confidentiality provisions~~.~~
		Area Development Agreement – 7.B, 7.C	Under the Area Development Agreement, you must: cease using the Marks and franchise system; return all proprietary materials, forms, documents and information; comply with confidentiality requirements; and comply with all post-termination non-compete and non-solicit covenants.
j.	Assignment of contract by franchisor	Franchise Agreement – 5.7(f), 11.8 Area Development Agreement – 6.A	No restriction on our right to transfer or assign. We may transfer or assign without your approval
k.	"Transfer" by franchisee—defined	Franchise Agreement – 11.1	Includes transfer of the interests or rights in the Franchise Agreement or the Studio or if you are an entity, the transfer of a controlling ownership interest in you.
		Area Development Agreement – 6.B	Includes transfer of your interest in the Area Development Agreement, any of your rights under the Area Development Agreement, the development rights, and any direct or indirect ownership interest in you (regardless of its size), any approved Affiliate, or any of your owners (if such owners are legal entities)

Provision		Section in franchise or other agreement~~Section Franchise Agreement~~	Summary
l.	Franchisor approval of transfer by franchisee	Franchise Agreement – 11.1 Area Development Agreement – 6.B	We have the right to approve all transfers but will not unreasonably withhold our consent. You cannot transfer without our written consent.
m.	Conditions for franchisor approval of transfer	Franchise Agreement – 11.1~~, 11.4~~	Your Studio must be open for business. All of your obligations have been discharged or assumed by the transferee; all fees owed to us have been paid; transferee qualifies and signs our then-current form of franchise agreement; transferee (or any other person we require under then-current franchise agreement) completes our Initial Training before taking possession; transfer fee is paid; new franchisee is not operating a Competitive Business; we approve the terms and conditions of the transfer; you are not in default of any agreement with us; transferee agrees to renovate Studio to our then-current standards; you (or your owners or any other guarantor under the Franchise Agreement) sign our then-current form of general release and non-disparagement agreement; you obtain landlord consent (if required by lease); we have approved any new lease, sublease, or lease assignment transferring the Studio; you comply with all post-termination obligations (see "i" and "r"); you and transferee execute our form of Agreement and Conditional Consent to Transfer; you pay us a deposit of $5,000 (refundable, less amounts due, within 30 days of transfer); you have paid any applicable third-party broker fees; and you transfer possession of Studio only after transfer process completed. The term "Competitive Business" means any business operating or granting franchises or licenses to others to operate fitness studios or any other fitness business, or any business offering or selling products, or educational materials or conducting workshops for services that are the same as, similar to, or competitive with the Franchise System or other Studios (other than a franchise operated under a franchise agreement with us or our affiliate).
		Area Development Agreement – 6.B	Transferee must meet qualifications; satisfactorily complete training and pay required fee; have no financial or other interest in a Competitive Business; enter into all then-current forms of agreement required by us; you must have fulfilled all your obligations; must execute general release; pay expenses and applicable fees
n.	Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement – 11.5 Area Development Agreement – 6.C	We have a right of first refusal to acquire your Studio or area development business

	Provision	**Section in franchise or other agreement~~Section Franchise Agreement~~**	**Summary**
o.	Franchisor's option to purchase franchisee's business	Franchise Agreement – 11.5	If you decide to sell your business, we have the right to purchase your business within 30 days from the date of delivery of a written offer.
		Area Development Agreement – Not applicable	
p.	Death or disability of franchisee	Franchise Agreement – 11.3	We will not unreasonably withhold our consent to the transfer of your interest in the Franchise Agreement to a spouse, heirs or relatives, by blood or marriage, provided that the transfer conditions described in "m" above have been met. No transfer fee will be required. If your heirs do not obtain our consent, your personal representative has 180 days to dispose of your interest.
		Area Development Agreement – Not applicable	
q.	Non-competition covenants during the term of the franchise	Franchise Agreement – 12.1	No involvement in any Competitive Business; no interference with our or any other affiliate's or franchisee's employees; no unauthorized use of Proprietary Assets or Franchise System format; and no assistance or encouragement of family members from violating these covenants.
		Area Development Agreement – 5	No involvement in any Competitive Business; no interference with our or any other affiliate's or franchisee's employees; and no assistance or encouragement of family members from violating these covenants.
r.	Non-competition covenants after the franchise is terminated or expires	Franchise Agreement – 12.2	No involvement (direct or indirect), provision of services in Competitive Business for 2 years within a 3-mile radius of your Studio or within 3 miles of another Studio. (Same terms apply after transfer.)
		Area Development Agreement – 7.C	No involvement (direct or indirect), provision of services in Competitive Business for 2 years within the Development Area or within 3 miles of another Studio. (Same terms apply after transfer.)
s.	Modification of the agreement	~~5.4, 7.5(a), 7.5(b),~~Franchise Agreement – 15.2	The Franchise Agreement can be modified only by written agreement between you and us. We can modify or change the Franchise System through changes in the confidential Operations Manual, other manuals and System Specifications and standards.
		Area Development Agreement – 10.G	No modifications except in writing and signed by both you and us.

Provision		Section in franchise or other agreement~~Section Franchise Agreement~~	Summary
t.	Integration/merger clause	Franchise Agreement – 15.4, 15.5 Area Development Agreement – 10.G	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement or Area Development Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Franchise Agreement – 14.5 Area Development Agreement – 9.A	Except for breach of your post-termination covenants, violation of the Lanham Act, or breach of trade secret, all disputes relating to the Franchise Agreement or Area Development Agreement or our relationship must be arbitrated within 50 miles of our then-current principal place of business (currently Englewood, Colorado) (subject to state law).
v.	Choice of forum	Franchise Agreement – 14.2 Area Development Agreement – 9.C	State or federal court in the place where our principal place of business is located (currently Englewood, Colorado) (subject to state law).
w.	Choice of law	Franchise Agreement – 14.1 Area Development Agreement – 9.B	The laws of the state in which our principal place of business is located (currently Colorado) govern (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) and any arbitration matter will be governed by the United States Federal Arbitration Act (9 U.S.C. Sections 1 et seq.).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit A.

ITEM 18. PUBLIC FIGURES

We do not use any public figures to promote our Franchise System. However, we may use public figures in the future.

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.

Background

As of ~~June 30~~December 31, 2017, there were ~~11~~14 franchised ~~Fit 36~~ studios in operation in the United States, and ~~five~~8 of these ~~franchised~~ studios were opened ~~for business~~ at various times between January 1, 2017, and ~~June 30~~December 31, 2017 (the "Designated Studios").

The Designated Studios undertook pre-opening efforts as directed by the Company to help the Designated Studios maximize the number of studio members who enrolled for a membership within one month of the studio's opening (the "Opening Members"). These pre-opening efforts for the Designated Studios included updated and enhanced pre-opening protocols, such as training on marketing and presales procedures, "pop-up" workouts to promote early membership community building and member retention, and free trial membership periods. Table 1 summarizes Opening Member metrics at the Designated Studios.

~~Number of Opening Members Enrolled~~

~~As a result of these pre-opening efforts, the Designated Studios generated an average of 221 Opening Members and a median of 226 Opening Members. Three studios (60%) generated more Opening Members than the average. The number of Opening Members for the Designated Studios ranged from 110 to 289.~~

Table 1

	No. of Studios	Average No. of Opening Members(1)	Number that Met or Exceeded the Average	Percent that Met or Exceeded the Average	Median No. of Opening Members
Top Half	4	248	2	50%	250
Bottom Half	4	137	3	75%	143
All Studios	8	193	4	50%	179

***

We compiled this data using information submitted to us by our franchisees. We did not audit or otherwise verify the accuracy of the information submitted. The Opening Member results are based upon historical data. We are unaware of any particular characteristics (such as geographic location) of the Designated Studios that differ materially from the Studio being offered by this Disclosure Document.

Some studios have enrolled this number of Opening Members. Your individual results may differ. There is no assurance that you will enroll as many Opening Members.

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, Fit 36, LLC, does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Evan Colbert, ~~Associate Counsel & Sr. Director~~Vice President of Legal Services & Corporate Counsel, 9780 Meridian Boulevard, Suite 400, Englewood, CO 80112, (303) 663-0880, the Federal Trade Commission, and appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years ~~2014~~2015 to ~~2016[1]~~2017[1]

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
~~Franchised Outlets~~	~~2014~~	~~0~~	~~1~~	~~+1~~
Franchised Outlets	2015	1	5	+4
	2016	5	7	+2
~~Company Owned~~	~~2014~~2017	~~0~~7	~~0~~14	~~0~~+7
Company Owned Outlets	2015	0	0	0
	2016	0	0	0
~~**Total Outlets**~~	~~**2014**~~2017	0	~~1~~0	~~+1~~0
Total Outlets	**2015**	**1**	**5**	**+4**
	2016	**5**	**7**	**+2**
	2017	**7**	**14**	**+7**

1/ The numbers are as of December 31 of each year.~~ We did not begin offering franchises until October 2014.~~

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years ~~2014~~2015 to ~~2016[1]~~2017[1]

State	Year	Number of Transfers
~~All States~~	~~2014~~	~~0~~
California	2015	0
	2016	0
~~**Totals**~~	~~**2014**~~2017	~~**0**~~1
Totals	**2015**	**0**
	2016	**0**
	2017	**1**

1/ The numbers are as of December 31 of each year.~~ We did not begin offering franchises until October 2014.~~

Table 3
Status of Franchised Outlets
For Years ~~2014~~2015 to ~~2016[1]~~2017[1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
~~California~~Arizona	~~2014~~2015	0	0	0	0	0	0	0
	~~2015~~2016	0	0	0	0	0	0	0
	~~2016~~2017	0	1	0	0	0	0	1
California	2015	0	0	0	0	0	0	0
~~Colorado~~	~~2014~~2016	0	1	0	0	0	0	1
	2017	1	3	0	0	0	1	3
Colorado	2015	1	2	0	0	0	0	3
	2016	3	1	0	0	0	0	4
	2017	4	2	0	0	0	0	6
~~New Jersey~~Illinois	~~2014~~2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
New Jersey	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
~~Virginia~~	~~2014~~2017	~~0~~1	~~0~~1	0	0	0	0	~~0~~2
Virginia	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	1	1
~~**Totals**~~	**~~2014~~**2017	**~~0~~**1	**~~1~~**0	0	0	0	0	1
Totals	**2015**	**1**	**4**	**0**	**0**	**0**	**0**	**5**
	2016	**5**	**3**	**0**	**0**	**0**	**1**	**7**
	2017	**7**	**8**	**0**	**0**	**0**	**1**	**14**

1/ The numbers are as of December 31 of each year. ~~We did not begin offering franchises until October 2014.~~

Table 4
Status of Company-Owned Outlets
For Years ~~2014~~2015 to ~~2016[1]~~2017[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
All States	~~2014~~2015	0	0	0	0	0	0
	~~2015~~2016	0	0	0	0	0	0
	~~2016~~2017	0	0	0	0	0	0
Total	**~~2014~~2015**	**0**	**0**	**0**	**0**	**0**	**0**
	~~2015~~2016	**0**	**0**	**0**	**0**	**0**	**0**
	~~2016~~2017	**0**	**0**	**0**	**0**	**0**	**0**

1/ The numbers are as of December 31 of each year.

Table 5
Projected Openings
~~As~~as of December 31, ~~2016, for~~ 2017

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
~~Arizona~~	~~1~~	~~1~~	~~0~~
~~California~~	~~7~~	~~4~~	~~0~~
~~Colorado~~Califor	~~11~~3	~~3~~0	0
~~Illinois~~Colorado	~~2~~6	~~2~~1	0
~~Massachusetts~~Ill	~~4~~1	1	0
~~New~~	~~1~~4	~~1~~0	0
North Carolina	4	~~1~~0	0
South Carolina	1	0	0
~~Texas~~	~~0~~	~~1~~	~~0~~
Virginia	1	0	0
Washington	1	1	0
Total	**~~33~~21**	**~~15~~3**	**0**

Exhibit ~~C~~D1 lists the names of all current franchisees and the addresses and telephone numbers of their Studios as of December 31, ~~2016. We did not begin offering franchises until October 2014.~~2017.

Exhibit ~~C~~D2 also list the name, city and state, and current business telephone number or the last known home telephone number of every franchisee who had a franchise agreement that was terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the franchise 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. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Exhibit ~~C~~D3 lists the name, city and state and telephone numbers of all franchisees who have signed franchise agreements, but who have not yet opened a Studio as of December 31, ~~2016~~2017.

During the last 3 fiscal years, current and former franchisees have signed confidentiality clauses. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with the Fit 36 Franchise System. You may wish to speak with current and former franchisees, but be aware that not all of them will be able to communicate with you.

We are not aware of any trademark-specific franchisee organization associated with the franchise system being offered under this Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit ~~D~~E to this Disclosure Document are our audited financial statements as of ~~December 31, 2014,~~ June 15, 2015, December 31, 2015, ~~and~~ December 31, 2016, and December 31, 2017. As a result of our acquisition by WBZ in 2015, we have two audited financial statements for our fiscal year ending December 31, 2015. We have audited financial statements as of June 15, 2015, which covers the pre-acquisition period and audited financial statements as of December 31, 2015, which covers the post-acquisition period.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following Exhibits:

A State Addenda to the Disclosure Document and Franchise Agreement

B Franchise Agreement and Exhibits

C Area Development Agreement and Exhibits

~~F~~G Agreement and Conditional Consent to Transfer

~~G Form of Conversion Program Addendum to Franchise Agreement~~

H Form of General Release

There are no other contracts or agreements you are required to sign to purchase your Studio

ITEM 23. RECEIPTS

Exhibit J of this Disclosure Document contains detachable documents acknowledging your receipt of this Disclosure Document and all exhibits.

EXHIBIT A

STATE ADDENDA AND AGREEMENT RIDERS

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA ONLY.

1. The following risk factor as added to the State Cover Page of the Disclosure Document:

WE HAVE ELECTED THE REASONABLE BUSINESS JUDGMENT STANDARD IN OUR RELATIONSHIP WITH FRANCHISEES. THIS MEANS WE ARE NOT REQUIRED TO CONSIDER YOUR PARTICULAR ECONOMIC OR OTHER BUSINESS INTERESTS WHEN EXERCISING OUR JUDGMENT.

2. The following language is added to the end of Item 3 of the Disclosure Document:

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

3. Item 17 of this Disclosure Document will be amended by adding the following paragraphs to the end of the chart:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A., section 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator located within 50 miles of our then-current principal place of business (currently, Englewood, Colorado) with the costs being paid equally by the parties and each party is responsible for its own additional costs and attorneys' fees. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws and forum of the state of which our principal place of business is located (currently, Colorado). This provision may not be enforceable under California law.

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

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

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

4. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

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

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT, FOR THE STATE OF ILLINOIS ONLY

ITEM 17 OF THIS DISCLOSURE DOCUMENT IS AMENDED BY THE ADDITION OF THE FOLLOWING PARAGRAPHS TO THE END OF THE CHART.

1. Item 17(v) is deleted and replaced with the following:

All actions must be brought in a state or federal court of general jurisdiction in Illinois if required under the Illinois Franchise Disclosure Act.

2. Item 17(w) is deleted and replaced with the following:

Illinois law governs, except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) and any arbitration matter will be governed by the United States Federal Arbitration Act (9 U.S.C. Sections 1 et seq.).

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

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MARYLAND ONLY.

1. The 5th sentence of the 4th paragraph of Item 12 of the Disclosure Document is amended to read as follows:

> You will also be required to sign a relocation addendum which will include our form of general release; provided, however, that such general release will not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

2. ITEM 17 OF THIS DISCLOSURE DOCUMENT IS AMENDED BY THE ADDITION OF THE FOLLOWING PARAGRAPHS TO THE END OF THE CHART.

> We require you to sign a general release of claims as a condition of the relocation or the sale, transfer or renewal of the Franchise Agreement or Area Development Agreement. The general release will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.
>
> The Franchise Agreement and Area Development Agreement requires~~s~~ you to agree to a period of limitations less than 3 years. The period of limitations less than 3 years will not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee or developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> The provision in the Franchise Agreement and Area Development Agreement which provides for termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law. (11 U.S.C. Section 101 et seq.)~~.~~

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA ONLY

1. Item 13 of this Disclosure Document will be amended to add the following paragraph:

Under Minnesota Statute Section 80C.12, Subd. 1(g) – we must protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. We do not indemnify against the consequences of your use of our Marks except in accordance with the requirements of the Franchise Agreement and the Operations Manual and, as a condition to indemnification, you must notify us in writing within 10 days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to control any litigation or proceeding resulting from any such claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim.

2. Item 17 of this Disclosure Document is amended by the addition of the following paragraphs to the end of the chart:

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

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

Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

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

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF NEW YORK

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT, FOR THE STATE OF NEW YORK ONLY

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 ~~E~~F 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, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. 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. Item 3, Litigation, of this Disclosure Document will be amended to include the following language:

> Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under our *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. In addition, 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.

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 ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

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 language is added to the end of Item 4 of this Disclosure Document:

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 is added to the end of the "Summary" section of Item 17(d), entitled "**Termination by Franchisee"**:

The franchisee 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), entitled **"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 or area development 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.

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
<u>STATE OF RHODE ISLAND</u>

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT, FOR THE STATE OF RHODE ISLAND ONLY

Item 17(u), (v) and (w) of the Disclosure Document are amended to add the following:

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

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF VIRGINIA

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT, FOR THE STATE OF VIRGINIA ONLY

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Fit 36, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17(h):

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

STATE ADDENDA TO FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT
FOR ILLINOIS

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR ILLINOIS ("this Addendum") is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____ ___________________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ____________________, 20___ (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, the offering or sales activity relating to the Franchise Agreement occurred in the State of Illinois, and the Fit 36 Studio will be located in the State of Illinois, and/or you are domiciled in the State of Illinois.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. Notwithstanding anything contrary in the Franchise Agreement, in the event of a conflict between the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Franchise Agreement remains fully effective in all respects except as specifically modified by this Addendum, and all the respective rights and obligations of you and us remain as written unless modified herein.

2. Section 14.1 of the Franchise Agreement is deleted and replaced with the following:

14.1 Governing Law. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES.

3. Section 14.2 of the Franchise Agreement is deleted and replaced with the following:

14.2 Jurisdiction and Venue. SUBJECT TO SECTION 14.5, YOU AND THE BOUND PARTIES AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN ILLINOIS IF REQUIRED UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY

OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS.

4. The following language is added to the end of Section 14.3 of the Franchise Agreement:

HOWEVER, THIS SECTION SHALL NOT ACT AS A CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT AT SECTION 705/41 OR ILLINOIS REGULATIONS AT SECTION 200.609.

5. The following language is added to the end of Section 14.6 of the Franchise Agreement:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

6. The following language is added as Section 17 of the Franchise Agreement:

17. ILLINOIS FRANCHISE DISCLOSURE ACT

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

(continued on next page)

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be affected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS ~~T~~WHEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

FIT 36, LLC

Signature: ______________________________

Printed Name: ___________________________

Title: __________________________________

FRANCHISEE:

____
(Name of individual or Entity)

Signature: ______________________________

Printed Name: ___________________________

Title: __________________________________
(Title of Signor, if applicable)

ADDENDUM TO FRANCHISE AGREEMENT
FOR MARYLAND

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR MARYLAND (“this Addendum”) is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 (“we,” “us” or “our”) and ____ (“you” or “your”), whose principal business address is ____ ___________________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the “Franchise Agreement”) dated ____________________, 20___ (the “Effective Date”) and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, the offering or sales activity relating to the Franchise Agreement occurred in the State of Maryland, and the Fit 36 Studio will be located in the State of Maryland, and/or you are domiciled in the State of Maryland.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

2. We require you to sign a general release of claims as a condition of the relocation, renewal and/or assignment/transfer of the franchise. Pursuant to COMAR 02.02.08.16L, the release will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

3. The Franchise Agreement requires you to agree to a period of limitations less than 3 years. The period of limitations less than 3 years shall not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The Franchise Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. Such representations 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.

5. Section 10.1(d) of the Franchise Agreement which provides for the termination of your Agreement should you become bankrupt or insolvent may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

6. Section 14.2: Jurisdiction and Venue of the Franchise Agreement shall be amended to allow you to file a civil lawsuit in Maryland alleging a violation of the Maryland Franchise Registration and Disclosure Law.

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be affected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS ~~T~~WHEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

FIT 36, LLC

Signature: ________________________________

Printed Name: ______________________________

Title: ___________________________________

FRANCHISEE:

____
(Name of individual or Entity)

Signature: ________________________________

Printed Name: ______________________________

Title: ___________________________________
(Title of Signor, if applicable)

ADDENDUM TO FRANCHISE AGREEMENT
FOR MINNESOTA

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR MINNESOTA ("this Addendum") is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____ ____________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ____________________, 20___ (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, the offering or sales activity relating to the Franchise Agreement occurred in the State of Minnesota, and/or the Fit 36 Studio will be located in the State of Minnesota.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

2. Section 6 of the Franchise Agreement: Use of the Marks is amended to add the following paragraph:

> Under Minnesota Statute Section 80C.12, Subd. 1(g) – we must protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. We do not indemnify against the consequences of your use of our Marks except in accordance with the requirements of the Franchise Agreement and the Operations Manual and, as a condition to indemnification, you must notify us in writing within 10 days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to control any litigation or proceeding resulting from any such claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim.

3. Section 10.7 of the Franchise Agreement: Liquidated Damages is amended to add the following sentences:

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

4. ~~3.~~ Section 14.6 of the Franchise Agreement: Limitation of Claims is amended to add the following sentence:

> Minnesota law provides that no action may be commenced under Minnesota Statute Section 80C.17 more than 3 years after the cause of action accrues.

5. ~~4.~~ Section 14.8 of the Franchise Agreement: Injunctive Relief is amended to add the following sentence:

A court will determine if a bond is required.

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

7. ~~6.~~ Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

8. ~~7.~~ The Franchise Agreement requires you to sign a general release of claims as a condition of the relocation, renewal and/or assignment or transfer of the franchise. Pursuant to Minn. Rule 2860.4400D, the general release of claims will not apply to any liability under Minnesota Law.

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be effected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS ~~T~~WHEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

FIT 36, LLC

Signature: ______________________________

Printed Name: ______________________________

Title: ______________________________

FRANCHISEE:

____
(Name of individual or Entity)

Signature: ______________________________

Printed Name: ______________________________

Title: ______________________________
(Title of Signor, if applicable)

ADDENDUM TO FRANCHISE AGREEMENT
FOR NEW YORK

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK ("this Addendum") is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____ ___________________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ____________________, 20___ (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, you are domiciled in New York and the Fit 36 Studio will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

2. The Franchise Agreement states that any lawsuits filed against us must be filed exclusively in the state or federal court of general jurisdiction in the location in which our principal place of business is located, which is currently Englewood, Colorado. Provisions in New York state law supersede this, allowing for lawsuits to be filed in New York.

3. Section 14.1 of the Franchise Agreement shall not be a waiver of any right provided to us or you by the provisions of Article 33 of the General Business Law of New York.

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be effected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS ~~T~~WHEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

FIT 36, LLC

Signature: ______________________________

Printed Name: ___________________________

Title: _________________________________

FRANCHISEE:

____
(Name of individual or Entity)

Signature: ______________________________

Printed Name: ___________________________

Title: _________________________________
(Title of Signor, if applicable)

ADDENDUM TO FRANCHISE AGREEMENT
FOR RHODE ISLAND

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR RHODE ISLAND ("this Addendum") is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____ ___________________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ____________________, 20___ (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, you are a resident of Rhode Island <u>and</u> the Fit 36 Studio will be located or operated in Rhode Island, and/or the offering or sales activity relating to the Franchise Agreement occurred in the State of Rhode Island.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

2. Sections 14.1 and 14.2 of the Franchise Agreement will be amended to add the following paragraph:

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

<u>Miscellaneous.</u> This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

<u>Counterpart Execution and Delivery by Facsimile.</u> This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be effected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS ~~T~~WHEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

FIT 36, LLC

Signature: ______________________________

Printed Name: ___________________________

Title: _________________________________

FRANCHISEE:

____
(Name of individual or Entity)

Signature: ______________________________

Printed Name: ___________________________

Title: _________________________________
(Title of Signor, if applicable)

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE AREA DEVELOPMENT AGREEMENT (MULTI-UNIT DEVELOPMENT)

RIDER TO THE FIT 36, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **Fit 36, LLC**, a Delaware limited liability company with our principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ______________________________ a(n) ______________________________, having its principal business address at ______________________________ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ______________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Studios that you will operate and develop under the Area Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS LAW.** The following paragraphs are added to the end of the Area Development Agreement and supersede any conflicting provisions in the Area Development Agreement:

> Illinois law governs the agreements between the parties to this franchise.
>
> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue 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.

[The remainder of this page is intentionally left blank.]

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

FIT 36, LLC, a Delaware limited liability company

By:__________________________________

Name: ____________________________

Title:________________________________

Date:____________________________

DEVELOPER:

____

[Name]

By:___________________________________

Name: ____________________________

Title: _____________________________

Date:_________________________________

RIDER TO THE FIT 36, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between **Fit 36, LLC**, a Delaware limited liability company with our principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ______________________________ a(n) ________________________________, having its principal business address at________________________________ ________________________________ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Studios that you will operate and develop under the Area Development Agreement will be located in Maryland.

2. **TRANSFER BY YOU.** The following is added to the end of Section 6.B(6) ("Transfer By You") of the Area Development Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **EVENTS OF TERMINATION**. The following sentence is added to the end of Section 7.A(4) ("Events of Termination") of the Area Development Agreement:

This Section 7.A(4) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **CONSENT TO JURISDICTION**. The following is added to the end of Section 9.C ("Consent to Jurisdiction") of the Area Development Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **LIMITATION OF CLAIMS**. The following sentence is added to the end of the first paragraph of Section 9.F ("Limitations of Claims") of the Area Development Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure law within 3 years after we grant you a franchise.

6. **ACKNOWLEDGMENTS.** The following is added to the end of the Area Development Agreement as new Section 10.J (under Section 10 "Miscellaneous"):

J. **ACKNOWLEDGEMENTS.** All representations requiring you 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 under the Maryland Franchise Registration and Disclosure Law.

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

FIT 36, LLC, a Delaware limited liability company	**DEVELOPER**:
	__________________________________
	[Name]
By: ______________________________	By: ______________________________
Name: __________________________	Name: __________________________
Title: ____________________________	Title: __________________________
Date: _________________________	Date: _____________________________

RIDER TO THE FIT 36, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between **Fit 36, LLC**, a Delaware limited liability company with our principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ______________________________

a(n) ______________________________, having its principal business address at ______________________________ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ______________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Studios that you will operate and develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **TERMINATION OF AGREEMENT**. The following is added to the end of Section 7 of the Area Development Agreement.

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

3. **TRANSFER BY YOU.** The following is added to the end of Section 6.B(6) of the Area Development Agreement:

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

4. **GOVERNING LAW**. The following statement is added at the end of Section 9.B of the Area Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 9.C of the Area Development Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTION**. If and then only to the extent required by the Minnesota franchises law, Section 9.D of the Area Development Agreement is deleted.

7. **INJUNCTIVE RELIEF**. Section 9.E of the Area Development Agreement is deleted and replaced with the following:

Nothing in this Agreement bars either party's right to seek injunctive relief against conduct that threatens to injure or harm the other under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction. A court will determine if a bond is required.

8. **LIMITATION OF CLAIMS**. The following is added to the end of the first paragraph of Section 9.F of the Area Development Agreement:

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

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

FIT 36, LLC, a Delaware limited liability company

By: ___________________________________

Name: ______________________________

Title: __________________________________

Date: ______________________________

DEVELOPER:

____

[Name]

By: ___________________________________

Name: ______________________________

Title: ______________________________

Date: ___________________________________

RIDER TO THE FIT 36, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK

THIS RIDER is made and entered into by and between **Fit 36, LLC**, a Delaware limited liability company with our principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ____

a(n) ____________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in the State of New York and the Studios that you will operate and develop under the Area Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in New York.

2. **TRANSFER BY YOU**. The following is added to the end of Section 6.B(6) of the Area Development Agreement:

> Notwithstanding the foregoing all rights enjoyed by you 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TRANSFER BY US**. The following language is added to the end of Section 6.A of the Area Development Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **TERMINATION OF AGREEMENT**. The following language is added to the end of Article 7 of the Area Development Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW**. The following statement is added at the end of Section 9.B of the Area Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **CONSENT TO JURISDICTION**. The following is added to the end of Section 9.C of the Area Development Agreement:

This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

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

FIT 36, LLC, a Delaware limited liability company

By: ______________________________

Name: ____________________________

Title: ______________________________

Date: ____________________________

DEVELOPER:

____

[Name]

By: ______________________________

Name: ____________________________

Title: ____________________________

Date: ______________________________

RIDER TO THE FIT 36, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made and entered into by and between **Fit 36, LLC**, a Delaware limited liability company with our principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ____ a(n) ____________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Studios that you will operate and develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **GOVERNING LAW / CONSENT TO JURISDICTION**. The following is added at the end of Sections 9.B and 9.C of the Area Development Agreement:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a [area development agreement] restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act." To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

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

FIT 36, LLC, a Delaware limited liability company

By:___________________________________

Name: _____________________________

Title:__________________________________

Date:_____________________________

DEVELOPER:

____

[Name]

By:___________________________________

Name: _____________________________

Title: _____________________________

Date:__________________________________

EXHIBIT B

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

FIT 36, LLC

____
FRANCHISEE

____
EFFECTIVE DATE OF AGREEMENT

____
TERRITORY

____
STUDIO NO.

FIT 36, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

Exhibits

FIT 36, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is entered into by and between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, , Suite 400, Englewood, Colorado 80112 ("**we**," "**us**" or "**our**"),

and

______________________________________ ("**you**," or "**your**")
(Name of Individual or Entity)

A ______________________________________
(Type of Entity and State of Organization)

____
Street Address

____
City, State, Zip Code

____
Telephone Number

and is entered into as of the date set forth below our signature on this Agreement (the "**Effective Date**").

PURPOSE

A. We and our affiliates have developed methods to establish, operate and promote studios ("**Fit 36 Studios"** or **"Studios**") offering group fitness training and other services and products that may be offered in the future. These methods include the use and license of the "FIT36®" trademark, together with other valuable trademarks, service marks, trade names, symbols, emblems, slogans, insignias, designs and logos, existing now or which may exist in the future (together, the "**Marks**") for use in establishing, operating and promoting Fit 36 Studios.

B. We grant the right to others to establish and operate Studios under the Marks according to our standards, specifications, methods, techniques, and operating and other procedures ("**System Standards**"), which constitute our unique Fit 36 franchise system (the "**Franchise System**").

C. The distinguishing characteristics of the Franchise System include the Marks, the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, worksheets, originals, manuals, techniques, rules, ideas, philosophies, illustrations, course materials, the confidential operations manual other manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operations of your Studio (such manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operations of your Studio are collectively referred to in this Agreement as, the "**Operations Manual**"), the System Standards, advertising and promotional materials, other audio, video and written materials, and other aspects of the Franchise System we have developed and designated for use within the Franchise System, or may acquire or develop and designate for use within the Franchise System in the future, all of which we may enhance and further develop (the "**Proprietary Assets**").

D. You recognize and acknowledge the benefits to be derived from being identified and associated with us, and being able to utilize the Franchise System and concepts and, therefore, desire to establish a Studio at an approved location. We are willing to grant you the right to operate a Studio under the terms and subject to the conditions contained in this Agreement.

E. You have been informed and hereby acknowledge that the successful operation of a Studio will depend primarily upon your efforts, capabilities and management skills as well as your efficient operation of the Studio. We make no claims or representations whatsoever regarding potential sales, profits or earnings achievable by you or your Studio.

1. GRANT OF FRANCHISE

1.1. Grant of Franchise. We hereby grant to you, and you accept from us, the right to use the Marks and Proprietary Assets to establish and operate 1 Fit 36 Studio at the Studio Location described in Section 2.2. You agree to use the Marks and Proprietary Assets, and conform to the System Standards, as they are periodically changed, improved and further developed by us and our affiliates, only in accordance with the terms, and subject to the conditions, of this Agreement. You do not have any right to sublicense or sub-franchise your Studio.

1.2. Corporation, Limited Liability Company, or Partnership. If you are at any time a corporation, limited liability company, or partnership (each, an "**Entity**"), you agree and represent that:

(a) you will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and will, throughout the term of this Agreement, remain validly existing and in good standing under the laws of the state of your formation;

(b) you represent that the Statement of Ownership set forth as Exhibit 3 to this Agreement is true, complete, accurate, and not misleading, and any changes to the information reflected on Exhibit 3 require our prior written consent as described in Section 11; and

(c) each of your direct and indirect owners during the term of this Agreement will execute a guaranty in the form we prescribe undertaking to guaranty your performance and to personally be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit 4. The spouse of each such owner will also be required to acknowledge and consent to the guaranty.

2. TERRITORY; LOCATION; PROTECTED AREA

2.1. Territory. The territory identified in Exhibit 1 of this Agreement (the "**Territory**") is the area in which you will focus your efforts to find an acceptable location for your Studio. We are identifying the Territory for the sole purpose of facilitating the orderly development of the market, and not for purposes of granting you any exclusivity or protection within the Territory. You acknowledge and agree that the Territory description set forth on Exhibit 1 is subject to change upon mutual agreement by you and us. Any change in the Territory shall be made in the form of an amendment to this Agreement, which must be signed by you and us prior to you beginning the site selection process within the amended Territory.

2.2. Site Selection. Unless we otherwise agree in writing, you will operate your Studio from a specific site or location within the Territory which we have approved (the "**Studio Location**"). You acknowledge and agree that our approval of the site for your Studio does not constitute a guarantee, recommendation, or endorsement of the

Studio Location and that the success of your Studio depends upon your abilities as an independent businessperson. Our approval simply means that the Studio Location meets our current location criteria, which means it meets our requirements with respect to demographics, neighborhood characteristics, size, appearance, convenience, proximity to other businesses, and other characteristics we deem appropriate. During the term of this Agreement, you shall use the Studio Location exclusively to operate a Studio.

We, or at our option, a third party we designate, may provide real estate services to assist you in obtaining a site for your Studio. However, it is your sole responsibility to locate a suitable site for your Studio. Upon executing this Agreement, you must begin searching for a site for your Studio, making diligent efforts to work with us (or a third party we may designate) to review site information, view locations and review letters of intent, so that you can locate a site and sign a lease in a timely manner. Although there is no deadline by which you are required to select a site, you must open your Studio by the commencement of operations deadline set forth in Section 7.3(b).

2.3. Protected Area. During the term of this Agreement, if you are not in default under this Agreement, we and our affiliates will not establish or operate, or sell to or grant a license for any other person to establish or operate another Fit 36 Studio within a one-mile radius of your Studio Location (the "**Protected Area**"). This Agreement does not provide you with any options, rights of first refusal, or similar rights, to acquire additional Studios.

2.4. Relocation of Your Studio. You must obtain our prior written approval in order to relocate your Studio, which approval will not be unreasonably withheld. Our decision on whether to approve or deny a relocation request will be based on our then-current standards for approving relocations requests, which may include a variety of factors including, but not limited to, the viability of the Studio Location and the availability of alternative locations. We will provide a written response to any relocation request within 30 days of receiving your written request. If approved, you must pay all costs of relocating your Studio and sign a relocation addendum which will include our form of general release, and which will include a non-disparagement clause. If you cease operating your Studio for more than 30 days before relocation, we may require you to terminate this Agreement and sign our then-current franchise agreement for the new location; however, you will not be required to pay a new Initial Franchise Fee.

3. TERM; RENEWAL

3.1. Initial Term. The initial term of this Agreement is for a period of 10 years from the Effective Date, unless sooner terminated pursuant to the terms of this Agreement.

3.2. Renewal. At the end of the initial term you may, at your option, renew this Agreement for ~~successive~~one, additional ~~5~~successive 10-year term~~s~~ (~~each,~~ a "**Renewal Term**"), provided that:

(a) you provide us written notice of your election to renew at least 180 days (but not more than 1 year) prior to the end of the term of this Agreement;

(b) at the time you provide the written notice of renewal, you are not in default or under notice of default of any provisions of this Agreement or of any other agreement between us, including any other franchise agreement and/or area director agreement, and you have been in substantial compliance with the terms and conditions of all such agreements (including this Agreement) during the term of this Agreement;

(c) all monetary obligations you owe us (under this Agreement or any other agreements between us, including any other franchise agreement and/or area director agreement) have been satisfied and paid when due throughout the term of this Agreement;

(d) you sign and agree to be bound by our then-current form of franchise agreement, which may contain terms and conditions materially different from those set forth in this Agreement, including terms changing the Protected Area, the Royalty (defined in Section 4.2) and other fee amounts; provided you will not be required to pay a new Initial Franchise Fee (although you will have to pay us the renewal fee set forth below);

(e) you, your owners, and any guarantors under this Agreement, sign a general release in a form satisfactory to us, which will include a non-disparagement clause, releasing any and all claims against us, our affiliates, and our and their respective shareholders, members, owners, principals officers, directors, employees, representatives, agents, successors and assigns, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims under this Agreement and the business relationship between us;

(f) you (or, if you are an Entity, one of your owners) and, if not the same person as you (or the designated owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must attend and satisfactorily complete such refresher training as we may require, at such time and place prior to expiration of the term of this Agreement as we may designate;

(g) you pay us a renewal fee equal to $10,000; and

(h) if we deem it necessary, you must upgrade, remodel and refurbish, at your sole expense, the inside and outside of your Studio to conform to our then-current standards. The upgrade may include, but is not limited to, new signs and equipment. All such upgrades, remodels and refurbishments must be performed in accordance with our System Standards and other standards and specifications we may designate.

If: (1) you fail to provide us with the notice specified in subsection 3.2(a) above by the deadline required thereunder; (2) such notice states that you elect not to renew this Agreement; or (3) if you are not entitled to the grant of a Renewal Term because you have failed to satisfy each of the conditions set forth above, then you must: (i) immediately cease selling Gift Cards (as defined in Section 8.6) that expire after this Agreement expires and (ii) at least 30 days prior to the scheduled expiration of this Agreement, cease selling Memberships (as defined in Section 7.5).

4. **FEES; PAYMENTS**

4.1. Initial Franchise Fee~~s~~. You must pay to us, in the form of a lump sum payment, by ~~cashier's check or~~ wire transfer, the amount of $~~34,900~~39,900 as a non-refundable initial franchise fee (the "**Initial Franchise Fee**"). The Initial Franchise Fee must be paid at the time you sign this Agreement. The Initial Franchise Fee is fully earned by us when paid by you and is not refundable under any circumstances.

4.2. Royalty. On the fifth (5th) day of the first full calendar month after opening your Studio ~~(or if you are converting an existing business to a Studio, the first full calendar month after the date you sign this Agreement)~~ and on the 5th day of each month after that date during the term of this Agreement, you must pay to us a continuing royalty of 6% of your gross receipts (as defined below) (the "**Royalty**"); provided, however, if you are signing this Agreement to develop a new Studio (and not in connection with the renewal of an existing franchise agreement or the transfer of an existing Studio), so long as you are in compliance with this Agreement, we will reduce the Royalty to 3% of your gross receipts through the end of the 18th calendar month following the Effective Date. We reserve the right, but not the obligation, to collect the Royalty on a weekly, rather than monthly, basis upon notification to you.

If we are unable to obtain your gross receipts directly from our approved computer system used by you to record receipts, we may debit your account for an estimated Royalty equal to 110% of the average of your previous 3 months of gross receipts for your Studio ("**Estimated Royalty**"). If the Estimated Royalty we debit from your account is less than the amount you actually owe us (once we have determined your Studio's true and correct gross receipts), we will debit your account for the balance on the day we specify. If the Estimated Royalty we debit from your account is greater than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us.

4.3. Electronic Funds Transfer. You authorize us and our affiliates, as set forth in Exhibit 2 of this Agreement, to automatically withdraw funds from your bank account (sometimes referred to as ACH or auto-debit) to pay the Royalty based on your gross receipts from the previous month, as reported by you or obtained by us from our approved computer system used by you to record receipts, and to pay any other amounts you owe us or our affiliates under this Agreement or otherwise (the "**ACH Authorization**"). The

ACH Authorization shall remain in full force and effect during the term of this Agreement. You must comply with our and our affiliates' procedures and instructions in connection with the auto-debit process, and sign any document or take any action that may be required to effect this authorization. You agree to ensure that funds are available in your designated account to cover our withdrawals. Some banks charge fees for ACH transactions and, to the extent your bank charges ACH fees, you agree to pay those fees. In the event any Royalty payment is not paid on a timely basis, we will also have the right to ACH from your bank account such late fees, default fees or other fees that may be assessed in connection with your non-timely payment, or such other fees or payments as we may periodically designate.

All amounts due under this Agreement or otherwise shall be payable by ACH; however, we reserve the right to require payment by means other than ACH (*e.g.*, by check or credit card) whenever we deem appropriate, and you must comply with our payment instructions. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs. Your failure to comply with our payment instructions will also be considered a default under this Agreement.

4.4. Definition of Gross Receipts. Gross receipts include: (a) all of your revenue and receipts, including those taken by cash, credit card, debit card, check, trade, barter or exchange, electronic funds transfer, or any other means of credit which are derived from the operations of your Studio, including, but not limited to, Pre-Opening Membership Sales (as defined in Section 7.3), the sale of Memberships (as defined in Section 7.5), fitness services, Gift Cards (as defined in Section 8.6) which are not sold under any of our national Gift Card programs, merchandise, products, or any other products or services which are sold by you, whether sold at your Studio location or from an off-site location, excluding sales, use or privilege taxes paid to the appropriate taxing authority, and refunds that are made to clients; and (b) the gross redemption amount of Gift Cards which are sold under any of our national Gift Card programs. In addition, should your business be interrupted for any reason and you are receiving business interruption insurance payments, the gross amount of these payments will be considered to be gross receipts and will be subject to the Royalty.

4.5. Product And Supply Orders. You are required to purchase certain equipment, products, materials and/or services from our Approved Suppliers (defined below), which could be us or one of our affiliates, at the prices listed in the Operations Manual, on our website, or in such other place as we may designate.

4.6. Default Fee. If you are in default of this Agreement and we send you a default notice, you must pay us a fee of $250.

4.7. Set-Up Fees; Technology Fee. You must use computer hardware and software we designate in the operation of your Studio. Prior to opening your Studio, you will be required to pay us a set-up fee of $499 payable by ACH for the set-up of certain required software. You must also pay us a monthly technology fee, which is currently

$545, payable by ACH on the first day of each calendar month, beginning 2 months prior to your Studio opening. We may periodically change the amounts of the set up fees and monthly technology fee, and/or the hardware and software requirements, and we may require you to purchase new or additional hardware and software. You may be required to execute a software license or other agreement in connection with your use of the required computer software. Other than providing the hardware and software specifications and Approved Suppliers from which you can purchase the required computer hardware and software, we are not obligated to provide you with any assistance in obtaining the required computer hardware and software or any support in connection with your use of the required hardware and software.

4.8. Dishonored Checks/Insufficient Funds. If you write us a check that is returned, cancelled or dishonored, or if we ACH your bank account and your account has insufficient funds or is inaccessible, you must pay us an insufficient funds fee of $150.

4.9. Changes to Fees and Requirements. We may revise our System Standards and Operations Manual to implement new or different operating requirements and fees; provided, however, no such revision will increase your Royalty, contributions to the Marketing Fund, or ~~Ongoing~~Local Marketing Spend Requirement to an amount greater than the amount as provided herein. You agree to comply with any new or changed requirements and fees.

4.10. Set-Offs. You have no right to set off any amounts you owe us against amounts we owe you, and you hereby expressly waive any such right. You agree you will not withhold payment of any fee or other amount you owe us (whether under this Agreement or any other agreements between us, including any other franchise agreement, master franchise agreement and/or area director agreement) because of alleged nonperformance of our obligations under this Agreement or otherwise. Absent a court order to the contrary, if you withhold any amounts owed to us and we pursue collection of such amounts, you must pay all of our reasonable costs, including court costs, attorneys' fees, the value of our employees' time, witness fees and travel expenses in connection with our collection efforts.

4.11. Marketing Fees. You agree to pay the Grand Opening Spend Fee (as defined in Section 8.2), make contributions to the Marketing Fund (as defined in Section 8.3(a)), and pay us the ~~Contribution Amount~~Local Advertising Fee (as defined in Section 8.5), each in the amounts specified in such sections.

~~4.12. Lease Review Fee. Upon entering into a letter of intent for the lease of your Studio Location with the landlord, you will be required to pay us or our Approved Supplier (which may be an affiliate of ours) a lease review fee of $1,650 ("**Lease Review Fee**"). The Lease Review Fee pays the expenses we incur to review and (if we so choose) to negotiate certain provisions of the lease on our behalf. You acknowledge and agree that (i) our review of the lease is for our benefit only and you are not a third-party beneficiary of our lease negotiation or review, (ii) we do not guarantee that the terms, including rent, will represent the most favorable terms available in that market, and (iii)~~

~~you should engage your own attorney or legal advisor to review and negotiate the lease on your behalf. We will charge you only 1 Lease Review Fee unless you refuse to sign a lease that we have approved for the Studio Location, and we are then required to engage in 1 or more additional lease reviews for the Studio Location (or for a different Studio Location if you refuse to sign a lease for the first proposed Studio Location). In such event, you will pay us or our Approved Supplier (which may be an affiliate of ours) 1 or more additional Lease Review Fees.~~

5. **OUR RELATIONSHIP; OUR OBLIGATIONS TO YOU**

5.1. Our Relationship with You. We and you agree that each of us is an independent businessperson, our only relationship is by virtue of this Agreement, and no fiduciary relationship is created under this Agreement. No agency, employment or partnership is created or implied by the terms of this Agreement. In all public records, in your relationship with other persons, and in any disclosure document, prospectus or similar document, you must indicate clearly that you independently own your Studio and that the operations of your Studio are separate and distinct from the operations of our business. In addition, you shall prominently display in your Studio notice that the business is operated by you as a franchisee and not as an agent of ours. You shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs, and other materials.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will have no right or duty to direct your employees in the course of their employment for you. You are solely responsible for the terms and conditions of employment of your employees. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement.

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or your Studio, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

5.2. Training. We or our designee will provide initial training ("**Initial Training**") which consists of three phases: (i) the first phase is a general orientation program; (ii) the second phase covers local studio marketing; and (iii) the third phase covers general franchise training topics.

You (or, if you are an Entity, one of your owners) must complete the first phase of Initial Training to our satisfaction within 60 days after the Effective Date. In addition, if you have hired a manager (or an individual having responsibility for the day-to-day operations of your Studio as described in Section 7.5(d)) for your Studio at the time you (or, if you are an Entity, one of your owners) attend the first phase of Initial

Training, he or she also must attend and complete the first phase of Initial Training to our satisfaction. You (or, if you are an Entity, one of your owners) must complete the second phase of Initial Training to our satisfaction at least 60 (but not more than 90) days your Studio opens. In addition, if you have hired a manager (or an individual having responsibility for the day-to-day operations of your Studio) for your Studio at the time you (or, if you are an Entity, one of your owners) attend the second phase of Initial Training, he or she also must attend and complete the second phase of Initial Training to our satisfaction. Once we or our designee have provided the first and second phase of Initial Training to you (or, if you are an Entity, one of your owners) and, if hired at the time, your manager (or the individual having responsibility for the day-to-day operations of your Studio), we are not obligated to provide these phases of the Initial Training again to any additional individuals.

You (or, if you are an Entity, one of your owners) and, if not the same person as you (or the designated owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete the third phase of Initial Training to our satisfaction at least 30 (but not more than 60) days before your Studio opens. ~~Other individuals may attend the third phase of Initial Training at any time before or after your Studio opens; provided, however after your Studio is open, scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training. If you want (or if we or this Agreement requires) more than 5 individuals to attend the third phase of Initial Training, you must pay us a fee of $500 per person.~~

We have the discretion to determine whether or not any individual has successfully completed any phase of Initial Training.

If you purchase additional franchise agreements, neither you (nor, if you are an Entity, your owners) will be required to attend Initial Training if you have already done so.

You acknowledge that Initial Training is intended solely to assist you in establishing and operating the Studio in accordance with the System Standards and is not intended to be general training for your employees, which is your sole responsibility in accordance with Section 7.1. If, after your Studio has commenced operation, your manager (or the individual having responsibility for the day-to-day operations of your Studio) is terminated, resigns, or is otherwise no longer employed at your Studio, you must appoint a replacement manager (or an individual having responsibility for the day-to-day operations of your Studio) and he or she must also attend and complete the third phase of Initial Training to our satisfaction within 90 days following such termination, resignation, or other departure. ~~If you are converting your existing business to a Studio, then you (or, if you are an Entity, one of your owners) and, if not the same person as you (or the designated owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete each phase of Initial Training within 180 days after you sign the Franchise Agreement.~~

You must pay for all travel, accommodations, meals and other expenses incurred by all individuals whom you designate to attend each phase of Initial Training.

We or our designee will provide, at no additional cost to you, no less than 2 days of on-site assistance and support in connection with the opening and initial operations of your Studio. We have discretion to determine the individuals who will provide this on-site support. If, upon the arrival of the support team at your Studio, we determine in our discretion that you are not ready to open your Studio, or if we determine in our discretion that you require or would benefit from additional on-site opening support, you will be responsible for the reasonable travel and living expenses incurred by our support team in providing the postponed or additional assistance.

5.3. Additional Training and Conferences.~~ We may require that y~~ Yo~~pay the $500 fee described above, and you ~~u are required to pay all travel, accommodations, meals and other expenses, for each individual you may designate for any refresher training we make (or that we authorize a third party to make) available to our franchisees or for any optional training programs we may conduct from time to time. You must attend any annual conferences or seminars that we may require at a location we designate. You agree to pay all costs to attend.

5.4. Supplies and Source of Supplies. We may designate specific products that you must purchase, and require that you purchase products and services from suppliers and vendors we approve. We will provide you with the System Standards in the Operations Manual we make available to you. We can modify, amend and change our System Standards, Operations Manual, and other standards and specifications at any time and you agree to abide by any such modified, amended or changed provisions.

To the extent we have approved certain manufacturers, vendors, distributors, suppliers and producers, which may be us or our affiliates (collectively, "**Approved Suppliers**"), you are required to purchase from the Approved Suppliers. We reserve the right to require you to participate in certain mandatory service programs. You must purchase all goods and services required for the operation of your Studio from the Approved Suppliers (which may be 1 supplier for any given product or service) under terms, in the manner, and from the source designated by us or any of our affiliates. If you wish to purchase any product or service from a supplier that is not an Approved Supplier, you must first submit to us a written request to do so.~~Our~~ We do not charge you a fee for evaluating the supplies or supplier you request~~ is $100 per hour, which you must pay to us when invoiced~~. We will typically provide a response to the written request within 30 days from our receipt of the request. We may require that samples of the product produced by the proposed alternative supplier be delivered to us for review and testing. We may withhold approval of a supplier for any reason. We will not approve a new supplier or continue to approve any supplier unless the supplier has agreed that we have a right to inspect the supplier's premises and products. If any inspection discloses a supplier's failure to maintain our specified criteria for products or services, we may revoke our approval in writing. We do not make available to our franchisees our criteria for approving suppliers. If an exclusive supplier already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new vendor, your request for a new vendor likely will be rejected without further review or investigation. Unless we have designated you or your owners as an Approved Supplier of a particular product or service, during the term of this Agreement, you and your owners will not sell or attempt to sell, directly or indirectly, any products or services to other franchisees of the Franchise System. ALTHOUGH SUPPLIES OR SUPPLIERS MAY BE APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO INVENTORY, PRODUCTS, FIXTURES, FURNITURE, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY REQUIRED COMPUTER SYSTEMS), SIGNS, STATIONERY, SUPPLIES OR OTHER APPROVED ITEMS.

5.5. Studio Design. We, or at our option, our Approved Supplier will provide you with a list of recommended and required specifications and guidelines for the design and layout of a typical Studio. You must comply with all such specifications and guidelines unless we approve otherwise in writing.

5.6. On-going Support and Assistance. We or our designee will provide the following operational support to you as we deem appropriate:

(a) opening support and ongoing operational support of your Studio by telephone, in person, or otherwise;

(b) recommendations for advertising and promotional materials;

(c) merchandising, marketing and other data and advice as may periodically be developed by us;

(d) advice, consultation and assistance regarding the operations of your Studio based primarily on our inspections of your Studio and reports you are required to provide to us. This assistance may be provided by telephone or in person or by newsletters, bulletins, or otherwise as we deem necessary or appropriate from time to time; and

(e) such other resources and assistance as we may develop and provide in the future.

5.7. Our Reservation of Rights.

(a) Right to Modify the Franchise System. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administer, develop, and change the Franchise System in any manner that is not specifically precluded by the provisions of this Agreement.

(b) Adaptations and Variances. Because uniformity under varying conditions may not be possible or practical, we specifically reserve the right to vary standards for any Studio. If we vary standards for any Studio, we have no obligation to vary standards for your Studio.

(c) Right to License to Others. We may use and license others to use the Marks, Proprietary Assets and the Franchise System for the operation of Studios anywhere outside of your Protected Area. Except as otherwise specifically provided in this Agreement, nothing in this Agreement shall restrict our rights, or grant any rights to you, with respect to the pursuit of any business concept other than the Franchise System concept.

(d) Right to Develop and Franchise Other Systems. Unless specifically stated in this Agreement, we retain the right to develop, use and franchise the rights to any systems, businesses, trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as part of the Franchise System, the Proprietary Assets, or Marks, at any location, including within the Protected Area, on such terms and conditions as we may deem advisable, and without granting you any rights therein.

(e) Right to Sell Products and Services. We may sell Fitness Products (defined in Section 7.5) and any other products or services, including those similar to the products and services offered by Studios, anywhere, using the Marks or not, through various channels of distribution (including internet, wholesale, mail order and retail). Franchisees may use various channels of distribution, such as direct mail, email and internet (but only through Studio websites maintained through us) to market their Studios, provided that we have approved any marketing materials. Franchisees must not market their Studios or the services provided by the Studios by making unsolicited advertising or marketing phone calls or by sending or transmitting unsolicited advertising or marketing faxes, text messages, emails, or other digital communications.

(f) Right To Transfer, Assign, Purchase or Be Purchased. You acknowledge and agree that we have the right to transfer or assign all or any part of our right and interest in and to, and our obligations under, this Agreement to any person or legal entity without your approval. We also have the right to purchase or be purchased by, or merge or combine with, any Competitive Business (as defined in Section 12.1) or any other competing or other business, even if such business has locations within the Protected Area.

(g) Right to Delegate Obligations. You acknowledge and agree that we have the right to delegate to third party designees the performance of all or any portion of our obligations under this Agreement.

(h) Notice of Potential Profit. We or our affiliates may derive revenues or profits, or obtain other consideration, from your dealings with our Approved Suppliers or other suppliers. You acknowledge and agree that we have the right to receive payments, discounts, promotional allowances, and other payments from any supplier based on your purchases and the purchases of our other franchisees. Additionally, we have the right, and you acknowledge and agree that we are entitled, to derive revenues, profits and other consideration from your purchases from us or our affiliates.

6. **USE OF THE MARKS**

6.1. Ownership; Goodwill. You acknowledge that we and our affiliates have the sole right to license and control your use of the Marks and that the Marks shall remain under our and our affiliates' sole and exclusive ownership and control. You acknowledge that you do not acquire any right, title, or interest in the Marks except for the right to use the Marks in the operation of your Studio under this Agreement. You will display the Marks prominently at your Studio and on forms, advertising, marketing and other materials in the manner we prescribe. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your use of the Marks and any resulting goodwill is for our exclusive benefit.

6.2. Limitation on Use. You shall not use any Mark as part of any Entity name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, nor may you use any Mark in connection with unauthorized services or products or in any other manner not expressly authorized by us in writing. You agree that no service or trade mark other than the Marks shall be used in the marketing, promotion, or operation of your Studio. You shall not use any Mark as part of any website, domain name, email address, social media account, username, other online presence or presence on any electronic medium of any kind except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing from time to time.

6.3. Discontinuance of Use of Marks. If it becomes advisable at any time for us or you to modify or discontinue the use of any Mark, or to use an additional Mark, you must comply with our directions to do so within a reasonable time after we provide notice to you. We need not reimburse you for any lost revenue or the costs you incur to comply with such direction, including the costs to change your Studio's signs, replace proprietary supplies or promote the modified or newly required Marks.

6.4. Notification of Infringements and Claims. You must notify us immediately of any possible infringement of any Mark or use of a trademark confusingly similar to the Marks that comes to your attention. You must also notify us of any challenge to your use of the Marks. You may not communicate information about an infringement or challenge with any person other than us, our affiliates, our counsel, or your counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or United

States Patent and Trademark Office or other administrative proceeding arising out of any infringement, challenge or claim related to the Marks. We will indemnify you against any losses or damages incurred by you as a result of any successful claim of trademark infringement brought by a third party that is related solely to your authorized use of the Marks in accordance with the terms of this Agreement. We will not pay any of your attorneys' fees if you hire your own attorney. You must cooperate with us in any litigation. You must execute any and all instruments and documents, render such assistance, and perform such acts as may be necessary or advisable to protect and maintain our interests in the Marks.

7. OPERATION OF YOUR FRANCHISE; YOUR OBLIGATIONS

7.1. Employees, Agents and Independent Contractors. You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors you may hire to assist in the operation of your Studio. You agree that any employee, agent or independent contractor you hire or retain shall be your employee, agent or independent contractor, and not our employee, agent or independent contractor. Notwithstanding the foregoing, any fitness instructors and Studio employees that you hire must be employees, and not independent contractors. We will not own any of the information regarding your employees that is entered into the software programs you are required to use in the operation of your Studio. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including, without limitation, recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Studio in compliance with federal, state, and local employment laws.

You further agree that any employee, agent or independent contractor you hire shall be required to execute a confidentiality and non-solicitation agreement, substantially in the form set forth as Exhibit 5 to this Agreement ("**Form of Confidentiality Agreement**") or as we otherwise provide to you. You acknowledge and agree that the Form of Confidentiality Agreement is a form of agreement only, and that it may or may not be enforceable in a particular jurisdiction. You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality, non-solicitation, and/or non-competition agreement you require your employees, agents and independent contractors to sign.

7.2. Lease Approval. We must approve any lease for your Studio premises and any sublease, amendment to, renewal, or assignment of the lease prior to you signing such lease, sublease, lease amendment, renewal, or assignment. You acknowledge and agree that any review and approval of any Studio premises or lease is for our sole benefit and the benefit of the Franchise System, and are not intended to imply or guarantee the success or profitability of any Studio Location. You acknowledge that you have been advised to obtain the advice of your own professional advisors before signing a lease. You and your legal and other advisors are solely responsible for negotiating the terms of the lease for your Studio's premises. However, your lease must include the terms of our letter of intent and lease addendum attached hereto as Exhibit 6, unless otherwise approved by us in writing. If you are acquiring an existing Studio and assuming a lease that does not contain the terms of our lease addendum, you and the landlord must execute the lease addendum in the form attached hereto as Exhibit 6, unless otherwise approved by us in writing. You (and not any of your affiliates or owners) must be the tenant on the lease for the Studio's premises. You agree to provide us a copy of the fully executed lease for your Studio and any amendments or renewals of your lease upon signing and at any time upon our request.

7.3. Opening Your Studio.

(a) Build-Out. You are required to use one of our Approved Suppliers for construction services, which include all design ~~and~~, architecture and construction services related to the build-out of your Studio. If you wish to use a supplier that is not our Approved Supplier, you must comply with the evaluation process and pay the evaluation fee set forth in Section 5.4. If we approve an exception to the requirement that you use one of our Approved Suppliers of construction services, you are required to pay us a construction management fee of $5,000. After obtaining possession of the Studio Location, you must promptly complete the following:

1. prepare (or cause to be prepared) and submit to us for our approval, a site survey and any proposed modifications to our conceptual designs and specifications (not including construction) including, but not limited to, modifications to our required dimensions, exterior and interior design, materials, layout, equipment, fixtures, furniture, and signs and décor; provided, however, that modifications are permitted only if required to comply with applicable ordinances, building codes and permit requirements and are subject to our prior written approval;

2. obtain all permits and licenses for the lawful construction and operation of the Studio, together with all certifications from government authorities having jurisdiction over the Studio Location that all requirements for construction and operations have been met, including, but not limited to, zoning, access, sign, health, fire, and safety requirements, building and other required construction permits, licenses to do business, fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances;

3. obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation services;

4. purchase or lease equipment, furniture, fixtures and signs as provided under this Agreement or in the Operations Manual;

5. complete the construction and build out of the Studio premises, including installing equipment, fixtures, furniture and signs, and decorating your Studio, in full and strict compliance with the plans and specifications we have approved, and in accordance with all applicable ordinances, building codes and permit requirements; and

6. otherwise complete all other aspects of developing your Studio as we may reasonably require in order to be able to commence operation of your Studio on or before the Projected Opening Date (defined below).

(b) Commencement of Operations. You must have your Studio open and operating within 1 year from the Effective Date (the "**Projected Opening Date**"), unless otherwise specifically approved by us in writing.~~ If you fail to meet the Projected Opening Date, and wish to extend the deadline to have your Studio open and operating, we may, at our sole discretion, grant you a one-time, 1-year extension to have your Studio open and operating (the "**Opening Extension**"), which will expire automatically on the date that is 2 years after the Effective Date (the "**Extended Opening Date**"). In exchange for our granting you the Opening Extension, you agree, prior to the Projected Opening Date, to: (i) execute such documents and agreements as we require, which will include our form of general release and will include a non-disparagement clause, and (ii) if you have not signed a lease for the Studio Location by the Projected Opening Date, pay us a nonrefundable extension fee of $7,500 ("**Extension Fee**").~~

You may not open your Studio for business until (a) we notify you that you have properly equipped your Studio, (b) you and your employees and other personnel have successfully completed the applicable training to our satisfaction, (c) you have paid all amounts due to us and our Approved Suppliers and other vendors, (d) you have obtained all required licenses and permits to operate your Studio, (e) you have obtained our required minimum insurance coverage for your Studio and have provided us with a certificate of insurance and evidence that you have paid your insurance premium, (f) if you are an individual, you transfer the ownership of your Studio under this Agreement to an Entity in accordance with the transfer provisions set forth in Section 11 of this Agreement; and (g) you have sold a minimum of 200 Pre-Opening Membership Sales (defined below). Once you have opened your Studio for business, you must operate your Studio continuously for the remainder of the initial term of this Agreement.

(c) Pre-Opening Membership Sales. Where used in this Agreement, and unless the context requires otherwise, the term "**client**" or "**clients**" includes all customers of the Studio, whether monthly members, one-time customers, customers who purchase packages of classes, or any other customers or persons having access to your Studio. Subject to applicable law, you will begin to offer and sell Memberships (as defined in Section 7.5) before the Projected Opening Date of your Studio. These sales are referred to as "**Pre-Opening Membership Sales**."

You must begin Pre-Opening Membership Sales within 10 days following your receipt of building permits and business license. As described in Section 7.5, you must comply with this Agreement and all System Standards in the Pre-Opening Membership Sales process.

All activities in connection with Pre-Opening Membership Sales must comply with the standards and specifications described in the Operations Manuals or otherwise in writing by us. You must also comply with and certify to us in writing that you have obtained all necessary bonds and otherwise have complied, and will comply, with all applicable laws relating to your Pre-Opening Membership Sales. If you fail to do so, in addition to our other rights and remedies, you will not be authorized to begin offering or selling Memberships for your Studio.

You alone are responsible for ensuring that your Pre-Opening Membership Sales comply with all applicable laws and other legal requirements, including, without limitation, laws pertaining to bonding and escrow requirements. You assume all risks, responsibilities, and liabilities associated with Pre-Opening Membership Sales, and you agree to indemnify and hold us harmless from any claims associated with such activities as set forth in Section 9.1 of this Agreement.

7.4. Insurance. Before your Studio opens, you must purchase insurance coverage from our Approved Supplier; provided, however, you may obtain owned-auto insurance from any reputable insurer and worker's compensation from either your payroll provider or any reputable insurer. For purposes of this paragraph, a "reputable insurer" means an insurer with a minimum rating of A by A.M. Best. You must maintain the insurance throughout the duration of the term of this Agreement. Each insurance policy for your Studio must designate as additional insured parties, us and, if requested by us, any of our affiliates or area directors or other parties we may periodically designate. In addition, each insurance policy must provide that all additional insured parties will receive at least 30 days' prior written notice of termination, material amendment or cancellation.

Prior to opening your Studio, and then a minimum of annually or upon our request, you must provide to us a certificate of insurance (including those of each of your employees if required) reflecting the following minimum coverage limits: (a) general liability limits not less than $1,000,000 per occurrence ($2,000,000 in the aggregate); (b) professional liability coverage due to errors or omissions in the performance of services at your Studio with limits not less than $1,000,000 per occurrence ($2,000,000 in the aggregate); (c) hired and non-owned auto liability limits not less than $1,000,000 per occurrence; (d) owned-auto combined single liability limits not less than $100,000; (e) sexual abuse and molestation limits not less than $100,000 per occurrence ($300,000 in the aggregate); (f) cyber liability limits not less than $1,000,000 in the aggregate; (g) employment practices liability limits not less than $100,000 in the aggregate; (h) property insurance limits in amounts that adequately protect your business personal property, fixtures, improvements and business interruption and extra expense exposures; and (i) worker's compensation insurance (in compliance with state and local laws).

We reserve the right to change or modify (including increasing) the required minimum coverage limits. You acknowledge and agree that the minimum coverage limits we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverage or coverage limits that are or might be appropriate for your Studio. Additional insurance coverage or increased coverage limits might be appropriate based upon, for example, the location of your Studio. You agree to seek the advice of your insurance advisor regarding the appropriate types of coverage and coverage limits you may need to sufficiently protect your Studio. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances. No insurance coverage that you or any other party maintains will be deemed a substitute for your indemnification obligations to us or our affiliates under Section 9 or otherwise.

~~If you fail to obtain or maintain the required insurance, or if you fail to provide us with proof of insurance coverage, we may, but are not obligated to, obtain the insurance for you and maintain it in full force and effect. You acknowledge and agree that, in the event we obtain or maintain insurance on your behalf, you will pay the applicable premiums, or reimburse us for the applicable premiums, by authorizing us to ACH your bank account for such amounts. You must also pay, or reimburse us for, our reasonable costs to obtain insurance on your behalf.~~ If you do not comply with these insurance provisions, you will be in material breach of this Agreement. In addition to all other available remedies, we may demand that you cease operating the Studio for any period during which you do not have insurance coverage.

7.5. Operation of Your Studio.

Your Responsibilities. You are solely responsible for the successful operation of your Studio and for the performance of all of your obligations arising from the operation of your Studio, including, without limitation, the payment (when due) of all applicable taxes and the procurement and maintenance of all required or applicable business licenses and permits, including any changes to such licenses and permits. You shall at all times during the term of this Agreement own and control the Studio.

(a) System Standards. You must operate your Studio in accordance with our System Standards, as described in the Operations Manual. You acknowledge receipt of a copy of the Operations Manual, which we are loaning to you. We have the right to revise the System Standards and the contents of the Operations Manual to meet changing conditions. The System Standards exist to protect our interests in the Franchise System and the Marks, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. You acknowledge and agree that you will comply with the System Standards as they may be periodically changed or modified by us. Our periodic modification of the System Standards, which may accommodate regional or local variations, may obligate you to invest additional capital in your Studio and incur higher operating costs.

(b) Operations Manual Requirements. You must at all times keep your copy of the Operations Manual current and up-to-date. In the event of any dispute as to the contents of the Operations Manual, the master copies maintained by us at our principal place of business shall be controlling.

You must treat the Operations Manual and the information it contains as confidential, and must use all reasonable efforts to maintain the information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce the Operations Manual, in whole or in part, or otherwise make it or any part of it available to any unauthorized person. The Operations Manual will remain our sole property and must be kept in a secure place on the Studio premises.

At our option, we may post all or portions of the Operations Manual on a restricted website, intranet or extranet to which our franchisees will have access. If we do so, you agree to monitor and access the website, intranet or extranet for any updates to the Operations Manual. Any password or other digital identification necessary to access the Operations Manual will be deemed to be our proprietary information, subject to the confidentiality provisions of this Agreement.

(c) Products and Services. You acknowledge and agree that you are authorized to offer only those services and products we designate from time to time in the Operations Manual or otherwise. There are no limitations on our right to designate additional authorized services and products that you must offer. You cannot offer any other types of services or products, or operate or engage in any other type of business or profession, from or through the Studio, unless you first receive our written consent. You shall not charge clients any additional fees or service charges not authorized by us including but not limited to convenience fees, gift card conversion fees, credit card fees, service fees, or other surcharges.

Without limiting the generality of the preceding paragraph, we reserve the right to require you to purchase Fitness Products and prominently display them for sale at your Studio and in the manner that we designate from time to time. You agree to purchase Fitness Products only from the suppliers that we designate (which may be us or our affiliates, exclusively). You must reorder and stock Fitness Products as reasonably necessary to meet expected consumer demand at the Studio; provided, however, we and our affiliates will have no liability to you on account of the temporary unavailability of any Fitness Product. "**Fitness Products**" means consumer merchandise (including, but not limited to, apparel, beverages, nutritional supplements, and workout gear), which may or may not be branded with the Marks, that we determine from time to time to be appropriate for sale at Studios or for general promotional purposes.

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

(d) Studio Management. During the term of this Agreement, except as we otherwise approve in writing, one of your owners or your manager, must devote full time and best efforts to the management and operation of your Studio. Your Studio must, at all times, be under the direct on-site supervision~~, for a minimum of 50 hours per week,~~ of an individual who has satisfactorily completed ~~the third phase of~~ Initial Training~~; provided, however, if more than one individual has completed the third phase of Initial Training to our satisfaction, you may satisfy the foregoing 50-hour requirement by aggregating the hours of all such individuals for the week. If you own and operate more than 1 Studio, you must satisfy the same 50-hour minimum requirement as described in the preceding sentence for each such Studio~~. We impose no limitations on, or requirements with respect to, who you may hire, except that you must comply with all applicable laws, and must not harm the goodwill associated with the Marks, the Proprietary Assets and the Franchise System. Your manager will be required to attend and complete Initial Training to our satisfaction and will be required to enter into a confidentiality and non-solicitation agreement. You must perform background checks for all employees you hire and update the background checks as specified in the Operations Manual. These requirements may affect who you may hire.

(e) Computer Hardware and Software. The minimum computer hardware requirements are specified in the Operations Manual. You may use any brand of computer hardware meeting our specifications and may acquire your computer hardware from any source. You must keep your computer in good working order and obtain and install the upgrades necessary to efficiently operate your Studio. You are responsible for consequences arising from improper use and/or poor upkeep and maintenance of your computer.

You must use the software programs designated and described in the Operations Manual or otherwise designated by us which include the Studio management and client satisfaction software.

You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit-report information ("**Personal Information**") in accordance with applicable law and industry best practices (which includes complying with then-current Payment Card Industry Data Security Standards currently found at www.pcisecuritystandards.org, or any similar or subsequent standard, for the protection of cardholder data throughout the term of this Agreement). It is entirely your responsibility (even if we provide you any assistance or guidance in that regard) to confirm that the safeguards you use to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. We expressly disclaim any ownership interest in any credit card information or cardholder data that is included within Personal Information.

You acknowledge and agree that we, our affiliates, and third parties we designate (including area directors and Approved Suppliers) may have independent, unlimited access to all information generated by your computer system. At our request, you agree to sign a release with any vendor of your computer system providing us with unlimited access to your data.

(f) Computer Hardware and Software Updates. You must upgrade any hardware component or software program at any time to be compatible with the software package we require.

(g) Accounting Software; Financial Reports. You must use the accounting software described in the Operations Manual or otherwise designated by us and maintain full, complete, and accurate books, records, and accounts. By the 25th day of each calendar month, you must provide to us, in the form we prescribe, a profit and loss statement and a balance sheet for the preceding month. Within 90 days of the end of your fiscal year, you must submit to us a profit and loss statement for that fiscal year and a balance sheet as of the last day of the fiscal year prepared on an accrual basis, including all adjustments necessary for a fair presentation of your financial results. You must also maintain a report of all promotional expenditures relating to the ~~Ongoing~~Local Marketing Spend Requirement, which we may review at our request. All such financial statements and report shall be prepared in accordance with generally accepted accounting principles, consistently applied, and shall be accurate and complete in all material respects.

(h) Additional Financial Information; Our Right to Audit. In addition to the financial statements and reports described above, we shall have the right to periodically request additional financial information about your Studio and to inspect and audit your books and records. You must permit us or our representatives or designees to enter your Studio during normal business hours to inspect and examine your operations, facilities, books and records, and you must cooperate with such inspections by rendering assistance as we or they may reasonably request. We and our affiliates may collect the Studio's books, records and other financial information for review in any form or manner we reasonably determine including, without limitation, requiring you to send documents to our offices. If an inspection or audit of your books and records reveals a deficiency in amounts owed to us, then those amounts shall become immediately due and payable to us, with interest at the rate of 12%, calculated on a per annum basis, from the date the amount was due until paid. If an inspection or audit discloses an understatement of 2% or more, then you will also reimburse us for any costs and expenses, including accountants' and attorneys' fees, in connection with the inspection or audit. You must retain your books and records for 3 years following the fiscal year to which they relate.

(i) Financing and Title to Assets. You agree that you will directly obtain all financing required for the development and operation of the Studio and that no third party will obtain financing on your behalf. You further agree that you will directly own all of the assets necessary for the operation of the Studio.

(j) Security Interest. As security for the performance of your obligations under this Agreement, including payments owed to us or our affiliates, you shall grant us a security interest in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Studio, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof (including cash derived from the operation of the Studio), wherever located, used in connection with the Studio. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the records of any county and/or state that we deem appropriate to protect our interests. If a third party lender requests that we subordinate our security interest in the assets of your Studio as a condition to issuing a loan to you, we will agree to do so in accordance with our then-current form of subordination agreement.

(k) Other Products and Services. You may not install or maintain on your Studio premises any newspaper racks, video games, jukeboxes, gaming machines, gum machines, games, rides, vending machines or other similar items without our prior written approval.

(l) Inspections. We shall have the right to interview your clients, customers, employees, and contractors and inspect your Studio, and to examine and copy your books, records, and documents, including, without limitation, inventory, products, equipment, materials, and supplies, to ensure compliance with our designated standards and specifications. We have the right to conduct inspections with or without prior notice to you. If we provide you prior notice, you or one of your owners are required to be present at the Studio during the inspection.

(m) Membership Sales. You will offer and sell rights of access to your Studio, referred to as a "**Membership**" or "**Memberships**." All Memberships must be evidenced by a written agreement (a "**Membership Agreement**") and may not be for a term that extends beyond the expiration of this Agreement. When selling Memberships, you will use the form of Membership Agreement that we will provide to you, and you will not make any modifications in the forms without our prior written consent. Notwithstanding the foregoing, you acknowledge that you are responsible for ensuring that the Membership Agreements comply with all applicable laws and you may modify the Membership Agreements to the extent necessary to comply with such applicable laws, provided that you provide us with immediate written notice of all such modifications. You acknowledge and agree that, subject to the preceding sentence, any Membership Agreement that has been modified without our consent shall be void. We may modify the types and terms of Memberships to be offered, terminate your right to offer certain types of Memberships, and/or approve or require other types of Memberships for sale.

You will only offer for sale the Memberships in strict compliance with System Standards and our standards, policies and procedures. If we authorize you to sell Memberships, you will nevertheless be responsible for determining that you may do so under all laws and regulations applicable to your Studio and you agree that you will fully comply with all such laws and regulations. We may suspend, revoke or terminate your right to offer Memberships at any time.

You agree to comply with the System Standards we establish from time to time regarding Memberships. These System Standards may regulate, among others, the following topics: (1) the types and terms of Memberships you may offer; (2) the form(s) of Membership Agreement; (3) the terms and conditions upon which a client may transfer his Membership from your Studio to another Studio and vice versa; (4) admission of clients of your Studio to other Studios; (5) procedures to follow when clients transfer to or from your Studio; (6) use and acceptance of coupons, passes, and certificates; (7) group accounts and group Memberships (and discounts applicable thereto); and (8) payment terms for Memberships.

You agree, upon notice from us, to accept any Memberships we assign to you, and, if we so require, to honor those Memberships on the terms and conditions of the existing Membership Agreement, and to accept as remuneration only such payments as accrue pursuant to the applicable Membership Agreement from the time of assignment.

You agree that we own all Client Information (defined in Section 12.4), that it comprises part of the Confidential Information which you are licensed to use under this Agreement, and that we may use Client Information in our and their business activities and may disclose Client Information (such as the number of clients), but during the term of this Agreement we will not publicly disclose any Client Information unless we make such public disclosure without disclosing your identity or your Studio's Client Information on an individual (i.e., unconsolidated) basis. We may contact any client(s) of any Studio at any time for any purpose. Upon expiration or termination of this Agreement, we reserve the right to make any and all disclosures that we deem necessary or appropriate.

We reserve the right to establish a reciprocity program between your Studio and other Studios. You must comply with all standards and requirements of any reciprocity program as we may implement and periodically modify.

(n) Audio and Visual Entertainment. You acknowledge and agree that the provision of audio and visual entertainment to clients of your Studio is or may become an integral part of the Franchise System. Accordingly, you agree to play only the types of music and display only the types of visual entertainment, at the decibel levels and using such equipment and in the manners that we may periodically prescribe or approve. You must acquire or install any audio or visual equipment that we designate or require for use by your Studio and subscribe to music and video services as we may periodically specify to enable you to broadcast videos, music, and other content as specified by us from time to time. We may prohibit you from displaying, exhibiting, broadcasting or providing any media we choose, regardless of content, including prohibiting use of political, religious, or social content in such media.

7.6. Your Other Obligations. To further protect the Marks, the Proprietary Assets and the Franchise System, and their associated goodwill, you must:

(a) attend and satisfactorily complete Initial Training and make certain that any other employee or individual having day-to-day supervisory responsibility for Studio operations attends and satisfactorily completes the Initial Training;

(b) train your employees and other individuals working in your Studio so that they meet the qualifications established by us from time to time;

(c) ensure that all of your fitness instructors are licensed (if required in your jurisdiction), have adequate insurance, including professional liability insurance or the equivalent;

(d) feature and use the Marks and Proprietary Assets solely in the manner prescribed by us;

(e) observe such reasonable requirements with respect to the Marks, fictitious name registrations, and copyright notices as we may direct from time to time;

(f) not offer, sell or promote, in connection with the Marks or any same or similar mark, any other services or products other than those authorized by us under this Agreement;

(g) sell or offer for sale at the Studio only services and products that we require or recommend and meet our current System Standards established in our Operations Manual;

(h) use advertising, promotional and other materials displaying only the Marks and other names, marks, insignia and symbols we recommend or require for the Franchise System;

(i) equip and stock your Studio with the equipment, furniture and fixtures, inventory, products and supplies required and approved by us so that at all times your Studio can operate at maximum capacity;

(j) comply with all laws, ordinances and regulations applicable to the operation of your Studio and the offering of fitness services;

(k) provide all authorized fitness services only at your Studio Location unless otherwise approved by us in writing;

(l) notify us in writing within 5 calendar days of the commencement of any action, lawsuit, complaint or proceeding, or of the issuance of any writ, injunction, award or decree of any court, agency, governmental agency, or instrumentality that may adversely affect your financial condition or your ability to meet your obligations under this Agreement or operate your Studio and, upon request, furnish us with copies of all documents related to any such action, award or decree;

(m) pay on a timely basis all fees and costs incurred in the operation of your Studio, whether owing to us or to third parties to avoid irreparable harm to our reputation and credit and the reputation and credit of the Franchise System and other Studios;

(n) submit to us, at the time we specify and on a form approved by us, such other reports we may prescribe from time to time in the Operations Manual or otherwise;

(o) take all reasonable steps necessary to protect us, the Franchise System, the Marks and the Proprietary Assets against any misappropriation and/or similar actions taken by any third party that may damage us, the Marks, the Proprietary Assets or the Franchise System, and immediately notify us of such misappropriation or similar action;

(p) devote such time to the operation of your Studio as is necessary to effectively and efficiently operate the Studio;

(q) comply with all requirements in this Agreement and in the Operations Manual, as the same may be modified from time to time;

(r) accept the transfer of any client of another Studio, as more fully described in Section 7.5(m);

(s) at no time solicit any employee of another Studio to become associated with your Studio as an employee, independent contractor, owner or otherwise;

(t) at all times use the Studio Location solely to operate your Studio on the days and during the hours as we periodically specify, and refrain from using or permitting the use of the Studio Location for any other purpose or activity;

(u) maintain and improve the condition and appearance of your Studio consistent with our System Standards and other Franchise System requirements as may be necessary to effectively operate your Studio;

(v) without our prior written approval, make any material alterations to the Studio Location or make material replacements of, or alterations to, the Studio's equipment, fixtures or signs;

(w) record all sales and related activities on a computer that is fully compatible with any program or system we require and ensure that we or our designee have full and direct access to all of your Studio's data and related information, whether in person, by Internet access, or otherwise;

(x) display at all times our standard quality control and franchise opportunity signs in a highly visible area of your Studio; and

(y) institute a data privacy and security policy for Personal Information in conformity with the requirements of Section 7.5(e).

8. ADVERTISING

8.1. Limitations. You agree to actively promote your Studio, to abide by all of our marketing and advertising requirements and to comply with the following provisions:

(a) You may advertise your Studio and solicit clients from any area, even if the clients live or work in a territory or protected area other than the Protected Area, so long as you provide services only at the Studio location we have approved. You are not required to compensate any individual or entity in connection with this advertising and solicitation. We and our other franchisees reserve the same right to solicit, accept and provide fitness services to clients who live or work within the Protected Area, without compensating you.

(b) All advertising and promotional materials, signs, and other items we designate for use in your Studio must bear the Marks in the form, color, location and manner we specify, and you must obtain all such materials from Approved Suppliers. Your advertising and promotional materials (including for your website) must meet our standards and specifications as described in the Operations Manual or as otherwise communicated to you by us. You may prepare and use your own advertising and promotional materials only with our prior written approval. Prior to using advertising and promotional materials you prepare (including signs, containers, boxes, specialty and novelty items, equipment and apparel), you must submit to us a copy of the materials, along with a description of how you intend to use the materials (including in newspapers, on television, radio or the internet, in a direct mail campaign, or in any other media sources). We have the right to approve, disapprove, or place conditions upon the advertising and promotional materials, such as limiting or modifying text, artwork or the manner in which you intend to disseminate the materials. We will approve or disapprove your advertising and promotional materials in writing within 30 days after we receive your request for approval. If we do not respond within such 30 day period, the advertising material will be deemed disapproved.

(c) You must pay us or a party we designate a fee to establish and maintain a website for your Studio (the "**Studio Website**"). This fee is currently included in the technology fee specified in Section 4.7 of this Agreement, but we reserve the right to charge you additional fees for the Studio Website. If you own more than 1 Studio, you must maintain a separate website for each of your Studios. You must use our Approved Suppliers to set-up, design and host your website. We retain the right to require you to cease maintaining the Studio Website and participate, at your cost, in a website that we, at our option, maintain for all Studios in the future. A "website" is any interactive electronic document, mobile media, social media tool or page or other Internet presence, contained in or utilizing a network of computers linked by communication software, including the Internet, Worldwide Web and any successor technology, including texting, social media promotions, posting or sites such as Facebook, Twitter, and

Instagram, and including any other electronic, mobile or digital device, method or system enabling the transmission of information. Your use of the Studio Website, including any pictures or other media you may post on the Studio Website, must be in strict compliance with all applicable laws, including but not limited to laws governing copyright.

(d) You may utilize any social media website or any other Internet community that we approve (the "**Approved Sites**") pursuant to our then-current social media policy, which we may modify from time to time. You must follow our guidelines when posting messages relating to your Studio on the Approved Sites. We reserve the right to require our approval of any message you compose for an Approved Site or to revoke our approval to use any Approved Site at any time. Your use of Approved Sites, including any pictures or other media you may post on Approved Sites, must be in strict compliance with all applicable laws, including but not limited to laws governing copyright.

(e) You must use our Approved Supplier to conduct digital marketing services we designate, which may include, but is not limited to, data analytics, content marketing, digital media planning and buying, and search-engine optimization.

8.2. ~~Initial Marketing Spend Requirement. During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least $30,000 to advertise, market, and promote your Studio and Pre-Opening Membership Sales (the "**Initial Marketing**~~Grand Opening Spend Fee. No later than 10 days after the date that you sign an approved lease for your Studio premises, you must pay to us, in the form of a lump sum payment, by ACH, the amount of $25,000 as a non-refundable grand opening spend fee (the "**Grand Opening Spend ~~Requirement~~Fee**"); provided, however, if you purchase an existing Studio, the ~~$30,000 Initial Marketing Spend Requirement applies during the first 180~~Grand Opening Spend Fee will be due no later than 10 days after the date you take possession of the Studio. The ~~Initial Marketing~~Grand Opening Spend ~~Requirement~~Fee is in addition to your ~~Ongoing~~Local Marketing Spend Requirement described below. ~~The Initial Marketing Spend Requirement will be used~~We will use the Grand Opening Spend Fee to advertise, market, and promote your Studio in accordance with ~~an advertising and~~a marketing plan that we ~~approve before the opening of your Studio. We have the right to obtain from you information with respect to the results achieved from meeting your Initial Marketing Spend Requirement and implementing your approved advertising and marketing plan.~~

determine ~~We reserve the right to require you to pay us the Initial Marketing Spend Requirement, and if we so request, we will advertise, market, and promote your Studio on your behalf in accordance with the provisions of this Section~~in our sole discretion. You acknowledge and agree that our collection of the ~~Initial Marketing~~Grand Opening Spend ~~Requirement~~Fee and management of the associated marketing does not constitute a guarantee as to the success of your Studio, and that we make no claims or representations whatsoever regarding potential sales, profits or earnings achievable by you or your Studio.

We reserve the right to require you to spend the Grand Opening Spend Fee directly (rather than pay us the Grand Opening Spend Fee), and if we so request, you will advertise, market, and promote your Studio in accordance with an advertising and marketing plan we approve before the opening of your Studio. We will have the right to obtain from you information with respect to the results achieved from meeting your Grand Opening Spend Fee requirement and implementing your approved advertising and marketing plan.

8.3. Marketing Fund.

(a) We have established a national advertising and marketing fund (the "**Marketing Fund**") for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally, and you agree to contribute to the Marketing Fund an amount equal to the greater of 2% of your gross receipts or $500 per month; *provided, however*, you will not be required to contribute more than $1,000 per month to the Marketing Fund. Your contribution to the Marketing Fund shall be payable at the same time as the payment of the Royalty, based on gross receipts for the immediately preceding reporting period. We have the right to collect for deposit into the Marketing Fund any advertising, marketing, or similar allowances paid to us by suppliers to the Franchise System who instruct us to use the allowances for advertising or marketing purposes. We may incorporate the Marketing Fund or operate it through a separate entity as we deem appropriate. We have no fiduciary obligations to you in connection with our administration of the Marketing Fund. We do not use any of the funds contributed to the Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Marketing Fund on the same basis as you and our other franchisees.

(b) We designate all programs to be financed by the Marketing Fund and have sole control over the creative concepts, materials, and endorsements prepared and used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for: (i) preparing and producing video, audio, and written materials (including marketing and promotional materials and local store marketing advertisements we prepare) and electronic media; (ii) administering regional and multi-regional marketing and advertising programs, including purchasing space in print publications, direct mail, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; (iii) supporting public relations, market research, and other advertising, promotion, and marketing activities; (iv) developing and maintaining website(s) for the Franchise System; (v) administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); and (vi) developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices. The Marketing Fund will advertise in printed materials, on radio or television for local, regional or national circulation, and via digital media. We and/or our regional or national advertising agency will produce all advertising and marketing. We determine the use of the funds contributed to the Marketing Fund, including allocating a portion of any Marketing Fund contributions to any regional advertising programs we may establish in the future. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Studio will be located. In addition, we are not be required to ensure that Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of advertising and marketing materials directly or in proportion to its Marketing Fund contributions. We intend for the Marketing Fund to promote the applicable Marks, patronage of Fit 36 Studios, and the Fit 36 brand generally. We may use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as specifically provided in this Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Marketing Fund. We have no fiduciary obligation to you in connection with our administration of the Marketing Fund.

(c) We account for the Marketing Fund separately from our other funds and do not use the Marketing Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Marketing Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions. The Marketing Fund is not our asset and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If we terminate the Marketing Fund, we will spend all unspent amounts on marketing activities specified by this Section 8.3.

(d) We prepare annual unaudited financial statements for the Marketing Fund that are available to you upon written request 120 days after the end of the Marketing Fund's fiscal year. We are not required to audit the Marketing Fund but may do so at our discretion.

8.4. <u>Marketing Cooperatives</u>. We may designate a geographic area in which 3 or more Studios are located as an area in which to establish a marketing cooperative

("**Marketing Cooperative**"). The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. We ~~may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. We~~ will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration and determination of contribution levels. All Marketing Cooperatives will be governed by written documentation generated and~~/or~~ designated by us. Such documentation is available for Marketing Cooperative member review. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving 1 vote. ~~We may collect~~The Marketing Cooperative ~~fees and transfer those fees to the~~will be responsible for collecting Marketing Cooperative~~, or the Marketing Cooperative may collect the~~ fees directly~~, as we determine~~. We may form, modify, change, dissolve, or merge Marketing Cooperatives. We will not use funds contributed to a Marketing Cooperative to solicit new franchise sales.

8.5. ~~Ongoing~~Local Marketing Spend Requirement.

(a) ~~Beginning on the date your Studio opens for business (or, if you are purchasing an existing Studio, on the date you take possession of the Studio)~~You must pay us a fee of $950 per month ("**Local Advertising Fee**"). In addition, you must spend a minimum of ~~$3,500 per month on~~2% of the gross receipts of your Studio toward approved advertising, marketing and promotional programs for your Studio ~~(the "**Ongoing**~~within an area reasonably surrounding your Studio ("**Local Spend Amount**"). We will refer to the Local Advertising Fee and your Local Spend Amount together as the "**Local Marketing Spend Requirement**."~~)~~. Your ~~Ongoing~~Local Marketing Spend Requirement excludes any contributions you make to the Marketing Fund, but ~~does include~~ any contributions you make to a Marketing Cooperative will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the ~~minimum Ongoing Marketing Spend Requirement. In addition, we have the right to collect all or a portion of your minimum Ongoing Marketing Spend Requirement and use those funds for local, regional or national advertising or promotional programs. You acknowledge that as of the date of this Agreement, we~~Local Spend Amount. We currently collect~~, via ACH, $1,961.50 per month of your Ongoing Marketing Spend Requirement (the "**Contribution Amount**")~~ the Local Advertising Fee on the 15th day of each month for the preceding month~~; provided, however, we~~. We may change the day of the month on which we collect the ~~Contribution Amount and reduce or increase (up to the Ongoing Marketing Spend Requirement) the Contribution Amount. You further acknowledge and agree that your compliance with the Ongoing Marketing Spend Requirement does not constitute a guarantee as to~~

~~the success of your Studio, and that we make no claims or representations whatsoever regarding potential sales, profits or earnings achievable by you or~~Local Advertising Fee. We or our affiliates may be an Approved Supplier of local advertising, marketing and promotional programs for your Studio.

(b) At least 90 days before you open your Studio (or if you are ~~(a) converting your existing business to a Studio, at least 90 days before the conversion of your existing business, or (b)~~ purchasing an existing Studio, at least 30 days before taking possession of the Studio), you must submit to us a completed trade area survey and submit to us for approval an advertising and marketing plan describing your pre-opening advertising plan and your plan for the first 3 months after the opening~~, conversion~~ or purchase. You will not be permitted to open and/or operate your Studio until we receive the completed trade area survey and approve this advertising and marketing plan. Subsequent to such period, and during the term of this Agreement, you must prepare and execute an advertising and marketing plan that you must provide to us upon our request. You must also provide to us upon request information about the results achieved from implementing your advertising and marketing plan and meeting your ~~Ongoing~~Local Marketing Spend Requirement.

8.6. Gift Cards and Loyalty Programs. You must participate in all gift card, loyalty card, promotional card, award card, or other similar prepaid card, code or other device (collectively, "**Gift Cards**") programs and loyalty programs periodically established or approved of by us for Studios. You acknowledge and agree that we may charge you a fee in connection with your participation in these programs, which may include, without limitation, the cost of any third-party vendor commissions or fees incurred by us in connection with the programs. You are required to purchase Gift Cards from our Approved Supplier and may use and honor Gift Cards only in the manner we designate and require. Participation in loyalty programs may require you to honor redemption policies that we implement from time to time, which may require you to provide services or products without charge or to reimburse other Studios for services and products provided by them.

9. INDEMNIFICATION

You agree to indemnify, defend and hold harmless us and our affiliates, and our and their respective shareholders, members, managers, owners, principals, directors, officers, employees, agents, representatives, successors and assigns (the "**Indemnified Parties**") from and against, and agree to reimburse them for, all claims, obligations and damages described in this Section 9, any and all of your third party payment or other obligations, and any and all claims and liabilities directly or indirectly arising out of the operation of your Studio or your use of the Proprietary Assets in any manner, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's gross negligence or willful misconduct, unless (and then only to the extent that) the claims and liabilities are determined to be caused solely by the Indemnified Party's gross negligence or willful misconduct in a final, un-appealable ruling issued by a court or arbitrator with competent jurisdiction. For purposes of this indemnification, "**claims**" means and includes all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claims against the Indemnified Parties including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Each Indemnified Party shall have the right to defend any such claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

10. **DEFAULT; TERMINATION**

10.1. Immediate Termination by Us. We have the right, at our option, to terminate this Agreement and all rights granted to you, without affording you any opportunity to cure any default (subject to any state laws to the contrary, in which case state law will prevail), effective upon delivery to you of a termination notice, upon the occurrence of any of the following events:

(a) Unauthorized Disclosure. If you or any person under your control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Operations Manual or any other Proprietary Assets, trade secrets or confidential information of ours or our affiliates;

(b) Fraud. If you commit fraud in connection with the purchase or operation of the Studio or otherwise engage in conduct that, in our sole judgment, impairs or may impair the goodwill associated with the Marks or otherwise subjects the Marks or the Franchise System to ridicule, scandal, reproach, scorn or indignity;

(c) Abandonment. If you cease to operate your Studio or you otherwise abandon your Studio for a period of 2 consecutive days, or you indicate an intent to permanently discontinue operation of the Studio, unless and only to the extent full operation of your Studio is suspended or terminated due to the exercise of the power of eminent domain or fire, tornado, hurricane, flood, earthquake or similar natural disaster which is not within your control (and not related to the availability of funds to you);

(d) Bankruptcy. If you, or any person controlling, controlled by or under common control with you ("**your affiliates**"), becomes insolvent or are adjudicated bankrupt; or if you or any of your affiliates file or has filed against you or any of your affiliates, a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a permanent or temporary receiver is appointed for you or any of your affiliates; or if you or any of your affiliates requests the appointment of a receiver or makes a general assignment for the benefit of creditors;

(e) Judgment. If a final judgment against you or any of your affiliates in the amount of $5,000 or more remains unsatisfied of record for 30 days or longer; or if the bank accounts, property or receivables of you or any of your affiliates are attached and such attachment is not dismissed within 30 days; or if execution is levied against your or any of your affiliates' business or property; or if suit is instituted to foreclose any lien or mortgage against your Studio, the premises thereof or equipment thereon, and not dismissed within 30 days;

(f) Criminal Conviction. If you or any of your Bound Parties (as defined in Section 12.1) is convicted of, or pleads no contest or guilty to, a felony, a crime involving moral turpitude, or any crime or offense that, in our sole judgment, is reasonably likely to harm or unfavorably affect the Marks, the Proprietary Assets or the Franchise System or their associated goodwill and reputation;

(g) Unethical Conduct. If you or any of your Bound Parties (as defined in Section 12.1) engage in any unethical conduct which, in our sole judgment, is reasonably likely to harm or unfavorably affect the Marks, the Proprietary Assets or the Franchise System or their associated goodwill and reputation;

(h) Failure to Pay. If you (or any other Entity in which you or one of your owners with at least a 25% ownership interest in you, is an owner) fails to pay any amounts due us or our affiliates within 10 days after delivery of notice that such fees or amounts are overdue;

(i) Underreporting. If you intentionally underreport your Studio's gross receipts by any amount or negligently underreport your Studio's gross receipts by 5% or more during any reporting period;

(j) Training. If you or any of your owners is discovered to be cheating at Initial Training or fails to complete Initial Training to our satisfaction;

(k) Commencement of Operations. If you fail to open your Studio by the Projected Opening Date~~ (or the Extended Opening Date if we have granted you an Opening Extension)~~;

(l) Misuse of Marks. If you or any of your affiliates misuse the Marks or Proprietary Assets, fail to follow our directions and guidelines concerning use of the Marks or Proprietary Assets, or use any marks in connection with your Studio not authorized by us and fail to correct the misuse or failure within 10 days after delivery of notice from us;

(m) Repeated Non-Compliance. If you receive 3 notices of default from us within a 1-year period, regardless of whether you cured the defaults;

(n) Unauthorized Transfer. If you sell, transfer or otherwise assign this Agreement, the Studio, or any interest in this Agreement or the Studio, or sell, transfer or otherwise assign a substantial portion of the Studio, in each case, without complying with the provisions of this Agreement applicable to transfers;

(o) Loss of Possession. If you lose the right to occupy the Studio premises;

(p) Termination of Other Agreement. If we or any of our affiliates issues a notice of termination with respect to any other franchise agreement, master franchise agreement or area director agreement between us and any of our affiliates and you (or other Entity in which you, or one of your owners with at least a 25% ownership interest in you, is an owner) governing the operation of another Studio, or master franchise or area director business;

(q) Loan Default. If you commit a default under any loan from, or lease with, us, our affiliates or a third party and fail to cure the default within the time specified by us or by any third party;~~ or~~

(r) Health/Safety. If you create, or allow to exist, any condition in or at the Studio, on or about the Studio premises, or otherwise in connection with your obligations under this Agreement, that we reasonably believe presents health or safety concerns for the Studio's clients or employees~~.~~; or

(s) Background Checks. You fail to perform background checks for all employees you hire and update the background checks pursuant to Section 7.5(d) and as specified in the Operations Manual.

10.2. Termination by Us—30 Days' Notice. If you breach any other provision of this Agreement, we will have the right to terminate this Agreement 30 days after we deliver to you prior written notice of any such breach (subject to any state laws to the contrary, in which case state law will prevail), including, without limitation, if you fail to comply with the provisions of the Operations Manual and fail to cure the default during the 30-day period. In that event, this Agreement will terminate without further notice to you, effective upon expiration of the 30-day period.

10.3. Default Fee. In addition to our other rights and remedies, we have the right to charge you a $250 default fee per breach by you of any term or condition of this Agreement including, without limitation, failure to pay (or to have adequate amounts available for ACH from your bank account) amounts owed to us or our affiliates or failure to timely provide required reports. We may change or eliminate this fee.

10.4. Your Obligations Upon Termination. Upon the expiration or termination of this Agreement for any reason, you must:

(a) pay all Royalty and other amounts then owed to us or our affiliates pursuant to this Agreement or any other agreement between us, including any other franchise agreement, or any master franchise agreement or area director agreement, or otherwise;

(b) cease identifying yourself as a franchisee of the Franchise System, cease using any of the Marks and Proprietary Assets or any confusingly similar names, marks, systems, insignia, symbols or other procedures or methods, cease using or operating (or take any action that may be required to disable) the Studio Website and any other websites, including social media websites, related to your Studio, and cease doing anything that would indicate any relationship between you and us;

(c) return to us the Operations Manual and all other manuals, plans, specifications, designs, records, data samples, models, programs, materials, handbooks, drawings and other materials provided to you by us;

(d) notify the telephone company, all telephone company directory publishers and all domain name providers of the termination or expiration of your right to use any telephone number, any regular, classified, or other telephone directory listings, and any domain names associated with any Mark (including any telephone number listing or domain name used in connection with your Studio) and authorize their transfer to us or our designee. You acknowledge that, as between you and us, we have the sole right to, and interest in, all telephone and facsimile machine numbers, directory listings and domain names associated with any Mark (including those related to your Studio). Should you fail to make such notifications, you authorize us, and hereby appoint us and any of our officers as your attorney-in-fact, to direct the telephone company, all telephone directory publishers and all domain name providers to transfer to us or our designee any telephone and facsimile machine numbers, directory listings and domain names relating to the Studio, and the telephone company, all telephone directory publishers and all domain name providers may accept such direction or this Agreement as conclusive evidence of our exclusive rights in such telephone numbers and directory listings and our authority to direct their transfer; and

(e) abide by all restrictive covenants set forth in Section 12 of this Agreement.

10.5. Client Obligations Upon Termination. In addition to the obligations set forth in Section 10.4, upon the expiration or termination of this Agreement for any reason, you must notify the clients of your Studio that you are no longer our franchisee and that your Studio will cease to operate under the Marks and the Franchise System. You acknowledge that, as between you and us, we have the sole right to, and interest in, the Client Information (as defined in Section 12.4). Accordingly, upon expiration or termination of this Agreement for any reason, we or our designee may, but are not obligated to, contact clients of your Studio and offer such clients continued rights to use 1 or more Fit 36 Studios on such terms and conditions we deem appropriate, which in no event will include assumption of any then-existing liability arising out of or relating to any Membership Agreement or act or failure to act by you or arising from the operation of your Studio. If, upon expiration or termination of this Agreement, clients of your Studio are legally entitled to full or partial refund of any monies paid to you, you will refund such monies promptly and in full and will cooperate with us to preserve client goodwill with such clients.

10.6. Our Options in the Event of Your Default. If you are in default of this Agreement and have not cured the default within the applicable cure period:

(a) we have the right (but not the obligation) to enter your Studio to make modifications necessary to protect the Proprietary Assets, to remove your equipment and signage, to cure any default under this Agreement or under the lease for the Studio Location, and assume all of your rights under the lease (including making lease payments), including the right to assign or sub-lease; and

(b) we have the right (but not the obligation) to enter the Studio and assume the Studio's management (or to appoint a third party to assume its management) for any time period we deem appropriate. If we (or a third party) assume the Studio's management, you must pay us or the third party we designate (in addition to the Royalty and any additional amounts you owe us or our affiliates) our then-current monthly management fee (currently $~~5,000~~7,500). If we (or a third party) assume the Studio's management, you acknowledge that we (or the third party) will have a duty to use only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Studio incurs, or to any of your creditors for any supplies or services the Studio purchases, while we (or the third party) manage it. The exercise of our rights under this Section 10.6 shall not affect our right to terminate this Agreement.

10.7. Liquidated Damages. If this Agreement is terminated because of your default or if you terminate this Agreement without cause before its expiration, you and we agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties and Marketing Fund contributions, less any cost savings, through the remainder of the term of this Agreement (the "**Damages**"). You and we agree that a reasonable estimate of the Damages is, and you agree to pay us as compensation for the Damages, an amount equal to the then net present value of the Royalties and Marketing Fund contributions that would have become due following termination of this Agreement for the period beginning on the date of termination and ending twenty-four (24) months from the termination date, unless the scheduled expiration of the term of this Agreement expires earlier, in which case the period for calculating the Damages will end on the date of the scheduled expiration (the "**Measurement Period**"). For this purpose, Damages shall be calculated by multiplying (1) the number of calendar months in the Measurement Period by (2) the aggregate of the Royalties and Marketing Fund contribution percentages by (3) the average monthly gross receipts of the Studio during the twelve (12) full calendar months immediately preceding the termination date; however, if as of the termination date, the Studio has not been operating for at least twelve (12) months, Royalties and

Marketing Fund contributions will be calculated based on the average monthly gross receipts of all Studios during our last fiscal year. You and we agree that the calculation described in this Section is a calculation only of the Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement.

11. TRANSFER

11.1. Transfers. You acknowledge and agree that we are entering into this Agreement in reliance upon, and in consideration of, your business skills, financial capacity and other required qualifications. Accordingly, the rights and duties created under this Agreement are personal to you. Your interest in this Agreement, any of your rights under this Agreement, your Studio and any interest therein, and ownership interest in you may not be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner (collectively, a "transfer"), without our prior written consent. Any actual or intended assignment, transfer or sale made in violation of the terms of this Section 11 shall be null and void and shall constitute a material breach of this Agreement, constituting good cause for termination of this Agreement. You agree that, other than a transfer pursuant to Section 11.2, there may be no transfers before you have commenced operations of the Studio in compliance with Section 7.3(b). We will not unreasonably withhold our consent to a transfer, provided all of the following conditions are met before or concurrently with the effective date of the transfer:

(a) the proposed transferee provides information to us sufficient for us to assess the transferee's business experience, aptitude, and financial qualification, and we approve the proposed transferee as a franchisee;

(b) neither the transferee nor its owners or affiliates have an ownership interest in, or perform services in any capacity for a Competitive Business (defined in Section 12.1)

(c) you, your owners, and any other guarantors under this Agreement, execute a form consent to transfer, which will include a general release and a non-disparagement clause, in a form satisfactory to us ("**Consent to Transfer**"), releasing us and our affiliates, and our and their respective officers, directors, members, shareholders, employees and agents, in their corporate and individual capacities, from any and all claims, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

(d) you and your owners and guarantors abide by all post-termination covenants, including the covenant not to compete set forth in Section 12.2;

(e) all obligations created by this Agreement, all ancillary documents and any other franchise agreements, master franchise agreements, area director agreements or other agreements between us have been discharged or otherwise assumed by the transferee;

(f) all amounts due and owing pursuant to this Agreement or otherwise (including under another franchise agreement, master franchise agreement or area director agreement with us) by you (or any other Entity in which you, or one of your owners, is an owner) to us, our affiliates, or third parties whose debts or obligations we have guaranteed on your behalf, if any, are paid in full; and

(g) you are not in default under this Agreement or under any other franchise agreement, master franchise agreement, area director agreement or other agreements between us.

Notwithstanding the foregoing, if the proposed transfer is of this Agreement and the Studio or the day-to-day operational responsibilities for the Studio, or a controlling interest in you (25% or more), or is one of a series of transfers (regardless of the time period over which these transfers take place) that, in the aggregate, transfer this Agreement and the Studio or a controlling interest in you (25% or more), all of the following conditions must be met before or concurrently with the effective date of the transfer:

(h) each of the conditions set forth in Section 11.1(a) through (g) above is satisfied;

(i) the proposed transferee agrees to operate the Studio as a Fit 36 Studio and signs the then-current form of franchise agreement, the provisions of which may be materially different than the provisions contained in this Agreement;

(j) the proposed transferee (and any other persons required by us under the then-current form of franchise agreement) must satisfactorily complete Initial Training prior to taking possession;

(k) the proposed transferee agrees to renovate, refurbish, remodel or replace, at its own cost, the real and personal property and equipment used in operating the Studio within the timeframe specified by us in order to comply with our then current image and System Standards;

(l) your landlord permits you to transfer or sublease the Studio lease to the transferee and any new lease, sublease, or lease assignment transferring or subleasing the Studio lease to transferee has been approved by us as set forth in Section 7.2;

(m) you or the transferee pay us a fee in the amount equal to 50% of the then-current initial franchise fee ("**Transfer Fee**"). The Transfer Fee must be paid to us in a lump sum ~~in the form of a cashier's check or~~by wire transfer concurrently with signing a Consent to Transfer;

(n) if the transferee was identified, or referred to you, by a third-party broker, you shall have paid any and all of such third-party broker's fees;

(o) neither the transferee nor its owners may, without our prior written consent, take possession of the Studio until the transfer process has been completed; and

(p) you pay us a deposit of $5,000 ("**Fee Deposit**"). The Fee Deposit must be paid to us ~~in the form of a cashier's check or~~by wire transfer concurrently with the signing of the Consent to Transfer. We will refund the Fee Deposit to you, less any amounts which may be due under this Agreement, within thirty (30) days following the effective date of the transfer or the date on which you and the transferee have complied with all terms set forth in the Consent to Transfer, whichever is later.

You acknowledge that the proposed transferee will be evaluated by us based on the same criteria as those currently being used to assess new franchisees and that the proposed transferee will be provided with the disclosures required by law. We may review all information regarding the Studio and your franchise business that you give the transferee, and we may give the transferee copies of any reports or information that you have given us or that we have made regarding the Studio.

11.2. Transfer to an Entity Owned by You. Notwithstanding the foregoing, you may, for convenience of ownership or to comply with the provisions of Section 7.3(b), and without the payment of the Transfer Fee, transfer the ownership of your Studio under this Agreement to an Entity wholly owned by you. Before such transfer, you must furnish to us a copy of the organizational documents of the Entity, execute a guaranty of the obligations under this Agreement (substantially in the form set forth as Exhibit 4), and cause all necessary parties to execute any other transfer documents we deem reasonably necessary. As a condition to such transfer, you must sign our then-current general release, which will include a non-disparagement clause.

11.3. Death, Disability or Permanent Incapacity. Upon your death, disability or permanent incapacity, we shall not unreasonably withhold our consent to the transfer of your interest in this Agreement to a spouse, heirs or relatives, by blood or marriage, whether such transfer is made by will or by operation of law, provided that the conditions of Section 11.1 and the requirements of this Agreement have been met, and further provided that the transfer does not result in a change of control of you to any party other than such spouse, heir or relative. In such event, no Transfer Fee shall be required. If your heirs do not obtain our consent as prescribed herein, your personal representative shall have 180 days to dispose of your interest hereunder, which disposition shall be subject to all of the terms and conditions for transfers under this Agreement.

11.4. Your Agreement to Transfer Restrictions. Any transfer permitted by this Section 11 shall not be effective until all requirements in this Agreement concerning transfer have been met and we have approved the transfer in writing. You agree that the restrictions on transfer imposed in this Agreement are reasonable and necessary to protect the

Marks, the Proprietary Assets, your Studio and the Franchise System, as well as our reputation and image, and are for the protection of us, you, and our other franchisees.

11.5. Our Right of First Refusal. If you (or any of your owners) at any time determine to sell or transfer for consideration a controlling interest in this Agreement (25% or more), the assets of your Studio, or a controlling interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Section 11.1 above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Studio. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price, and must be contingent upon our waiver of our right of first refusal as described in this Section 11.5. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

Upon our receipt of the offer and other documents, we will have 30 days in which to exercise our right of first refusal on the same terms and conditions set forth within the offer. During such period, we may also notify you that we have acted to withhold approval of the proposed transfer and will provide you with the specific reasons for such action.

11.6. Transfer if Franchisee Is an Entity. If you are an Entity, the terms of this Section 11 shall be deemed to also apply to any sale, resale, pledge, assignment, transfer or encumbrance of the voting stock of, or other ownership interest in you.

11.7. Controlling Interest. A person will be deemed to have a controlling interest in you if that person has the right to vote 25% or more of the voting securities or other forms of ownership interest of a corporation, partnership or other form of entity, or is entitled to receive 25% or more of the net profits of any such entity, or is otherwise able to direct or cause the direction of that entity's management or policies.

11.8. Our Transfer. This Agreement inures to the benefit of us and our successors and assigns, and we have the right to transfer or assign all or any part of our interest, rights, privileges, duties and obligations hereunder to any person or legal entity without your approval.

12. RESTRICTIVE COVENANTS

12.1. Non-Competition During Term. You agree that, other than the Studio, neither you nor any of your officers, directors, shareholders, members, partners or other owners, nor any spouse of yours or any of these individuals (collectively, **"Bound Parties**"), shall, during the term of this Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), wherever located or operating;

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

(c) divert or attempt to divert any business or Memberships related to the Studio, our business, or any other franchisee's Studio by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of ours, any of our affiliates, or another franchisee, to any Competitive Business;

(d) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another franchisee of ours without obtaining the employer's prior written consent;

(e) use any of the Proprietary Assets for any unauthorized purpose, use any confusingly similar method, format, procedure, technique, slogan, insignia, term, designation, design, diagram, promotional material or course material, or cause or permit any facility or program to look like, copy or imitate any facility or program operated or licensed by us without our prior written consent; or

(f) directly or indirectly assist an immediate family member of any of the Bound Parties in engaging in any of the activities listed in subsections (a)–(e) above.

The term "**Competitive Business**" for purposes of this Agreement, means any business operating or granting franchises or licenses to others to operate fitness studios or any other fitness business, or any business offering or selling products, or educational materials or conducting workshops for services that are the same as, similar to, or competitive with the Franchise System or other Studios (other than a franchise operated under a franchise agreement with us or our affiliate).

12.2. Post-Termination Covenant Not to Compete. For a period of 2 years after the expiration or termination of this Agreement (regardless of the cause of termination) or the sale or transfer of your Studio, or such other date as you and all other Bound Parties begin to comply with this Section 12.2, whichever is later, neither you nor any other Bound Party shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, lessor, representative, agent, or in any other capacity in any Competitive Business located or operating within a 3-mile radius of your Studio (including at the former Studio Location) or within a 3-mile radius of any other Studio existing on the later of the effective date of termination or expiration of this Agreement or the date on which you and all other Bound Parties begin to comply with this Section 12.2.

12.3. Permitted Interests. Nothing in this Section 12 shall prohibit you or any other Bound Party from owning shares of a class of securities listed on a stock exchange or traded on the over-the-counter market representing 5% or less of the aggregate number of shares of that class of securities issued and outstanding.

12.4. Confidential Information. We possess certain proprietary confidential information consisting of (i) the Marks, (ii) the Proprietary Assets, (iii) our System Standards, (iv) information generated by, or used or developed in, your Studio's operation, including information relating to clients such as client names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information, and similar information ("**Client Information**"), and (v) other methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Studios (the "**Confidential Information**"). We shall disclose the Confidential Information to you in Initial Training, in the Operations Manual, and in guidance and materials furnished to you during the term of this Agreement. You have not acquired any interest in the Confidential Information other than the right to utilize it in the territory and Protected Area in the execution of your duties hereunder during the term of this Agreement, and you acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge and agree that the Marks and Proprietary Assets have valuable goodwill attached to them, that their protection and maintenance are essential to us and our affiliates, and that any unauthorized use or disclosure of the Marks, the Proprietary Assets or other Confidential Information will result in irreparable harm to us and our affiliates. You also acknowledge and agree that the Confidential Information is proprietary, includes trade secrets of ours, and is disclosed to you solely on the condition that you agree, and all of the other Bound Parties hereby agree that you:

(a) will not use the Confidential Information in any other business or capacity;

(b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and

(d) will adopt and implement all reasonable procedures prescribed periodically by us to prevent unauthorized use or disclosure of the Confidential Information, including requiring that every employee, agent or independent contractor you hire or engage to assist you in the operation of your Studio execute a confidentiality and non-solicitation agreement. (See Section 7.1).

You agree that we shall have the perpetual right to use and authorize other franchisees to use, and you shall fully and promptly disclose to us, all ideas, concepts, methods, and techniques relating to the development and operation of the Franchise System howsoever conceived or developed by you or your employees during the term of this Agreement. You acknowledge that any ideas, concepts, methods, and techniques or materials concerning any Studio, whether or not protectable intellectual property and whether or not created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and our affiliates' sole and exclusive property, part of the Franchise System and works "made for hire" for us and our affiliates. With respect to any such item, you assign ownership of that item, or will cause your owners or employees to assign ownership of that item, and all related rights to that item, to us and our affiliates and you must sign whatever assignment or other documents we or our affiliates request to reflect our ownership of, or to help us and our affiliates obtain intellectual property rights in, the item. If you are an individual, you agree that your spouse shall be bound, and if you are an Entity, you agree that any officers, directors, partners, shareholders and members and their respective spouses shall be bound by this Section 12.4. Without limiting the generality of the foregoing, you acknowledge and agree that, in accordance with this provision, we have the perpetual right to use and authorize other franchisees to use any materials (including but not limited to photos or videos that you or your employees create), without the requirement that we pay any fee or royalty, which you or your owners may post to any Approved Sites.

All Client Information will be owned by us. You agree to (1) use Client Information only for the promotion of your Studio during the term hereof and (2) refrain from selling Client Information to third parties. You will institute a data privacy and security policy for Client Information in conformity with the requirements of Section 7.5(e).

12.5. Consideration for Covenants; Severability. You agree that, in addition to the license of the Marks granted to you under this Agreement, you have been licensed commercially valuable information that comprises the Proprietary Assets, including without limitation, operations, marketing, advertising and related information and materials. You further agree that the value of this information arises not only from the time, effort and money expended on compiling the information, but also from all franchisees' use of the information. You and the other Bound Parties expressly acknowledge that you and they possess other skills, experience, education and abilities of a general nature and have other opportunities for exploiting such other skills, experience, education and abilities to derive income from other endeavors. Consequently, enforcement of the covenants made in this Section 12 is fair and reasonable, and will not deprive you or them of their personal goodwill or ability to earn a living, or otherwise impose any undue hardship on you or them. You further acknowledge and agree that any violation of the foregoing covenants will result in irreparable harm to us and our affiliates. If any covenant is held by any arbitrator or court of competent jurisdiction to be broader in time, scope, or subject matter than legally permitted, then we and you authorize the arbitrator or court to impose that covenant to the maximum lawful extent. We are permitted at any time to reduce the time, scope, or subject matter of any covenant to render it enforceable under applicable law.

13. NOTICES

All notices required to be given under this Agreement shall be in writing and shall be hand delivered or sent by a nationally recognized overnight mail delivery service, registered or certified mail, postage prepaid, return receipt requested, or by any delivery service providing documentation of receipt, to the address set forth on page 1 of this Agreement, or to such other address as specified in a written notice given to the other party from time to time, and/or with respect to any notices that we provide to you or your owners to the Studio's address. Any such notice shall be deemed delivered (a) on the date shown on the return receipt or in the courier's records as of the date of delivery, or (b) on the date of first attempted delivery, if actual delivery cannot be made for any reason.

14. **GOVERNING LAW; JURISDICTION AND VENUE; ARBITRATION**

14.1. Governing Law. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) (THE "LANHAM ACT"), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO) WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

14.2. Jurisdiction and Venue. SUBJECT TO SECTION 14.5, YOU AND THE BOUND PARTIES AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN A STATE OR FEDERAL COURT IN THE LOCATION IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED, WHICH IS CURRENTLY ENGLEWOOD, COLORADO, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS.

14.3. Waiver of Jury Trial, Punitive Damages, Class Actions, Joinder, Consolidation, and Commencing Action with Other Franchisee(s). WE, YOU AND THE OTHER BOUND PARTIES EACH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 9, AND EXCEPT FOR PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER UNITED STATES FEDERAL LAW, WE AND YOU

(AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS WAIVING TO THE FULLEST EXTENT PERMITTED THE RIGHT TO COMMENCE OR PROCEED AS A CLASS ACTION. WE AND YOU FURTHER AGREE THAT ANY PROCEEDINGS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, AND YOU (AND YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON. NO CLAIMS MAY BE BROUGHT ON YOUR OR YOUR OWNERS' BEHALF BY ANY ASSOCIATION.

14.4. Remedies. We and you agree that any claim for lost earnings or profits by you shall be limited to a maximum amount equal to the net profits of the Studio for the prior year as shown on your federal income tax return.

14.5. Arbitration. We and you agree that, except as set forth below, all controversies, disputes, or claims between us or our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to:

(a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);

(b) our relationship with you;

(c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 14.5, which we and you acknowledge is to be determined by an arbitrator, not a court); or

(d) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by 1 arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business (currently, Englewood, Colorado). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). ~~Judgment upon the arbitrator's award may be entered~~The decision of the arbitrator shall be final and binding upon each party and may be enforced in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or, except as expressly provided in this Section 14.5 or 14.3 above, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

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

We and you agree that arbitration will be conducted on an individual basis waiving to the fullest extent possible the right to commence and proceed as a class action. We and you further agree that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, and you (and your owners, guarantors, affiliates, and/or employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, or (iii) brought on your behalf by any association. Notwithstanding the foregoing or anything to the contrary in this Section 14.5 or Section 15.4, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 14.5, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding pursuant to section 14.2 and in accordance with the dispute resolution provisions of this Section 14.

We and you agree that claims for breach of post-termination obligations of this Agreement, violation of the Lanham Act, or breach of common law or statutory trade secret or trade dress (and any claims brought with such claims), whether seeking to enforce provisions or statutes, injunctive relief, or damages, shall not be subject to arbitration, but rather will be heard in a judicial proceeding in accordance with Section 14.2.

You and we agree that, in any arbitration arising as described in this Section 14.5, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded. With respect to any electronic discovery, you and we agree that:

(a) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;

(b) the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(c) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and

(d) where the costs and burdens of electronic discover are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take no more than 3 depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours. There are to be no speaking objections at the depositions, except to preserve privilege.

The provisions of this Section 14.5 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section 14.5.

14.6. Limitation of Claims. You and the other Bound Parties agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. Except with regard to your obligation to pay us and our affiliates Royalty and other fees and payment due from you pursuant to this Agreement or otherwise, any claims between the parties must be commenced within 1 year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim will be barred. The parties understand that such time limit might be shorter than otherwise allowed by law. You and the other Bound Parties agree that your sole recourse for claims arising between the parties shall be against us or our successors or assigns. You and the Bound Parties agree that the members, managers, shareholders, directors, officers, employees, and agents of us and our affiliates shall not be personally liable nor named as a party in any action between us and you or any Bound Party; provided, however, that this shall not preclude claims you have directly against an area director. The parties agree that claims of any other party or parties shall not be joined with any claims asserted in any action or proceeding between us and you. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

14.7. Costs and Attorneys' Fees. In the event either party (or any of the Bound Parties) initiates a judicial, arbitration or other proceeding, the prevailing party will be entitled to reasonable costs and expenses (including reasonable attorneys' fees incurred in connection with such judicial or other proceeding).

14.8. Injunctive Relief. Nothing in this Agreement shall prevent us or you from seeking injunctive relief in appropriate cases to prevent irreparable harm in a court pursuant to Section 14.2.

15. **MISCELLANEOUS PROVISIONS**

15.1. Remedies. All rights and remedies enumerated in this Agreement shall be cumulative and, except as specifically contemplated otherwise by this Agreement, shall not exclude any other rights or remedies allowed at law or in equity, and said rights and remedies may be exercised and enforced concurrently.

15.2. Modification/Exercise of Judgment. No amendment, waiver, or modification of this Agreement shall be effective unless it is in writing and signed by us and you. You acknowledge that we may unilaterally modify our System Standards and other standards and specifications and operating and marketing techniques, whether set forth in the Operations Manual or otherwise, under any conditions and to the extent we deem necessary to protect, promote or improve the Marks, the Proprietary Assets or the Franchise System, so long as such modifications are not specifically prohibited by this Agreement.

Whenever we reserve the right in this Agreement to take or withhold taking an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our and/or the Franchise System's best interests at the time we make our decision, without regard to whether or not we could have made other reasonable or arguably preferable alternative decisions or whether or not our decision promotes our financial or other interests.

15.3. No Waiver. No waiver of any term, covenant or condition of this Agreement, or failure to exercise a right or remedy by us or you shall constitute or imply a further waiver of the same or any other covenant or condition. Our subsequent acceptance of any payments due to us under this Agreement shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Whenever this Agreement requires our prior approval or consent, such approval or consent shall be obtained in writing. We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, in connection with any waiver, approval or consent we may grant to you in connection with this Agreement, or by reason of any neglect, delay or denial of any waiver or request for waiver under this Agreement Any waiver granted by us shall be subject to our continuing review, may subsequently be revoked for any reason effective upon 10 days prior written notice, and shall be without prejudice to any other rights we may have. Our waiver of any term, covenant or condition of this Agreement, or failure to exercise a right or remedy by us as to another franchisee shall not constitute or imply a waiver of the same or any other similar covenant or condition as to you.

15.4. Severability/Invalidity. If any provision of this Agreement or the application of any provision to any person or circumstances shall be determined to be invalid or unenforceable, then such determination shall not affect any other provisions of this Agreement or the application of such provisions to any other person or circumstances, all of which shall remain in full force and effect. It is the intention of the parties that if any provision of this Agreement is susceptible to 2 or more interpretations, one of which would render it enforceable, then the provision shall have the meaning that renders it enforceable.

15.5. Entire Agreement. This Agreement constitutes the entire agreement between us regarding the subject matter hereof, and supersedes all prior and contemporaneous agreements between us regarding such subject matter. No officer, employee, servant or agent of ours or yours has been authorized to make any representation, warranty or other promise not contained in this Agreement or in the accompanying Franchise Disclosure Document. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

15.6. Delegation by Us. We shall have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to third parties, whether they are our affiliates, agents, representatives and/or area directors or other individuals or entities with which we have contracted to perform such obligations, duties or services. You agree in advance to any such delegation and acknowledge and agree that we will not be bound, and this Agreement may not be modified, by any third party (including area directors) without our prior written consent. You acknowledge and agree that any delegation of our duties and obligations to third parties does not assign or confer any rights under this Agreement to such third parties and that they are not third party beneficiaries of this Agreement.

15.7. Effective Date of Agreement. This Agreement shall not be effective until accepted by us as evidenced by the signature of an officer or other duly authorized representative of ours and the dating of the Agreement as of the date of such signature. Notwithstanding the foregoing, we reserve the right to make the effective date of this Agreement the date on which you sign the Agreement.

15.8. Review of Agreement. You acknowledge that you have had a copy of the Franchise Disclosure Document in your possession for not less than 14 full calendar days, during which time you have had the opportunity to submit the Franchise Disclosure Document and this Agreement and other documents and agreements related thereto for professional review and advice of your choosing prior to freely executing this Agreement.

15.9. Survival. All of our and your (and your owners' and other Bound Parties') obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to, and notwithstanding, its expiration or termination until they are satisfied in full or by their nature expire, including, without limitation, the post-termination restrictive covenants contained in Section 12.2, dispute resolution covenants and notice and confidentiality provisions.

15.10. Joint and Several Liability. If you consist of more than 1 individual, the liability of all individuals is deemed to be joint and several.

15.11. Counterparts; Paragraph Headings; Pronouns. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. The parties agree that faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures. The paragraph headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the other gender and number.

16. **ACKNOWLEDGMENTS**

BEFORE SIGNING THIS AGREEMENT, YOU SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. YOU ACKNOWLEDGE THAT:

(A) THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON AND YOUR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS;

(B) YOU HAVE NOT BEEN GIVEN ANY ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, BY US OR OUR REPRESENTATIVES AS TO THE POTENTIAL SUCCESS OF YOUR STUDIO OR FRANCHISE BUSINESS, THE VIABILITY OF ANY STUDIO LOCATION OR THE EARNINGS OR PROFITS LIKELY TO BE ACHIEVED FROM THE OPERATION OF THE STUDIO, NOR HAVE YOU RELIED UPON ANY SUCH ASSURANCE OR WARRANTY IN EXECUTING THIS AGREEMENT;

(C) WHILE WE HAVE OFFERED ASSISTANCE, YOU HAVE FINAL APPROVAL OF THE SITE SELECTED, LEASE EXECUTED AND OTHER DECISIONS CONCERNING YOUR FRANCHISE PURCHASE, STUDIO LOCATION AND THE OPERATIONS OF YOUR STUDIO;

(D) NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY FRANCHISE DISCLOSURE DOCUMENT SUPPLIED TO YOU, IS BINDING UPON US IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT;

(E) YOU ARE AWARE THAT (1) OTHER FRANCHISEES MAY OPERATE THEIR STUDIOS UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO THEM MAY DIFFER MATERIALLY THAN OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO YOU IN CERTAIN CIRCUMSTANCES AND (2) OUR WAIVER OF ANY TERM, COVENANT OR CONDITION OF THIS AGREEMENT, OR FAILURE TO EXERCISE A RIGHT OR REMEDY BY US AS TO ANOTHER FRANCHISEE SHALL NOT CONSTITUTE OR IMPLY A WAIVER OF THE SAME OR ANY OTHER SIMILAR COVENANT OR CONDITION AS TO YOU;

(F) THE INDIVIDUALS EXECUTING THIS AGREEMENT ON YOUR BEHALF REPRESENT AND WARRANT THAT THE SIGNATURES LISTED BELOW CONSTITUTE ALL OF THE INDIVIDUALS, PARTNERS, LIMITED PARTNERS, MEMBERS, DIRECTORS, OFFICERS AND/OR SHAREHOLDERS OF YOURS NECESSARY TO BIND YOU AND THAT THEY HAVE READ, UNDERSTAND AND CONSENT TO BE BOUND BY ALL OF THE TERMS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date stated below.

FIT 36, LLC

Signature: ______________________________________

Printed Name: ___________________________________

Title: ____

*Date: ____
(*Effective Date of this Agreement)

____
(Name of Individual or Entity)

Signature: ______________________________________

Printed Name: ___________________________________

Title: ____
(Title of Signor, if applicable)

EXHIBIT 1

TERRITORY DESCRIPTION

Franchisee: ______________________________________

Franchise Agreement Effective Date: ______________________________________

The territory in which you will locate your Studio shall be as follows:

FIT 36, LLC

Signature: ______________________________________

Printed Name: ______________________________

Title: ______________________________________

____
(Name of Individual or Entity)

Signature: ______________________________________

Printed Name: ______________________________

Title: ______________________________________
(Title of Signor, if applicable)

EXHIBIT 2

AUTOMATIC BANK DRAFT AUTHORIZATION

Franchisee: ____

Owner Name: ________________________ Phone: ________________________

Contact Person: ______________________________ Title: ______________________

(if different from owner)

Address: ____

I hereby authorize **Fit 36, LLC** ("Franchisor"), to initiate entries to my checking or savings account identified below for Royalty (as defined in my Franchise Agreement with Franchisor), loan payments to Franchisor, software, website, default, late and other fees and amounts that may be incurred by me under the Franchise Agreement or otherwise and, if necessary, to initiate any adjustments for transactions credited in error.

Name and Address on Account: ______________________________
____
____

Pay to the order of: **Fit 36, LLC**

Your Financial Institution: ______________________________
(Name, Address & Phone #) ______________________________
____

Routing Number: ______________________________

Account Number: ______________________________

PLEASE ATTACH A VOIDED CHECK

Signature: ______________________________ Date: ______________________

Printed Name: ______________________________

Fit 36 Account Number: ____________________ Studio Name: ____________________

EXHIBIT 3

STATEMENT OF OWNERSHIP

Name of Franchisee Legal Entity:____

Date of Formation: _________________________ State of Formation: ____________

Type of Entity: ______________________

All Shareholders, Members and Partners:

Name	% Interest
______________________________	____________
______________________________	____________
______________________________	____________
______________________________	____________

The Entity’s activities must be confined exclusively to operating the Studio and Fit 36 franchise business, unless we otherwise agree in writing.

Each shareholder, member, partner or other beneficial owner personally guarantees the Entity’s performance under the Franchise Agreement.

The Entity must maintain a current list of all shareholders, members, partners, and other beneficial owners, and must furnish an updated list to us prior to making any ownership changes. We must approve the ownership changes described in the Franchise Agreement.

<u>Documents to be provided to us:</u>

- Certificate and Articles of Incorporation or Organization
- By-Laws, Operating Agreement or Partnership Agreement
- Other, as reasonably requested by Franchisor

EXHIBIT 4

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("Guaranty") is given this ________ day of ________________________, 20___, by ___________________________ ____ ____ ______ (the "Guarantor").

In consideration of, and as an inducement to the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by **Fit 36, LLC** (the "Franchisor"), and __ _______________________________ ("Franchisee"), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

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

Each Guarantor hereby consents and agrees that:

(a) his or her liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

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

(c) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(d) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(e) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed;

(f) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor; and

(g) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement.

Guarantor agrees to be personally bound by the arbitration obligations under Section 14.5 of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 14.5 of the Agreement in accordance with its terms.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S):

Signature:________________________ Print Name:________________________	Signature:________________________ Print Name:________________________
Signature:________________________ Print Name:________________________	Signature:________________________ Print Name:________________________
Signature:________________________ Print Name:________________________	Signature:________________________ Print Name:________________________

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse	______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse
______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse	______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse
______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse	______________________________ Name of Guarantor ______________________________ Name of Guarantor's Spouse ______________________________ Signature of Guarantor's Spouse

EXHIBIT 5

FORM OF CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

This Confidentiality and Non-Solicitation Agreement (the "Agreement") is made and entered into as of this ______ day of ____________________________, 20___, by and among ____________________________ ("Employer") and __________________ ("Employee").

1. **RECITALS.**

A. Employer is a party to a franchise agreement (the "Franchise Agreement") with **Fit 36, LLC** ("Franchisor") under which Franchisor granted Employer certain rights with regard to a Fit 36 studio located at the following address: __________________ (the "Studio");

B. Employer has hired Employee to perform services as a fitness instructor at Employer's Studio;

C. Before allowing Employee to have access to the Confidential Information and as a material term of the Franchise Agreement necessary to protect Franchisor's confidential know-how and distinctive systems, designs, décor, trade dress, specifications, standards, techniques and procedures authorized or required by Franchisor from time to time for use in the operation of Employer's Studio (the "Franchise System"), Employer requires that Employee enter into this Agreement; and

D. As a condition of employment or continued employment by Employer, Employee has agreed to enter into this Agreement.

2. **DEFINITIONS.**

Certain terms that are capitalized in this Agreement are defined in this section or at the places they first appear.

(a) The term "Client" as used in this Agreement means any individual who is or was a client of the Studio or the Franchise System at any time during the term of Employee's employment with the Employer.

(b) The term "Competitive Business" as used in this Agreement means any business (other than a Studio) (i) operating or granting franchises or licenses to others to operate fitness studios or any other fitness business, or (ii) offering or selling products or educational materials or conducting workshops for services that are the same as, similar to or competitive with the Franchise System or the Studios.

(c) The term "Confidential Information" as used in this Agreement means certain confidential and proprietary information relating to the development and operation of the Studios, which includes, but is not limited to: (i) the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, advertising and promotional materials, audio and written materials, worksheets, originals, manuals, techniques, rules, ideas, philosophies, illustrations, course materials, confidential operations manual, other manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operation of the Studio; (ii) standards and specifications of the Franchise System; (iii) information generated by, or used or developed in, the Studio's operation, including information relating to clients such as client names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information and related information, and (iv) other methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Studios.

(d) The term "Services" as used in this Agreement means fitness services and other services and products that the Studio and the Franchise System may offer in the future.

3. **PROTECTION OF CONFIDENTIAL INFORMATION.**

Employee agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Employer taking into consideration the confidential nature of the Confidential Information. Employee may disclose the Confidential Information only as an agent for Employer. Employee acknowledges and agrees that neither Employee nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise other than the right to utilize it as authorized in this Agreement and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Employer and would constitute a breach of Employee's obligations of confidentiality and an unfair method of competition with Franchisor and/or other Studios owned by Employer or franchised by Franchisor.

Employee acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Employee solely on the condition that Employee agrees to the terms and conditions of this Agreement. Employee therefore agrees that during the term of the Franchise Agreement and thereafter, he or she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or in written form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Employer to prevent the unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Employee do not apply to (a) disclosure or use of information, methods, or techniques which are generally known and used in the industry (as long as the availability is not because of an unauthorized disclosure by Employee or Employee's agents), provided that Employee has first given Franchisor written notice of his or her intended disclosure and/or use; and (b) disclosure of the Confidential Information in legal proceedings when Employee is legally required to disclose it, provided that Employee has first given Franchisor the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to Franchisor that the information required to be disclosed will be treated confidentially.

Notwithstanding any provisions in this Agreement or Employer policy applicable to the unauthorized use or disclosure of trade secrets, you are hereby notified that, pursuant to the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833(b):

> An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
>
> Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

4. **NON-SOLICITATION.**

Employee agrees that during the term of Employee's employment with Employer and for a period of 1 year following the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; or (b) the date as of which Employee is no longer an employee of, or otherwise providing Services for, Employer (each of these events is referred to as a "Termination Event"), Employee shall not, directly or indirectly, on Employee's own behalf or on behalf of any other person, whether as owner, employee, agent, consultant or in any other capacity: (i) solicit, induce or attempt to solicit or induce any Client to terminate or modify its use of the Services at Employer's Studio; or (ii) solicit, induce or attempt to solicit or induce for employment any person who is then or was, within the immediately preceding 12 months, an employee or contractor of Employer or Franchisor (or their affiliates).

5. **SURRENDER OF DOCUMENTS.**

Employee agrees that as of the effective date of a Termination Event, Employee shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Employee and return to Employer or to Franchisor (if directed by Franchisor) all copies of the Confidential Information loaned or made available to Employee.

6. **INJUNCTIVE RELIEF AND DAMAGES.**

Both parties recognize that the services to be rendered by Employee for Employer are special, unique and of an extraordinary character. Upon breach of this Agreement, Franchisor or Employer shall be entitled, if it/they so elects, to seek injunctive relief in any court of competent jurisdiction to enforce the covenants set forth herein. In addition to injunctive relief, Franchisor or Employer shall be entitled to seek such other and further relief, including, but not limited to, the recovery of damages as may be permitted by law or in equity. Employee expressly acknowledges that he/she possesses other skills, experience, education and abilities of a general nature and has other opportunities for exploiting such other skills, experience, education and abilities to derive income from other endeavors. Consequently, enforcement of the covenants made in this Agreement is fair and reasonable, and will not deprive Employee of his/her personal goodwill or ability to earn a living, or otherwise impose any undue hardship on him/her. Employee further acknowledges and agrees that any violation of the covenants contained in this Agreement will result in irreparable harm to Employer, Franchisor, and its affiliates. If any covenant is held by any arbitrator or court of competent jurisdiction to be broader in time, scope, or subject matter than legally permitted, then the parties authorize the arbitrator or court to impose that covenant to the maximum lawful extent. Employer is permitted at any time to reduce the time, scope, or subject matter of any covenant to render it enforceable under applicable law.

7. **COSTS AND ATTORNEYS' FEES.**

In the event that Franchisor or Employer is required to enforce this Agreement in an action against Employee, Employee shall reimburse Franchisor and/or Employer if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

8. **WAIVER.**

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

9. **SEVERABILITY.**

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Employee is a party thereto or upon Employee's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

10. **RIGHTS OF PARTIES ARE CUMULATIVE.**

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

11. **BENEFIT.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

12. **GOVERNING LAW.**

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of Colorado without regard to its conflict of laws principles.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

EMPLOYER:

If a Legal Entity:

[Name of Employer]

Signature:_______________________________
Name:___________________________________
Title:____________________________________

If an Individual:

____
[Name]

EMPLOYEE:

____
[Name]

EXHIBIT 6

LETTER OF INTENT AND LEASE ADDENDUM

Letter of Intent Franchise Location

1. **TENANT:** __________________ d/b/a Fit 36.

2. **LANDLORD:** ____

3. **PREMISES:** Commonly known as: ____
Street Address Suite # (if any)

City of: ________________________________ County of: ______________________

State of: _______________________________ Zip Code: _______________________

Description: ____

Shopping Center: _______________________________

4. **SIZE:** Approximately _______ SF Pro rata share ________%.

5. **INITIAL TERM:** [recommended Five (5) Years]

6. **RENEWAL OPTIONS:** [recommended Two Option Terms of Five (5) Years each]

7. **BASE RENT:**

Lease Years 1-5: ____

Lease Years 6-10: ____

Lease Years 11-15: ____

8. **TI ALLOWANCE:** Landlord shall provide Tenant with $_________ per square foot to be used towards actual tenant improvements.

9. **LANDLORD'S WORK:** Landlord shall complete the improvements, as outlined in the work letter.

10. **ACCESS:** Upon Tenant's request, Landlord shall provide Tenant with access to the Premises for purposes of inspecting and surveying the Premises, as well as the fixtures and equipment.

Property Manager's Name:________________________________ Phone:________________________

11. **EXPENSES:** Landlord will provide Tenant detail as to the actual expenses currently applicable to the Shopping Center. Tenant's share of expenses for the first Lease Year shall not exceed $_______ PSF and such expenses shall not increase by more than 3% annually thereafter.

12. **PERMITTED USE:** Tenant shall have the right to use the Premises for purposes of a fitness studio providing various types of fitness and exercise services including small group and fitness interval training, retail sales, and other related purposes. Landlord acknowledges and represents to Tenant that such use does not conflict with any other use provision within the Shopping Center.

13. **RENT COMMENCEMENT DATE:** Payment of Rent shall commence upon the earlier of (i) the date of Tenant's opening for business to the public, or (ii) 120 days from the later of (A) the date the Lease is fully executed and (B) the date Landlord delivers possession of the Premises to Tenant in broom-clean condition with all of Landlord's Work complete and all utilities properly functioning.

14. RENT ABATEMENT: Landlord agrees to abate all rental payments for _______ months following the Rent Commencement Date.

15. SECURITY DEPOSIT: Equal to 1 month's Base Rent during the first Lease Year.

16. SIGNS: Tenant has the right to install the customary and usual display signs mandated by Franchisor (i) in the Premises; (ii) on the exterior of its building; and (iii) on monument/pylon signs, in each case, to the maximum-allowable size.

17. EXCLUSIVE: So long as Tenant is not in material default under the Lease, Tenant shall have the exclusive right to operate a fitness studio providing various types of fitness and exercise services, including small group and fitness interval training services. Other tenants shall be permitted to offer fitness and exercise services, so long as no more than 10% of their total square footage is used to offer fitness and exercise services. If this provision is violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to reduce its Base Rent by [TBD] per month until Landlord cures the breach, or terminate the Lease at any time.

18. BROKER'S FEES:

Tenant's Broker: ____ Phone: ________________

Landlord's Broker: ____ Phone: ________________

Landlord shall pay all commissions/fees due to the Brokers, per the terms of a separate agreement.

19. RENEWAL OPTIONS: Tenant shall have the option to extend the Initial Term for 2 periods of 5 years each. In order to exercise each option, Tenant must notify Landlord not later than 180 days prior to the expiration of the Initial Term or first option term, as applicable.

20. ASSIGNMENT: Tenant shall have the right to assign the Lease or sublet the Premises, without charge and without Landlord's consent, to Franchisor or its parent, subsidiaries, or affiliates (each a "Franchisor Entity"), and the Franchisor Entity shall have the right to reassign the Lease, without charge and without Landlord's consent, to a franchisee of a Franchisor Entity and to thereupon be released from any further liability under the Lease. Tenant shall also have the right to assign the Lease or sublet the Premises, without charge but with Landlord's consent, not to be unreasonably withheld, to another franchisee of a Franchisor Entity.

21. EXPIRATION OF PROPOSAL: This Letter of Intent shall remain in force for 7 days from the date of Tenant's signature below. Landlord agrees not to discuss or negotiate leasing the Premises with anyone other than Tenant for 30 days after Landlord signs this Letter of Intent. Landlord and Tenant each hereby agree to negotiate the terms of a Lease consistent with this Letter of Intent within such 30 day period.

22. CONFIDENTIALITY: The parties agree to maintain the terms of this Letter of Intent confidential, and shall not disclose any terms herein to any third party, regardless of whether the parties execute a Lease.

LANDLORD AND TENANT ACKNOWLEDGE THAT THIS LETTER OF INTENT IS NOT A LEASE, AND THAT IT IS INTENDED AS THE BASIS FOR THE PREPARATION OF A LEASE. EXCEPT AS TO THE OBLIGATIONS OF LANDLORD AND TENANT SET FORTH IN

PARAGRAPH 22 ABOVE, THE TERMS AND PROVISIONS OF THIS LETTER OF INTENT ARE NON-BINDING.

AGREED AND ACCEPTED:

Landlord:	*Tenant:*
By:	*By:*
Title:	*Title:*
Date:	*Date:*

ADDENDUM TO LEASE

This Addendum to Lease ("Addendum") shall be attached to and made a part of that certain lease agreement dated ______________, 20___ ("Lease") by and between ______________ ("Landlord") and ______________ ("Tenant"). In the event of any contradiction or inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control. All defined terms not specifically defined in this Addendum shall be given the meanings ascribed to them in the Lease.

Recitals

A. Tenant is party to a franchise agreement with **Fit 36, LLC** ("Franchisor"), pursuant to which Tenant was granted the right to own and operate a Fit 36 studio (the "Studio").

B. Franchisor requires that the Lease contain certain provisions that protect Franchisor's proprietary assets, marks and franchise system.

C. Tenant has requested, and Landlord has agreed, to amend the Lease to include the requirements set forth below.

Franchisor Required Terms

1. **TENANT USE AND IDENTITY**. Tenant shall have the right to use the Premises for a fitness studio providing various types of fitness and exercise services including small group and fitness interval training services, retail sales, and other related purposes. Landlord acknowledges and represents to Tenant that such use does not conflict with any other use provision within the Shopping Center. Tenant is an individual franchise owner or an entity created to own the franchise business, which will operate under the trade name "FIT36®" or similar trade name. Under no circumstances is Franchisor or any of its affiliates, representatives, designees or assigns the tenant under the Lease, a guarantor under the Lease or in any other way obligated for Tenant's obligations under the Lease.

2. **RADIUS RESTRICTIONS AND TENANT RELOCATION**. Any radius restrictions or relocation provisions found in the Lease are hereby deleted.

3. **EXCLUSIVE USE**. Throughout the Initial Term and any extension, Landlord agrees that Tenant shall have the exclusive right in the Shopping Center to provide various fitness and exercise services, including small group and fitness interval training services. Other tenants in the Shopping Center offering fitness and exercise services ancillary to their business operations will be permitted. For purposes of this provision, "ancillary" means any business that derives no more than 10% of its gross revenues from fitness and exercise related services.

   This exclusive use provision shall not include any Shopping Center tenant existing as of the date of the Lease. However, to the extent Landlord has the right, Landlord shall not consent to any assignment or sublease if the change in use would violate this exclusive use provision.

   If this exclusive use provision is violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to (a) terminate the Lease or (b) immediately reduce its Base Rent to $1.00 per month until Landlord cures the breach or, if Landlord does not cure the breach, for the remainder of the Initial Term and any extension.

4. **SIGNAGE**. (a) Tenant has the right to install the customary and usual display signs mandated by Franchisor (i) in the Premises, (ii) on the exterior of its building, and (iii) on monument/pylon signs, in each case, to the maximum-allowable size. Tenant signs are subject to Landlord's sign criteria and approval, not to be unreasonably withheld, and applicable municipal codes.

   (b) Tenant shall also have the right to display a banner reading "Coming Soon" (or similar message) during the period between Lease execution and the date that is 30 days after Tenant opens for business to the public. Tenant shall also be permitted to display professional grade signs/posters and tasteful promotional items in the windows of the Premises consistent with Franchisor's national standards.

5. **TENANT RIGHT TO ASSIGN OR SUBLEASE**.

   Notification. In the event Tenant is permitted to assign or sublease the Lease under any circumstances, Tenant must first obtain Franchisor's written consent and provide Landlord 30 days' prior written notice.

   Transfer to Franchisor. Tenant shall have the right to assign the Lease or sublet the Premises, without charge and without Landlord's consent, to Franchisor or its parent, subsidiaries, or affiliates (each, a "Franchisor Entity"). In such event, the Franchisor Entity shall have the right to reassign the Lease, without charge and without Landlord's consent, to a duly authorized franchisee of a Franchisor Entity and to thereupon be released from any further liability under the Lease.

   Transfer to Franchisee. Tenant shall also have the right to assign the Lease or sublet the Premises, without charge but with Landlord's consent, not to be unreasonably withheld, to another duly authorized franchisee of a Franchisor Entity.

   Options. Any options to extend the Term of the Lease shall automatically transfer to the assignee involved in any transfer made pursuant to this Section.

6. **TENANT DEFAULT**. If Landlord sends Tenant a notice of default, Landlord must simultaneously send a copy of the notice to Franchisor as follows: Fit 36, LLC, Attention: Legal Department, 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112.

7. **NOTICE AND CURE**. Franchisor (or its designee) shall have the opportunity, but not the obligation, to enter the Premises to make modifications necessary to protect the equipment, furniture, fixtures and signs, or to cure any default under the Lease or Tenant's franchise agreement as follows:

   Cure under the Lease. Landlord agrees to give Franchisor written notice of any Tenant defaults prior to exercising any remedies against Tenant under the Lease. Franchisor shall have Tenant's cure period plus an additional 10 days to cure (at Franchisor's option) any Tenant defaults, and to perform any other acts necessary to keep the Lease in full force and effect.

<u>Cure under the Franchise Agreement</u>. Franchisor (or its designee) shall have the option, upon default, expiration or termination of Tenant's franchise agreement, and upon notice to Landlord to:

(a) assume all of Tenant's rights under the Lease including, but not limited to, the rights to renew the Lease and pay Rent;

(b) assign the Lease or sublet the Premises per the above terms; and

(c) remove equipment, furniture, fixtures and signs (provided that Franchisor has the authority to do so).

8. **LANDLORD WARRANTIES**. (a) Landlord represents, covenants and warrants that:

(i) it has lawful title to the Shopping Center;

(ii) the Shopping Center is in compliance with the Americans with Disabilities Act;

(iii) it shall maintain throughout the Term of the Lease general liability insurance coverage for the Shopping Center consistent with coverage maintained by prudent owners of properties similar to the Shopping Center;

(iv) so long as Tenant pays all monetary obligations due under the Lease and performs all of its other covenants under the Lease, Tenant shall peacefully and quietly have, hold, occupy and enjoy the Premises; and

(v) Tenant's permitted use does not violate any contracts or agreements to which Landlord is a party.

(b) In addition, Landlord shall indemnify and hold harmless Tenant and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (i) Landlord's operation of the Shopping Center, (ii) Landlord's negligence or breach in the performance of any of its obligations under the Lease or (iii) any violation of law by Landlord or any other act or omission of Landlord or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of the Lease.

9. **LANDLORD WORK AND REPAIRS**. If the Shopping Center is not in compliance with all laws, codes or other regulations, Landlord shall perform necessary remedial work at its sole cost and expense. Landlord covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Tenant, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural elements and systems including, without limitation, the roof, roof membrane, roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

10. **COMMON AREAS**. (a) Landlord shall not change or alter the Common Areas in any manner which would:

(i) alter the dimensions or location of the Premises;

(ii) adversely affect the use, operation or conduct of Tenant's business in the Premises;

(iii) adversely affect the accessibility or visibility of the Premises; or

(iv) reduce the current ratio of parking to rentable square feet in the Shopping Center by more than 10%.

(b) The costs of capital improvements to the Common Areas, defined as any costs that are not fully chargeable to current expenses in the year the expenditure is incurred (calculated in accordance with generally accepted accounting principles) shall be excluded from the calculation of Tenant's Common Areas costs pass through, if any.

11. **REIMAGING/REDECORATING**. Tenant may non-structurally reimage and/or redecorate within the Premises up to $10,000 per project without Landlord's prior consent, so long as the work is performed in a good and workmanlike manner. Tenant may close its business once every 5 years for up to 30 days to reimage and redecorate the Premises.

12. **HAZARDOUS MATERIALS**. Landlord represents and warrants to the best of its knowledge that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "Hazardous Materials").

    Tenant shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Tenant.

    Landlord shall indemnify and hold Tenant harmless from and against all liabilities, loss, costs, damages and expenses which Tenant may incur (including reasonable attorneys' fees) as the result of a breach of Landlord's representation and warranty set forth in this Section or the presence of Hazardous Materials in or about the Shopping Center, Building or the Premises.

13. **TENANT FINANCING**. Tenant shall have the right from time to time to grant and assign a mortgage or other security interest in all of Tenant's personal property and equipment located within the Premises in connection with Tenant's financing arrangements, and any lien of Landlord against Tenant's personal property and equipment (whether by statute or under the terms of the Lease) shall be subject and subordinate to such security interest. Landlord shall execute any documents as Tenant's lenders may reasonably request in connection with any such financing. The parties acknowledge that there may be certain personal property and equipment in the Premises not owned by Tenant, which property and equipment shall not be subject to any lien of Landlord. Upon request, Landlord shall grant the party who owns such property and equipment reasonable access to the Premises for the sole purpose of removing such items, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

14. **THIRD-PARTY BENEFICIARY**. Landlord and Tenant hereby intend, agree and acknowledge that Franchisor (and its affiliates), is an intended third-party beneficiary and shall have the right, at its option, to independently enforce any term, condition or provision

of this Addendum, including but not limited to those dealing with exclusive use, assignment, default and termination.

15. **SUCCESSORS AND ASSIGNS**. All of Franchisor's rights, privileges, and interests under this Addendum and the Lease shall inure to the benefit of Franchisor's successors and assigns. All provisions in this Addendum applicable to Tenant and Landlord shall be binding on any successor or assign of Tenant or Landlord under the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date and year first written above.

LANDLORD:

By:______________________________
Name:____________________________
Title:_____________________________

TENANT:

By:______________________________
Name:____________________________
Title:_____________________________

EXHIBIT 7

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Fit 36, LLC ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Fit 36 Studio franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:
I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:

I have not received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of my success) except as contained in the FDD or as indicated below (**write "None" if none provided**): ____ ____.	INITIAL:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature Page Follows]

Sign here if you are taking the franchise as an **INDIVIDUAL(S)**
(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

____
Signature

Print Name: ______________________
Dated: ______________________________

____
Signature

Print Name: ______________________
Dated: ______________________________

____
Signature

Print Name: ______________________
Dated: ______________________________

____
Signature

Print Name: ______________________
Dated: ______________________________

Sign here if you are taking the franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

____
Print Name of Legal Entity

By: ______________________________
Signature

Print Name: ______________________
Title: ___________________________
Dated: ______________________________

NOTE TO MARYLAND RESIDENTS OR FRANCHISEES WITH A STUDIO LOCATED IN MARYLAND: This Representations and Acknowledgement Statement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

FIT 36, LLC

AREA DEVELOPMENT AGREEMENT
(MULTI-UNIT DEVELOPMENT)

____
DEVELOPER

____
DATE OF AGREEMENT

____
DEVELOPMENT AREA

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Page

EXHIBITS

FIT 36, LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made and entered between **FIT 36, LLC**, a Delaware limited liability company with its principal business address at 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("**we**"), and ____________________, whose principal business address is ____________________________________ ("**you**"), as of the date signed by us and set forth below our signature on this Agreement (the "**Effective Date**").

1. PREAMBLES AND GRANT OF RIGHTS.

A. PREAMBLES.

(1) We grant, to persons or entities who we determine meet our qualifications, franchises (each a "**Franchise**") for the development and operation of group fitness training studios (each a "**Studio**") using the trademark *FIT36®* and other trademarks we authorize from time to time (the "**Marks**") and the system and system standards under which Studios are developed and operated (the "**System**"). Each Franchise is granted solely pursuant to a written franchise agreement and related documents and agreements signed by us and a franchisee (each a "**Franchise Agreement**").

(2) We also grant, to persons or entities who we determine meet certain additional qualifications and who are willing to commit, the right to acquire multiple Franchises for the development and operation of Studios within a defined area (the "**Development Area**") pursuant to an agreed upon schedule (the "**Development Schedule**").

(3) You and, if you are an Entity (defined below), your owners have requested that we grant you such rights, and we are willing to do so in reliance on all of the information, representations, warranties and acknowledgements you and, if applicable, your owners have provided to us in support of your request, and subject to the terms and conditions set forth in this Agreement.

B. GRANT OF RIGHTS; TERM.

We grant you the right, and you undertake the obligation, either yourself or through your approved Affiliates (defined below), to acquire Franchises to develop, own and operate Studios (the "**Development Rights**"). In exercising the Development Rights, you agree, at a minimum, to strictly comply with the Development Schedule reflected on Exhibit A. The Development Rights may only be exercised for Studios to be developed and operated within the Development Area described on Exhibit A. The Development Rights may be exercised from the Effective Date and, unless sooner terminated as provided herein, continuing through the earlier of (1) the date on which the last Studio which is required to be opened in order to satisfy the Development Schedule opens for regular business or (2) the last day of the last Development Period (the "**Term**").

The Development Rights are limited to the rights to acquire Franchises in accordance with and as described in this Agreement. Rights to develop and operate Studios or to use the Marks are granted only pursuant to individual Franchise Agreements, and you agree that the Development Rights do not include any such rights. You also acknowledge that we grant rights only pursuant to the expressed provisions of written agreements and not in any other manner, including orally or by implication, innuendo, extension or extrapolation.

An "**Affiliate**" is an Entity (defined below) in which you or your owners (i) own more than 51% of the issued and outstanding ownership interest and voting rights or (ii) have the right and power to control and determine the Entity's management and policies.

C. **GRANT OF RIGHTS TO OTHERS; RIGHTS WE RESERVE.**

Except as described in this Section 1.C, and provided you and your Affiliates are in full compliance with this Agreement and all Franchise Agreements and other agreements with us (or any of our affiliates), we will not, during the Term, either own Studios located in the Development Area or grant Franchises (or authorize the grant of Franchises) to any other person or entity to own Studios to be located in the Development Area. We are not otherwise restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement, including owning, operating and authorizing others to own and operate Studios outside the Development Area in our discretion. We may also do any of the following anywhere in the world, even within the Development Area:

(1) own and operate or authorize others to own and operate fitness studios under trademarks that are different from the Marks even if such studios offer products and services that are identical or similar to, and/or competitive with, products and services offered by Studios;

(2) use the Marks or any other trademarks or commercial symbols to own and operate businesses (other than Studios located in the Development Area as described above) and distribution channels (including the internet), regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, even if such businesses sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell;

(3) acquire the assets or ownership interests of one or more businesses, including Competitive Businesses (defined below), and franchise, license or create similar arrangements with respect to such businesses once acquired;

(4) be acquired or become controlled (regardless of the form of transaction) by any other business, including a Competitive Business; and

(5) operate or grant any third party the right to operate any Studios that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we have under this Agreement or any Franchise Agreement.

D. **BEST EFFORTS/BUSINESS ENTITY.**

You must at all times faithfully, honestly and diligently perform your obligations and fully exploit the Development Rights during the Term and throughout the entire Development Area. You may not subcontract, subfranchise, or delegate any of your obligations under this Agreement to any third parties. If you are a corporation, limited liability company, partnership, or another form of business entity (collectively, an "**Entity**"), you agree and represent that:

(1) Exhibit A lists all of your owners and their interests as of the Effective Date;

(2) such persons as we designate, which may include the spouses of your owners, will execute an agreement, in the form set forth in Exhibit B (the "**Guaranty**"), under which such persons undertake personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. However, a spouse who signs the Guaranty solely as a spouse and not as an owner will merely be acknowledging and consenting to the execution of the guaranty by his or her spouse and agreeing to bind the assets of the marital estate as described therein and for no other purpose (including to bind the spouse's own separate property); and

(3) the business that this Agreement contemplates will be the only business you operate (although your owners may have other, non-competitive business interests).

E. **FINANCING; MAXIMUM BORROWING LIMITS; MINIMUM LIQUIDITY.**

We have granted the Development Rights to you based, in part, on your representations to us, and our assessment of, your levels of liquidity as of the Effective Date. You will ensure that, throughout the Term, you will maintain sufficient liquidity and working capital reserves to meet your obligations under this Agreement. We reserve the right to establish and modify specific liquidity requirements from time to time, and you agree to comply with the liquidity requirements that we reasonably impose. At our request, you will provide us with evidence of your liquidity and working capital availability.

We may from time to time designate the maximum amount of debt that Studios may service, and you will ensure that you (and any Affiliate who has signed a Franchise Agreement) comply with such limits. You must also secure our approval of any debt for which the assets of the business are used as collateral, as described in the "transfer" provisions of the applicable Franchise Agreement.

2. EXERCISE OF DEVELOPMENT RIGHTS.

A. EXECUTION OF FRANCHISE AGREEMENTS.

Simultaneously with signing this Agreement, you or an approved Affiliate must sign and deliver to us a Franchise Agreement (as amended by the form of Amendment attached hereto as Exhibit C to reflect that no Initial Franchise Fee shall be due) and related documents representing the first Franchise you are obligated to acquire under this Agreement. You or your approved Affiliate must thereafter open and operate a Studio according to the terms of that Franchise Agreement. Thereafter, once we have approved a site, and prior to signing a lease or otherwise securing possession of the site, you or an approved Affiliate must sign our then-current form of Franchise Agreement and related documents, the terms of which may differ substantially from the terms contained in the Franchise Agreement in effect on the Effective Date. The Franchise Agreement will govern the development and operation of the Studio at the approved site identified therein.

B. PROPOSED SITES FOR STUDIOS.

You must give us all information and materials we request to assess each Studio site you propose as well as your and your proposed Affiliate's financial and operational ability to fund the development and to operate each proposed Studio. We have the absolute right to disapprove any site or any Affiliate (a) that does not meet our criteria or (b) if you or your Affiliates are not then in compliance with any existing Franchise Agreements executed pursuant to this Agreement or operating your or their Studios in compliance with the System Standards (as defined in such Franchise Agreements). We will use our reasonable efforts to review and approve or disapprove any sites you propose within 30 days after we receive all requested information and materials. Once we approve a proposed site, you or your approved Affiliate must sign a separate Franchise Agreement as described in Section 2.A. If you or your approved Affiliate fails to do so within 15 days after we provide you with an execution copy of the Franchise Agreement, we may withdraw our approval. In addition, we reserve the right to propose sites to you within the Development Area for the development of Studios contemplated by this Agreement.

C. **COMPLIANCE WITH DEVELOPMENT SCHEDULE.**

Each period described in the Development Schedule is a "**Development Period**." You or your approved Affiliates must satisfy the obligations described on the Development Schedule (reflected on Exhibit A) during and as of the end of each Development Period. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Studios specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

We will count a Studio toward the Development Schedule only if it is actually operating in the regular course within the Development Area and substantially complying with the terms of its Franchise Agreement as of the end of the Development Period. However, a Studio which is, with our approval or because of fire or other casualty, permanently closed during the last 90 days of a Development Period, after having been open and operating, will be counted toward the development obligations for the Development Period in which it closed, but not thereafter.

D. **FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE.**

If you fail to comply with the Development Schedule as of the end of any Development Period, in addition to terminating this Agreement under Section 7 and asserting any other rights we have under this Agreement as a result of such failure, we may (but need not) elect to revoke our agreement under Section 1.C not to grant similar development or franchise rights to others within the Development Area, reduce the size of the Development Area, and re-configure the Development Area, in each case, as we determine.

E. **RECORDS AND REPORTING.**

Upon our request, you agree to provide us with the following records and reports:

(1) Within 60 days after the Effective Date, you must prepare and give us, a business plan covering your projected revenues, costs and operations under this Agreement. This business plan will include your detailed projections of development costs and detailed revenue projections for your Studios. Within 60 days after the start of each calendar year during the Term, you must update the business plan each year to cover both actual results for the previous year and projections for the then current year. You acknowledge and agree that, while we may review and provide comments on the business plan and any updates you submit

to us, regardless of whether we approve, disapprove, require revisions or provide other comments with respect to the business plan or any updated business plan, we take no responsibility for and make no guarantees or representations, expressed or implied, with respect to your ability to meet the business plan or to achieve the results set forth therein. Once we approve your business plan or any updates to it, you must comply with it in all material respects. You bear the entire responsibility for achievement of the business plan you develop.

(2) Within 7 days after the end of each month during the Term, you must send us a report of your business activities during that month, including information about your efforts to find sites for Studios in the Development Area and the status of development and projecting openings for each Studio under development in the Development Area.

(3) Within 28 days after the end of each calendar quarter, you must provide us with consolidated balance sheet and profit and loss statements for you and your Affiliates covering that quarter and the year-to-date and an updated balance sheet and related financial statements for each person signing the Guaranty.

(4) Within 60 days after the end of each calendar year, you must provide us with an annual profit and loss and source and use of funds statements and a balance sheet, consolidated for you and your Affiliates covering the previous year. We reserve the right to require that you have these financial statements and the financial statements of any prior fiscal years audited by an independent accounting firm designated by us in writing.

Each of the foregoing shall be in the form and format that we reasonably specify, shall be delivered to us in the manner we specify, and shall be certified as correct by you (or one of your owners).

3. FEES.

On your execution of this Agreement, you must pay us a nonrefundable development fee in an amount equal to [$________] (the "**Development Fee**"). The Development Fee is fully earned by us when you and we sign this Agreement and is nonrefundable.

4. CONFIDENTIAL INFORMATION; INNOVATIONS.

A. CONFIDENTIAL INFORMATION.

All information furnished to you by us, whether orally or in writing, including the Franchise Agreements, this Agreement, the System, plans, specifications, financial or business data or projections, all documents, data, information, materials, reports, proposals, procedures, financial information, compensation information, proposed advertising, advertising and marketing plans, operations manuals, formulas, samples, improvements, models, drawings, programs, compilations, devices, methods, designs, techniques and specifications, inventions, know-how, processes, business plans, marketing techniques, information generated by, or used or developed in, your Studio's operation, including information relating to clients (such as client names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information, and similar information), purchasing techniques, supplier lists, supplier information, advertising strategies, operations, our trade secrets, or any other forms of business information, whether or not marked as confidential (collectively, the "**Confidential Information**"): (i) shall be deemed proprietary and shall be held by you in strict confidence; (ii) shall not be disclosed or revealed or shared with any other person except to your employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in advance; and (iii) shall not be used except to the extent necessary to exercise the Development Rights or as permitted under Franchise Agreements, and then only in circumstances of confidence and in accordance with the obligations set forth in the Franchise Agreements. You will protect the Confidential Information from unauthorized use, access, or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care.

All Confidential Information will at all times remain our sole property. You agree to return to us or destroy, at our election, all Confidential Information in your possession or control and permanently erase all electronic copies of such Confidential Information promptly upon our request or upon the expiration or termination of this Agreement, whichever comes first. At our request, you will certify in writing signed by one of your officers that you have fully complied with the foregoing obligations.

B. **INNOVATIONS.**

You agree that, as between us, we or our affiliates own the System and any Confidential Information, and that your rights to use the System and Confidential Information, derive solely from this Agreement or from Franchise Agreements executed pursuant to this Agreement. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, "**Innovations**") made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us or our affiliates. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you shall execute, verify, and deliver such documents (including assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section 4.B, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 4.B with the same legal force and effect as if executed by you.

C. **GENERAL.**

If you breach any of the provisions of this Section 4, we will be entitled to equitable relief, including in the form of injunctions and orders for specific performance, in addition to all other remedies available at law or equity. The obligations under this Section 4 shall survive any expiration or termination of the Agreement.

5. **RESTRICTIVE COVENANTS DURING TERM.**

A. **COVENANTS AGAINST COMPETITION.**

We have granted you the Development Rights in consideration of and in reliance upon your agreement to deal exclusively with us. Therefore, during the Term, you agree that, other than in accordance with this Agreement, neither you, your Affiliates, nor any of your or their officers, directors, shareholders, members, partners or other owners, nor any spouse of yours or any of these individuals (collectively, "**Bound Parties**"), shall:

(1) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), wherever located or operating;

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

(3) divert or attempt to divert any business or memberships related to the Studios, your business, or any other franchisee's Studio by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of ours, any of our affiliates, or another franchisee or developer, to any Competitive Business; or

(4) directly or indirectly assist an immediate family member of any of the Bound Parties in engaging in any of the activities listed in subsections (1)–(3) above.

The term "**Competitive Business**" for purposes of this Agreement, means any business operating or granting franchises or licenses to others to operate fitness studios or any other fitness business, or any business offering or selling products, or educational materials or conducting workshops for services that are the same as, similar to, or competitive with the System or other Studios (other than a franchise operated under a Franchise Agreement with us or our affiliate).

B. **NON-SOLICITATION AND NON-INTERFERENCE.**

During the Term, neither you nor any of the Bound Parties, will:

(a) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another franchisee or developer of ours without obtaining the employer's prior written consent;

(b) interfere with the relationships we, our affiliates, or our franchisees have from time to time with vendors, suppliers or consultants; or

(c) engage in any other activity which might injure the goodwill of the Marks and/or the System.

C. **COVENANTS FROM OTHERS.**

You agree to obtain from the Bound Parties similar agreements regarding non-competition (Section 5.A and Section 7.C), non-solicitation (Section 5.B and Section 7.C), and Confidential Information (Section 4). You must provide us with copies of all such agreements on our request. We may regulate the forms of agreement that you use and be a third-party beneficiary of the agreement with independent enforcement rights. You may not assume that any such form we provide you is or will be enforceable in a particular jurisdiction. You are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of such forms, but you must secure our approval, prior to use, of any form that contains variations from the form we provide.

6. **TRANSFER.**

A. **BY US.**

This Agreement inures to the benefit of us and our successors and assigns, and we have the right to transfer or assign all or any part of our interest, rights, privileges, duties and obligations hereunder to any person or legal entity without your approval.

B. **BY YOU.**

You acknowledge that we have granted you the Development Rights in reliance upon, and in consideration of, your business skills, financial capacity and other required qualifications. Accordingly, the rights and duties created under this Agreement are personal to you. Your interest in this Agreement, any of your rights under this Agreement, the Development Rights or any interest therein, and any direct or indirect ownership interest in you (regardless of its size), any approved Affiliate, or any of your owners (if such owners are legal entities) may not be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner (collectively, a "**transfer**"), without our prior written consent. Any actual or intended assignment, transfer or sale made in violation of the terms of this Section 6.B shall be null and void and shall constitute a material breach of this Agreement, constituting good cause for termination of this Agreement. Additionally, you may not pledge or encumber this Agreement, your Development Rights or an ownership interest in you or your owners (to someone other than us) as security for any loan or other financing, unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

The Development Rights may not be transferred separate and apart from the entirety of this Agreement. Additionally, a proposed transfer of this Agreement may not be made separately from or independently of a transfer to the same recipient of all of the Franchise Agreements (and the Studios operated pursuant thereto) executed pursuant to this Agreement.

We will not unreasonably withhold our consent to a transfer, provided all of the following conditions are met before or concurrently with the effective date of the transfer:

(1) you have met all requirements of the Development Schedule, the proposed transferee provides information to us sufficient for us to assess the transferee's business experience and aptitude, and the transferee demonstrates sufficient financial resources to satisfy the remaining requirements of the Development Schedule;

(2) neither you nor your Affiliates have violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee shall sign our then-current form of area development agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided, that the Development Schedule of the new area development agreement will equal the remainder of the then-remaining Development Schedule of this Agreement;

(5) you pay us a transfer fee equal to $10,000;

(6) you, your owners, and any other guarantors under this Agreement, execute a consent to transfer, which will include a general release and a non-disparagement clause, in a form satisfactory to us, releasing us and our affiliates, and our and their respective officers, directors, members, shareholders, employees and agents, in their corporate and individual capacities, from any and all claims, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

(7) all individuals and entities who will be direct or indirect owners of the transferee must execute or have executed a guaranty in the form we prescribe;

(8) we have determined that the purchase price and payment terms between you and the transferee will not adversely affect the transferee's ability to meet the Development Schedule or operate any of the Studios developed pursuant to this Agreement;

(9) the transferee's obligations under promissory notes, agreements, or security interests are subordinate to the transferee's obligation to pay any amounts due to us, our affiliates, and third-party vendors related to the operation of the Studios and otherwise to comply with the Development Schedule and this Agreement;

(10) you and your transferring owners agree to terminate this Agreement in accordance with its terms, and comply with all applicable post-termination obligations, including by complying with the restrictive covenants found in Section 7.C of this Agreement.

You acknowledge that the proposed transferee will be evaluated by us based on the same criteria as those currently being used to assess new developers and that the proposed transferee will be provided with the disclosures required by law. We may review all information regarding the Development Rights and your area development business that you give the transferee, and we may give the transferee copies of any reports or information that you have given us or that we have made regarding your area development business. Our consent to a transfer pursuant to this Section 6.B is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

C. **OUR RIGHT OF FIRST REFUSAL.**

If you (or any of your owners) at any time determine to sell or transfer for consideration this Agreement, the assets of your area development business or the Studios, or a controlling interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Section 6.B above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your area development business and Studios. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price, and must be contingent upon our waiver of our right of first refusal as described in this Section 6.C. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

Upon our receipt of the offer and other documents, we will have 30 days in which to exercise our right of first refusal on the same terms and conditions set forth within the offer. During such period, we may also notify you that we have acted to withhold approval of the proposed transfer and will provide you with the specific reasons for such action.

7. **TERMINATION OF AGREEMENT.**

A. **EVENTS OF TERMINATION.**

Notwithstanding anything otherwise contained in this Agreement, we will have the right to terminate this Agreement at any time and without notice, upon the happening of any one or more of the following events:

(1) you or your Affiliates fail to pay any amount due under this Agreement or any Franchise Agreement when and as it becomes due and payable, and such failure continues for a period of 10 days after written notice from us;

(2) you cease or threaten to cease to carry on the business granted to you under this Agreement, or take or threaten to take any action to liquidate your assets, or if you do not pay any debts or other amounts incurred by you in operating the business hereunder when such debts or amounts are due and payable;

(3) you fail to comply with the Development Schedule;

(4) you make or purport to make a general assignment for the benefit of creditors; or if you hereto institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against you; or if a custodian, receiver, manager or any other person with like powers is appointed to take charge of all or any part of the business granted hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or if you commit or suffer any default under any contract of conditional sale, mortgage or other security instrument in respect of the business being operated hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or if any of your goods, chattels or assets or of the business are seized or taken in execution or in attachment by a creditor, or if a writ of execution is issued against any of such goods, chattels, or assets; or if a judgment or judgments for the payment of money in amounts in excess of $5,000, is rendered by any court of competent jurisdiction against you;

(5) you fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 10 days following notice;

(6) if you are an Entity, (i) an order is made or a resolution passed or any proceedings taken towards your winding up or liquidation or dissolution or amalgamation; or (ii) you lose your charter by expiration, forfeiture or otherwise;

(7) you or any of your owners has made any material misrepresentation or omission in your or their application and the documents and other information provided to us to support your or their application to acquire the rights granted in this Agreement;

(8) you (or any of your owners) make or attempt to make an unauthorized transfer (as defined in Section 6.B);

(9) you (or any of your owners) are (a) convicted of or plead guilty or "no-contest" to a felony, (b) convicted of or plead guilty or "no contest" to any crime or other offense likely to adversely affect the reputation of Studios or the goodwill of the Marks, or (c) engage in any conduct which, in our opinion, adversely affects or, if you were to continue as a developer under this Agreement, is likely to adversely affect the reputation of the business you conduct pursuant to this Agreement, the reputation and goodwill of Studios generally or the goodwill associated with the Marks;

(10) we provide written notice of your (or any of your owners') failure (a) on three (3) or more separate occasions within any 12 consecutive month period to comply with this Agreement, or (b) on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, in any case, whether or not you correct the failures after our delivery of notice to you;

(11) you or your Affiliates fail to comply with any provision of any Franchise Agreement or any other agreement with us or our affiliates and do not cure such failures within the applicable cure period, if any; or

(12) you fail to observe, perform or comply with any other of the terms or conditions of this Agreement not listed in Section 7.A(1) through (11) above, and such failure continues for a period of 10 days after written notice thereof has been given by us to you.

B. **EFFECTS OF TERMINATION OR EXPIRATION.**

(1) **Effects**. On the expiration or termination of this Agreement for any reason whatsoever, the following provisions apply:

(a) all of your rights under this Agreement will cease, and you are no longer entitled to exercise the Development Rights or hold yourself out to the public as being a developer of Studios;

(b) you must return all Confidential Information in your possession or control (except that you may retain and continue to use any Confidential Information that you are permitted to use under any Franchise Agreements); and

(c) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination.

C. **COVENANT NOT TO COMPETE / NON-SOLICITATION.**

(1) **Non-Competition**. Upon termination or expiration of this Agreement, or upon any transfer, you and your owners agree that, for two (2) years beginning on the effective date of termination, expiration or transfer, or the date on which all persons restricted by this Section 7.C begin to comply with this Section 7.C, whichever is later, neither you nor your Affiliates, nor any of the Bound Parties will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating:

(a) within the Development Area; and

(b) within a 3-mile radius of any Studio in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section 7.C begin to comply with this Section 7.C.

(2) **Non-Solicitation**. You further agree that, for two (2) years beginning on the effective date of termination or expiration, neither you nor any of the Bound Parties, will:

(a) recruit or hire any person who is then or was, within the immediately preceding 12 months, employed by us, any of our affiliates, or a franchise owner as (a) a general manager or assistant manager at any Studio, (b) a district or regional manager or any other such person having responsibility for overseeing or supervising the operation of multiple Studios, or (c) any of our or our affiliates' officers;

(b) interfere or attempt to interfere with our, our affiliates' or our franchisees' relationships with any vendors or consultants; or

(c) engage in any other activity which might injure the goodwill of the Marks and/or the System.

D. **SURVIVAL OF COVENANTS.**

Notwithstanding the expiration, termination or transfer of this Agreement for any reason whatsoever, all covenants and agreements to be performed or observed by you will survive any such termination, expiration or transfer.

8. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

Each of us is an independent contractor, and neither is considered to be the agent, representative, master or servant of the other for any purpose. Neither of us has any authority to enter into any contract, to assume any obligations or to give any warranties or representations on behalf of the other. Nothing in this Agreement may be construed to create a relationship of partners, joint venturers, fiduciaries, agency or any other similar relationship between us and you.

B. **<u>INDEMNIFICATION</u>.**

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective current and former owners, managers, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this Section 8.B. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.B.

9. **<u>ENFORCEMENT; ARBITRATION</u>.**

A. **<u>ARBITRATION</u>**

We and you agree that all controversies, disputes, or claims between us or our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to

(a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);

(b) our relationship with you; or

(c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 9.A, which we and you acknowledge is to be determined by an arbitrator, not a court).

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by 1 arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business (currently, Englewood, Colorado). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C.

§§ 1 *et seq*.). The decision of the arbitrator shall be final and binding upon each party and may be enforced in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or, except as expressly provided in this Section 9, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

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

We and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and our affiliates, or our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your owners, guarantors, affiliates, and employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) or brought on your behalf by any association or agency. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Section 9.

Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction pursuant to Section 9.E; provided, however, that we and you must contemporaneously submit our dispute, controversy or claim for arbitration on the merits as provided in this Section.

You and we agree that, in any arbitration arising as described in this Section, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded. With respect to any electronic discovery, you and we agree that:

(a) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;

(b) the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(c) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and

(d) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take no more than three depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours. There are to be no speaking objections at the depositions, except to preserve privilege.

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

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

B. **GOVERNING LAW.**

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) (THE "**LANHAM ACT**"), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE DEVELOPMENT RIGHTS, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO) WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

C. **CONSENT TO JURISDICTION.**

SUBJECT TO SECTION 9.A, YOU AND THE BOUND PARTIES AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED

EXCLUSIVELY IN A STATE OR FEDERAL COURT IN THE LOCATION IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED, WHICH IS CURRENTLY ENGLEWOOD, COLORADO, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS.

D. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS.**

WE, YOU AND THE OTHER BOUND PARTIES EACH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 8.B, AND EXCEPT FOR PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER UNITED STATES FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS WAIVING TO THE FULLEST EXTENT PERMITTED THE RIGHT TO COMMENCE OR PROCEED AS A CLASS ACTION. WE AND YOU FURTHER AGREE THAT ANY PROCEEDINGS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, AND YOU (AND YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON. NO CLAIMS MAY BE BROUGHT ON YOUR OR YOUR OWNERS' BEHALF BY ANY ASSOCIATION.

E. **INJUNCTIVE RELIEF.**

Nothing in this Agreement bars either party's right to obtain injunctive relief against conduct that threatens to injure or harm the other under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Neither party will be required to post a bond to obtain injunctive relief; the only remedy if an injunction is entered will be the dissolution of that injunction, if warranted, upon due hearing, and you and we hereby expressly waive any claim for damages caused by such injunction.

F. **LIMITATION OF CLAIMS.**

Except for claims arising from your non-payment or underpayment of amounts you owe to us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

You and your owners agree that our and our affiliates' owners, directors, managers, officers, employees and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

G. **<u>ATTORNEYS' FEES AND COSTS</u>.**

The party prevailing in any arbitration proceeding or litigation involving this Agreement shall be entitled to recovery of its costs and expenses, including reasonable attorneys' fees.

10. **<u>MISCELLANEOUS</u>.**

A. **<u>NOTICES</u>.**

All notices, consents, approvals, statements, documents or other communications required or permitted to be given hereunder must be in writing, and must be delivered (i) personally or (ii) mailed by registered mail, postage prepaid, or (iii) sent by reputable overnight courier (such as Federal Express or UPS), to the said parties at their respective addresses set forth in the opening paragraph of this Agreement to the attention of the person indicated below:

If to us: Attention: Legal Department

If to you: Attention: ________________________________

or at any such other address or addresses as the party to whom such notice, consent approval, statement, documentation or other communication is to be given, may designate by notice in writing so given to the other parties hereto as provided hereinbefore. If any one of the said parties is comprised of more than one person or Entity, any notice, consent, approval, statement, document or other communication may be given by or to any one thereof, and it will have the same force and effect as if given by or to all thereof. Any notices, consents, approvals, statements, documents or other communications, (i) if delivered personally, will be deemed to have been given on the day of delivery, (ii) if mailed will be deemed to have been given on the second business day (except Saturdays and Sundays) following such mailing, or (iii) if sent via overnight courier when received or refused.

B. **<u>JOINT AND SEVERAL OBLIGATION</u>.**

If either you are comprised of more than one individual or Entity, the obligations of each such individual and Entity under this Agreement will be joint and several.

C. **<u>SEVERABILITY</u>.**

If any term or condition of this Agreement is, to any extent, declared to be invalid or unenforceable, all other terms and conditions of this Agreement, other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term and condition of this Agreement will be separately valid and enforceable to the fullest extent permitted by law.

D. **<u>HEADINGS; CONSTRUCTION</u>.**

Headings preceding the text, sections and subsections hereof have been inserted solely for convenience of reference and will not be construed to affect the meaning, construction or effect of this Agreement. The term "including" means "including, without limitation" unless otherwise noted. The term "control" means the right and power to direct or cause the direction of an entity's management and policies.

E. **WAIVER.**

The waiver by either you or us of a breach of any term or condition contained in this Agreement will not be deemed to be a waiver of such term or condition or any subsequent breach of the same or any other term or condition herein contained unless such waiver is expressly set forth in writing. A party's failure to exercise any right to demand exact compliance and any custom or practice at variance with the terms and conditions of this Agreement will not constitute a waiver of the right to demand exact compliance with the terms and conditions hereof. Our subsequent acceptance of any amount payable hereunder, will not be deemed to be a waiver of any preceding breach of any term or condition of this Agreement, other than the failure to pay the particular amount so accepted, regardless of our knowledge of such preceding breach at the time of acceptance of such amount.

F. **FURTHER ASSURANCES.**

You and we agree to execute and deliver such further and other agreements, assurances, undertakings, acknowledgements or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise our 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.

G. **ENTIRE AGREEMENT.**

This Agreement and all schedules attached hereto constitute the entire agreement of the parties hereto and all prior negotiations, commitments, representations, warranties, agreements and undertakings made prior hereto are hereby merged. Other than the representations in the franchise disclosure document you received from us, there are no other inducements, representations, warranties, agreements, undertakings, or promises, (oral or otherwise) among you and us relating to the subject matter of this Agreement. No subsequent alteration, amendment, change or addition to this Agreement or any schedules will be binding upon the parties hereto unless reduced to writing and signed by us and you or our and your respective heirs, executors, administrators, successors or assigns. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

H. **BINDING AGREEMENT.**

This Agreement will inure to the benefit of and be binding upon us and our successors and assigns and will be binding upon you and your heirs, executors, administrators, successors and authorized assigns.

I. **COUNTERPARTS.**

This Agreement may be executed in multiple copies, each of which will be deemed an original. Signatures transmitted via facsimile or scanned and emailed shall have the same force and effect as originals.

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

FIT 36, LLC	**DEVELOPER**:
	______________________________
	[Name]
By:______________________________	By:______________________________
Name: ____________________________	Name: ____________________________
Title:______________________________	Title: ____________________________
*Date:____________________________	Dated:____________________________
*(This is the Effective Date)	

EXHIBIT A
TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA; DEVELOPMENT SCHEDULE AND OWNERSHIP

1. The **Development Area** is comprised of: ________________________________ ______, as depicted on the map attached hereto. If the Development Area is identified by counties or other political subdivisions, political boundaries will be considered fixed as of the date of this Agreement and will not change, notwithstanding a political reorganization or change to the boundaries or regions.

2. The **Development Schedule** is as follows:

Development Period	**Number of New Studios to be Opened During Development Period**	**Cumulative Number of Studios to be Operating by End of Development Period**
Effective Date to ____	__________	__________
_____ to _____	__________	__________
_____ to _____	__________	__________
_____ to _____	__________	__________

3. You were incorporated or formed on _________, 20__, under the laws of the State of _____________. The following lists the full name of each person who is one of your owners and fully describes the nature of each owner's interest.

Owner's Name	Type and Percentage of Interest	
____	__________________	___%
____	__________________	___%
____	__________________	___%

FIT 36, LLC, a Delaware limited liability company

By:______________________________
Name: ____________________________
Title:______________________________
Date: _____________________________

DEVELOPER:

____
[Name]

By:______________________________
Name: ____________________________
Title: _____________________________
Date:______________________________

MAP OF DEVELOPMENT AREA

EXHIBIT B
TO AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of ______________, 20__, by the persons indicated below who have executed this Agreement.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "**Agreement**") on this date by **FIT 36, LLC**, a Delaware limited liability company ("**we**," "**us**," or "**our**"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that ______________________________ ("**Developer**") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Developer or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Developer or its owners, and for so long as we have any cause of action against Developer or its owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Developer, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) upon our request, he or she must submit to us suitable credit and financial information to allow us to make a reasonable decision as to the undersigned's creditworthiness and financial position including, without limitation, a personal net worth statement and such other information which would reasonably be considered relevant to us in determining whether or not the undersigned has the ability to satisfy his or her obligations under this Guaranty.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

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

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each of the undersigned acknowledges and represents that he or she has had an opportunity to review the Agreement and agrees that the provisions of Section 9 (Enforcement; Arbitration) have been reviewed by the undersigned and are incorporated, by reference, into and shall govern this Guaranty and Assumption of Obligations and any disputes between the undersigned and us. Nonetheless, each of the undersigned agrees that we may also enforce this Guaranty and Assumption of Obligations and awards in the courts of the state or states in which he or she is domiciled.

By signing below, the undersigned spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing that merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including to bind the spouse's own separate property).

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	**SPOUSE(S)**
#1	#1
Signature: ______________________________	Signature: ______________________________
Print Name: ____________________________	Print Name: ____________________________
Address: ________________________________	Address: ________________________________
____	____
#2	#2
Signature: ______________________________	Signature: ______________________________
Print Name: ____________________________	Print Name: ____________________________
Address: ________________________________	Address: ________________________________
____	____
#3	#3
Signature: ______________________________	Signature: ______________________________
Print Name: ____________________________	Print Name: ____________________________
Address: ________________________________	Address: ________________________________
____	____

EXHIBIT C
TO AREA DEVELOPMENT AGREEMENT

FORM OF AMENDMENT TO FRANCHISE AGREEMENT

AMENDMENT NO. 1 TO FRANCHISE AGREEMENT

THIS AMENDMENT NO. 1 TO FRANCHISE AGREEMENT (the "**Amendment**") is made as of the Effective Date by and between **FIT 36, LLC** ("**we**") and **[INSERT ENTITY]** ("**you**"). The Effective Date is the date on which we sign this Amendment as shown beneath our signature on the signature page of this Amendment.

RECITALS

A. You and we are parties to that certain franchise agreement, dated as of the Effective Date (the "**Franchise Agreement**"), which governs your ownership and operation of a Studio to be located at ____ (the "**Franchised Business**").

B. The Franchise Agreement was signed pursuant that certain Area Development Agreement between you or your Affiliate and us on [*Effective Date of Area Development Agreement*] (as amended, the "**Development Agreement**"). You and we desire to enter into this Amendment to recognize such fact and to revise certain provisions of the Franchise Agreement as required under the Development Agreement.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, the covenants set forth herein and other valuable consideration, receipt and sufficiency of which are hereby acknowledged, you and we agree as follows:

1. Section 4.1 of the Franchise Agreement (<u>Initial Franchise Fee</u>) is deleted in its entirety.

2. The Franchise Agreement shall be amended only in the particulars set forth above. All other provisions of the Franchise Agreement shall continue in full force and effect as set forth therein.

3. The terms of this Amendment form an integral part, and hereby are incorporated into and made a part, of the Franchise Agreement. In the event of a conflict between the terms contained in the Franchise Agreement and this Amendment, the terms and conditions of this Amendment shall govern, control, and supersede any inconsistent or conflicting terms of the Franchise Agreement.

4. This Amendment may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. Signature by facsimile is hereby authorized and shall have the same force and effect as an original. All capitalized terms used but not defined in this Amendment shall have the meanings ascribed to them in the Franchise Agreement.

IN WITNESS WHEREOF, you and we have signed this Amendment on the dates shown below and made effective as of the Effective Date.

FIT 36, LLC	**[INSERT ENTITY]**
By:________________________________	
Name: ______________________________	By:________________________________
Title: ______________________________	Name: ______________________________
Date*: ______________________________	Title: ______________________________
(*This is the Effective Date)	Date: ______________________________

EXHIBIT D
TO AREA DEVELOPMENT AGREEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

(AREA DEVELOPMENT AGREEMENT)

The purpose of this Statement is to demonstrate to Fit 36, LLC ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the Development Rights, (a) fully understands that the purchase of area development rights is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise for the Development Rights (the "Franchise").

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a Franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the Franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Area Development Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Area Development Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the Franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the Franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the Franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the Franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the Franchise.	INITIAL:

I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:
I have not received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the Franchise (including any statement, promise or assurance concerning the likelihood of my success) except as contained in the FDD or as indicated below (**write "None" if none provided**): ____ ____.	INITIAL:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the Franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;

2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;

3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or

4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Area Development Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature Page Follows]

Sign here if you are taking the Franchise as an **INDIVIDUAL(S)**
(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

____
Signature

Print Name: ______________________
Dated: __________________________

____
Signature

Print Name: ______________________
Dated: __________________________

____
Signature

Print Name: ______________________
Dated: __________________________

____
Signature

Print Name: ______________________
Dated: __________________________

Sign here if you are taking the Franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

____
Print Name of Legal Entity

By: ___________________________
Signature

Print Name: ______________________
Title: ___________________________
Dated: __________________________

NOTE TO MARYLAND RESIDENTS OR DEVELOPERS WITH A DEVELOPMENT AREA LOCATED IN MARYLAND: This Representations and Acknowledgement Statement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT ~~C~~D1

LIST OF FRANCHISEES

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
24Left, LLC	21001 N Tatum Blvd	#18-1090	Phoenix	AZ	85050	Kelby Agnew	(480) 686-8171
~~Lynergy Company~~Splat, Inc.	~~19700 Vallco Parkway~~25065 Blue Ravine Rd	#~~100~~130 & 140	~~Cupertino~~Folsom	CA	~~95014~~95630	~~Kristen Lyn~~Gweneth Poon	~~408-333-9188~~(916) 473-8636
No Messin Fitness, Inc.	2940 E Nees		Fresno	CA	93720	Marc Wickliffe	(559)899-3166
Fit Lifestyle LLC	5418 Crossings Dr	#101	Rocklin	CA	95677	Gweneth Poon	(916) 778-3622
Fit Freaks LLC	2110 Market St		Denver	CO	80205	Edward Matheson	(303) 710-6762
SL Investment Group, Inc.	3774 N Julian St		Denver	CO	80211	Sheryl Langley	(720) 961-1833
Stein House Holdings, LLC	101 Ulster Ct	#104	Denver	CO	80230	Thomas Epstein	(720) 773-3377
F 36 CO~~T Capital~~, LLC	8000 E Belleview Ave	# B80	Greenwood Village	CO	80111	Steven Cronin	(720) 501-4995
The Greener Side, Inc.	9370 S Colorado Blvd	# A-2	Highlands Ranch	CO	80126	Karen Pierce	(720) 961-1832
C & S Fitness, LLC	11153 S Parker RD	# 8	Parker	CO	80134	Randall Christiansen	(720) 500-2010
Third Lake Fit LLC	34572 US-45		Third Lake	IL	60030	Alex Mueller	(847) 201-6151
Fun Boys LLC	6115B Town Center Wy		Livingston	NJ	07039	Adam Selman	(973) 533-7888
PLS Morristown LLC	140 Franklin Tpke		Waldwick	NJ	07463	Stephen Kopshaw	(201) 741-0034
RJ Fitness, Inc.	333 W 21st St		Norfolk	VA	23517	Mark Carrier	(757) 963-8787

EXHIBIT ~~C~~D2

FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR

Former Franchisee	Former Studio City	Former Studio State	Primary Contact	Primary Contact Phone	Reason for Change
Lynergy Company	Cupertino	CA	Kristen Lyn	(650) 209-0209	Ceased Operations
~~J. D. H. Ventures~~RockFit, Inc.	~~Belmont~~Rocklin	~~MA~~CA	~~Jason Hartz~~Marc Wickliffe	(~~781~~559) ~~640~~799-~~1501~~7805	~~Agreement Terminated; Never Opened*~~Transferred
Splat, Inc.	Roseville	CA	Gweneth Poon	(916) 764-5236	SNO license applied to a transfer
~~B.L. Wellness, LLC~~Zachariah Zimmerer	~~Cambridge~~Cherry Creek	~~MA~~CO	~~Brian Lowe~~Zachariah Zimmerer	(~~978~~303) ~~551~~537-~~3467~~5732	Agreement Terminated; Never Opened*
~~Thomas Lavoie~~Zachariah Zimmerer	~~Reading~~Southglenn, Centennial	~~MA~~CO	~~Thomas Lavoie~~Zachariah Zimmerer	(~~978~~303) ~~771~~537-~~7476~~5732	Agreement Terminated; Never Opened*
~~J. D. H. Ventures, Inc.~~Zachariah Zimmerer	~~Waltham~~Denver (Univ. of Denver)	~~MA~~CO	~~Jason Hartz~~Zachariah Zimmerer	(~~781~~303) ~~640~~537-~~1501~~5732	Agreement Terminated; Never Opened*
~~Ikaika413 LLC~~Homer Enterprises Corp.	~~South Virginia Beach~~Lincoln Park, Chicago	~~VA~~IL	~~Heriberto (Eddie) Sanchez~~Matthew Cicci	(~~757~~315) ~~274~~440-~~3423~~0930	~~Ceased Operations due to Natural Disaster~~Agreement Terminated; Never Opened*

***/** Indicates franchisee voluntarily terminated franchise.

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

EXHIBIT ~~C~~D3

LIST OF FRANCHISES SOLD BUT NOT YET OPENED

Studio Territory	Studio State	Franchisee	Primary Contact	Primary Contact Phone
~~Desert Ridge, Phoenix~~	~~AZ~~	~~24Left, LLC~~	~~Kelby Agnew~~	~~(602) 628-4179~~
~~Folsom~~	~~CA~~	~~Splat, Inc.~~	~~Gweneth Poon~~	~~(916) 764-5236~~
Fort Washington, Fresno	CA	~~Marc Wickliffe~~	Marc Wickliffe	(559) 799-7805
~~Fresno~~	~~CA~~	~~No Messin Fitness, Inc.~~	~~Marc Wickliffe~~	~~(559) 799-7805~~
Mountain View	CA	Lynergy Company	Kristen Lyn	(650) 209-0209
~~Rocklin~~	~~CA~~	~~Marc Wickliffe~~	~~Marc Wickliffe~~	~~(559) 799-7805~~
~~Roseville~~	~~CA~~	~~Splat, Inc.~~	~~Gweneth Poon~~	~~(916) 764-5236~~
West Valley, San Jose	CA	Lynergy Company	Kristen Lyn	(650) 209-0209
Belmar, Lakewood	CO	OMG I'M Sore Too, Inc.	Marc van Rijssen	(303) 320-4820
Castle Rock	CO	C & S Fitness, LLC	Randall Christiansen	(303) 503-3030
~~Cherry Creek~~	~~CO~~	~~Zachariah Zimmerer~~	~~Zachariah Zimmerer~~	~~(303) 537-5732~~
Highpoint, Denver	CO	The Greener Side, Inc.	Karen Pierce	(720) 328-4072
Ken Caryl, Littleton	CO	~~Marc van Rijssen~~	Marc van Rijssen	(303) 320-4820
Lone Tree	CO	COT Capital, LLC	Steven Cronin	(303) ~~825~~648-~~0500~~1082
~~Parker~~	~~CO~~	~~C & S Fitness, LLC~~	~~Randall Christiansen~~	~~(303) 503-3030~~
~~Southglenn, Centennial~~	~~CO~~	~~Zachariah Zimmerer~~	~~Zachariah Zimmerer~~	~~(303) 537-5732~~
~~University of Denver, Denver~~	~~CO~~	~~Zachariah Zimmerer~~	~~Zachariah Zimmerer~~	~~(303) 537-5732~~
~~Lowry,~~Stapleton, Denver	~~FL~~CO	~~Stein House Holdings, LLC~~	Thomas Epstein	(407) 402-6951
~~Stapleton, Denver~~	~~FL~~	~~Thomas Epstein~~	~~Thomas Epstein~~	~~(407) 402-6951~~
~~Lincoln Park, Chicago~~Vernon Hills	IL	~~Homer Enterprises Corp.~~Green Health, LLC	~~Matthew Cicci~~Brian Green	(~~315~~847)~~ 440~~986-~~0930~~4074
~~Third Lake, Chicago~~	~~IL~~	~~Third Lake Fit LLC~~	~~Alex Mueller~~	~~(262) 689-8382~~
Braintree	MA	~~Kenneth Fischer~~	Kenneth Fischer	(508) 326-3855
East Longmeadow	MA	New England Strength, Inc.	John Pantera	(617) 314-1723
Hadley	MA	~~Jessica Phaneuf~~	Jessica Phaneuf	(413) 626-3970
Wilmington	MA	BFit4You, Inc.	Brendan Stapleton	(781) 820-4883
Ballantyne, Charlotte NC	NC	Functional Fitness Charlotte, LLC	Cheryl Cloninger	(980) 428-2044
Dilworth/Southend~~,~~/Charlotte	NC	Functional Fitness Charlotte, LLC	Cheryl Cloninger	(980) 428-2044
Southpark/Myers Park~~,~~/Charlotte NC	NC	Functional Fitness Charlotte, LLC	Cheryl Cloninger	(980) 428-2044
University Area, Charlotte, NC	NC	Functional Fitness Charlotte, LLC	Cheryl Cloninger	(980) 428-2044
~~Livingston~~	~~NJ~~	~~Fun Boys LLC~~	~~Adam Selman~~	~~(201) 694-8404~~
Charleston	SC	All In Fitness, LLC	Joshua Durbin	(843) 408-1675
Alexandria	VA	Highland Fitness, LLC	Brenton Barefoot	(703) ~~926~~922-~~0625~~9528
~~Green Lake,~~Ballard, Seattle	WA	MAC Fitness LLC	Alejandro Crisafi	(407) 923-0185

EXHIBIT E

FINANCIAL STATEMENTS OF
FIT 36, LLC

FIT 36, LLC

Financial Statements
and
Independent Auditors' Report
December 31, 2017, 2016, and 2015

FIT 36, LLC

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EKS&H LLLP

INDEPENDENT AUDITORS' REPORT

Board of Directors and Member
Fit 36, LLC
Englewood, Colorado

We have audited the accompanying financial statements of Fit 36, LLC, which are comprised of the balance sheets as of December 31, 2017, 2016, and 2015, and the related statements of operations, changes in member's equity, and cash flows for the years ended December 31, 2017 and 2016, and the period from June 16, 2015 through December 31, 2015, 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 auditors consider 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 Fit 36, LLC as of December 31, 2017, 2016, and 2015, and the results of its operations and its cash flows for the years ended December 31, 2017 and 2016, and the period from June 16, 2015 through December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

EKS+H LLLP

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March 12, 2018
Denver, Colorado

FIT 36, LLC

Balance Sheets

	December 31, 2017	2016	2015
Assets			
Current assets			
Cash and cash equivalents	$ 628,888	$ 607,731	$ 605,238
Accounts receivable, net, current	47,291	22,207	6,048
Notes receivable, current	-	15,000	30,000
Deferred franchise costs, current	123,045	160,814	41,420
Due from affiliates	71,088	-	-
Prepaid and other	65,666	22,962	33,577
Total current assets	935,978	828,714	716,283
Non-current assets			
Property and equipment, net	54,896	37,000	-
Accounts receivable, less current portion	-	30,000	-
Notes receivable, less current portion	-	15,000	45,000
Restricted cash	-	200,000	200,000
Deferred franchise costs, less current portion	75,005	157,158	89,295
Intangible assets, net	-	44,827	45,997
Goodwill	-	615,083	615,083
Total non-current assets	129,901	1,099,068	995,375
Total assets	$ 1,065,879	$ 1,927,782	$ 1,711,658
Liabilities and Member's Equity			
Current liabilities			
Accounts payable	$ 14,019	$ 1,143	$ 18,500
Accrued expenses	29,788	49,403	59,990
Due to affiliates	-	27,341	100,911
Deferred revenue, current	298,330	391,233	145,343
Total current liabilities	342,137	469,120	324,744
Non-current liabilities			
Deferred revenue, less current portion	213,600	491,617	304,450
Total non-current liabilities	213,600	491,617	304,450
Total liabilities	555,737	960,737	629,194
Commitments and contingencies			
Member's equity	510,142	967,045	1,082,464
Total liabilities and member's equity	$ 1,065,879	$ 1,927,782	$ 1,711,658

See notes to financial statements.

FIT 36, LLC

Statements of Operations

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from June 16, 2015 through December 31, 2015
Revenues			
Royalties	$ 122,682	$ 44,152	$ 1,536
Franchise fees	338,333	98,800	39,250
Managed marketing and production fund	308,148	90,980	1,643
Technology and other revenues	85,883	24,087	5,495
Total revenues	855,046	258,019	47,924
Expenses			
Franchise-related costs	192,865	85,750	30,731
Payroll	664,627	391,147	200,450
Advertising and promotion	609,518	689,066	157,389
General and administrative	252,235	202,305	52,713
Depreciation and amortization	17,099	1,170	633
Management fees	569,000	604,000	601,000
Impairment of intangibles and goodwill	658,740	-	-
Total expenses	2,964,084	1,973,438	1,042,916
Loss from operations	(2,109,038)	(1,715,419)	(994,992)
Other income			
Interest income	2,135	-	-
Income tax benefit	-	-	15,000
Net loss	$ (2,106,903)	$ (1,715,419)	$ (979,992)

See notes to financial statements.

FIT 36, LLC

Statement of Changes in Member's Equity
For the Period from June 16, 2015 through December 31, 2017

	Common Stock		Additional Paid-In	Member's	Total Member's
	Shares	Amount	Capital	Equity	Equity
Balance - June 16, 2015	1,000	$ 1	$ 762,455	$ -	$ 762,456
Contributions	-	-	-	1,300,000	1,300,000
Reclassification due to conversion to limited liability company	(1,000)	(1)	(762,455)	762,456	-
Net loss	-	-	-	(979,992)	(979,992)
Balance - December 31, 2015	-	-	-	1,082,464	1,082,464
Contributions	-	-	-	1,600,000	1,600,000
Net loss	-	-	-	(1,715,419)	(1,715,419)
Balance - December 31, 2016	-	-	-	967,045	967,045
Contributions	-	-	-	1,650,000	1,650,000
Net loss	-	-	-	(2,106,903)	(2,106,903)
Balance - December 31, 2017	-	$ -	$ -	$ 510,142	$ 510,142

See notes to financial statements.

FIT 36, LLC

Statements of Cash Flows

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from June 16, 2015 through December 31, 2015
Cash flows from operating activities			
Net loss	$ (2,106,903)	$ (1,715,419)	$ (979,992)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	17,099	1,170	633
Impairment of intangibles and goodwill	658,740	-	-
Provision for bad debt	2,000	2,396	-
Deferred tax provision	-	-	(15,000)
Changes in assets and liabilities			
Accounts receivable	(27,084)	(18,555)	(6,048)
Deferred franchise costs	106,347	(187,257)	(130,715)
Prepaid and other	(42,704)	10,615	(20,617)
Accounts payable	12,876	(17,357)	14,064
Accrued expenses	(16,615)	(10,587)	28,115
Deferred revenue	(300,345)	448,057	275,150
	410,314	228,482	145,582
Net cash used in operating activities	(1,696,589)	(1,486,937)	(834,410)
Cash flows from investing activities			
Restricted cash	200,000	-	(200,000)
Purchases of property and equipment	(33,825)	(37,000)	-
Amounts advanced to affiliates	(98,429)	(73,570)	-
Net cash provided by (used in) investing activities	67,746	(110,570)	(200,000)
Cash flows from financing activities			
Advances from affiliates	-	-	336,350
Contributed capital	1,650,000	1,600,000	600,000
Net cash provided by financing activities	1,650,000	1,600,000	936,350
Net increase (decrease) in cash and cash equivalents	21,157	2,493	(98,060)
Cash and cash equivalents - beginning of period	607,731	605,238	703,298
Cash and cash equivalents - end of period	$ 628,888	$ 607,731	$ 605,238

(Continued on the following page)

See notes to financial statements.

(Continued from the previous page)

Supplemental disclosure of non-cash activity:

During 2017, the Company terminated a Fit 36 area director agreement with the effective date of January 1, 2018. As a result of the termination, notes receivable of $30,000, accounts receivable of $30,000, deferred franchise costs of $13,575, and accrued commissions of $3,000 were offset against deferred revenue during the year ended December 31, 2017.

During the year ended December 31, 2016, the Company terminated three sold, but not yet opened, studios in an area director territory, which resulted in the Company waiving $45,000 in notes receivable for initial area director fees and a $45,000 decrease in deferred revenue.

During the year ended December 31, 2016, the Company recorded $30,000 in long-term accounts receivable arising from an ongoing development agreement and related fees with an area director. This was recognized as deferred revenue.

During the period from June 16, 2015 through December 31, 2015, the Company issued $75,000 in notes receivable for initial area director franchise fees. This was recognized in deferred revenue.

During the period from June 16, 2015 through December 31, 2015, the Company received an equity contribution of $700,000 paid through the Company's intercompany accounts.

Note 1 - Description of Business and Summary of Significant Accounting Policies

Fit 36, LLC (the "Company") was incorporated in the state of Delaware on June 25, 2014 (inception). The Company is primarily engaged in the business of selling franchises to own and operate fitness studios in the United States. On October 9, 2015, it converted from a corporation to a limited liability company.

The Company franchises either the right to open a fitness studio and previously entered into area director franchise agreements to develop territories that were limited in area or number. Each studio franchisee pays the Company an initial franchise fee and royalties equal to a percent of revenues received, per the franchise agreement. Each area director paid an initial area director franchise fee to the Company and has the right to receive up to half of the initial franchise fee and royalties received from each studio developed in his or her territory. Both the studio franchise agreement and the area director agreement are for a term of 10 years and are renewable after the initial term. Studio franchise agreements are renewable for an additional fee.

At December 31, 2017, the Company had one area director agreement covering 11 states and had 14 open studio franchises. The Company will no longer offer area director franchise agreements.

The Company is a wholly owned subsidiary of WBZ Investment LLC (the "Parent"), which also owns WBZ Holdings, Inc. ("Holdings"); WellBiz Brands, Inc. ("WellBiz"); Elements Therapeutic Massage, LLC ("Elements"); Fitness Together Franchise, LLC ("Fitness Together"); and FTHC Operating Company ("Gift Cards"). The Parent provides funds for operational needs of the Company. The operating results of this Company could vary significantly if it operated independently of the Parent, Holdings, Elements, Fitness Together, and Gift Cards. Accordingly, this affiliation and other related party disclosures must be taken into consideration in reviewing the accompanying financial statements.

On June 9, 2015, the Parent was formed for the purpose of acquiring all the outstanding stock of WellBiz. On June 16, 2015, WellBiz (the direct parent of the Company at that time) and its wholly owned subsidiaries, through a series of simultaneous transactions, were acquired by the Parent. WellBiz elected to apply push-down accounting, which resulted in purchase accounting for the acquisition for its consolidated financial statements and the financial statements of its subsidiaries. All operations will continue under the new organizational structure. On November 30, 2015, the Parent purchased the Company directly from WellBiz.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

The following table summarizes the number of the studios in operation and the number of studios sold but not yet operational:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from June 16, 2015 through December 31, 2015
Studios open at beginning of period	7	5	1
Studios opened during the period	8	3	4
Studios closed during the period	(1)	(1)	-
Studios in operation at end of period	14	7	5
Studios sold but not yet operational	21	33	21

Management's Plan

At December 31, 2017, the Company has $628,888 in cash, working capital of $593,841, and member's equity of $510,142; however, the Company has generated operating losses and negative operating cash flows since inception. The Company opened eight franchised units in 2017, bringing the total of open studios to fourteen as of December 31, 2017, and expects to continue to open studios from licenses that were sold previously as well as from future sales of franchise licenses. The Parent is committed to the Company and has provided additional funding during 2015, 2016, and 2017 so that the strength of the balance sheet can be maintained. The Company expects this to continue through this early growth phase of development.

Use of Estimates

The preparation of financial statements in conformity 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 disclosures 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.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, and periodically throughout the period, the Company has maintained balances in excess of federally insured limits.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Company grants credit in the normal course of business to franchisees related to the collection of royalties and other operating revenues. In select cases, credit is issued for initial franchise fees and area director franchise fees. The Company periodically performs credit analysis and monitors the financial condition of franchisees to reduce credit risk.

Restricted Cash

Restricted cash at December 31, 2016 and 2015 consists of a surety bond. The bond agreement was canceled during the year ended December 31, 2017.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of royalties, marketing production fund, and managed marketing from franchisees and ongoing development fees. The Company has not recorded imputed interest on the long-term accounts receivable as it would not be material. The Company considers a reserve for doubtful accounts based on the creditworthiness of franchisees. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on specific identification and historical performance that are tracked by the Company on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The Company had an allowance of $1,210, $0, and $0 as of December 31, 2017, 2016, and 2015, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives which is approximately three years. Capital projects in process consists of cost for projects that have not been placed into service and are not being depreciated.

Intangible Assets

Intangible assets consist primarily of a tradename and non-compete agreements acquired during the June 16, 2015 acquisition by the Parent.

Tradename

The Company has determined that its tradename has an indefinite life; accordingly, this asset is not being amortized but is subject to impairment.

Non-Compete Agreements

The non-compete agreements are being amortized over their estimated remaining lives, which is approximately four years.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

Non-Compete Agreements (continued)

During the Company's impairment assessment at December 31, 2017, impairment was identified for the tradename and non-compete agreements in the amount of $43,657 recorded as operating expenses on the statement of operations. See Note 1 - Goodwill.

Goodwill

Goodwill is the result of the excess of the purchase price over the tangible and intangible assets acquired. The Company evaluates goodwill on an annual basis or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to, 1) a significant adverse change in legal factors or in business climate, 2) unanticipated competition, or 3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair values of its reporting units using a combination of the income or discounted cash flow approach and the market approach, which utilizes comparable company data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management performs the second step of the goodwill impairment test, which involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount by which the carrying value of goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. During the Company's assessment at December 31, 2017, the second step of the impairment test concluded that the implied fair value of the Company's goodwill should be reduced to $0. This resulted in an impairment loss totaling $615,083 recorded as operating expenses on the statement of operations.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Upon review of the Company's long-lived assets, no impairments were recorded for the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Franchise Fee and Royalty Revenue Recognition and Related Franchise Costs

The Company's revenues consist of fees from franchisees, such as initial franchise fees, royalties, renewal fees, transfer fees, and initial area director franchise fees.

Initial franchise fees received from a franchisee are recognized as revenue when the Company has performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a studio. Royalties are based upon a percentage of franchisee sales and recognized when earned. Renewal and transfer fees are recognized when the agreement has been executed. Additionally, the Company recognizes initial area director franchise fee revenues over the life of the area director franchise agreement and only to the extent that cash consideration has been received. These agreements are normally for a term of 10 years.

Deferred franchise costs represent certain costs incurred to develop new franchises and are expensed when the related revenue is recognized, generally upon the opening of a studio. Franchise costs will not be deferred in excess of the amount of revenue to be recognized.

Marketing and Production Fund Revenue

The Company collects marketing and production fund fees. Marketing fund monies are used to promote brand awareness and include, but are not limited to, the creation of marketing and promotional material, development and maintenance of websites for the franchise system, and market research. The total marketing fund revenues earned for the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015 were $69,167, $30,980, and $1,643, respectively. Marketing fund revenues are recognized up to the amount paid by the fund, for both operating and capital expenditures, not to exceed amounts collected or accrued during the year. Any amounts collected or accrued but unspent at the end of the year are reported as deferred revenue on the accompanying balance sheets. As of December 31, 2017, 2016, and 2015, $3,088, $0, and $1,643, respectively, is included in deferred revenue on the balance sheets.

Managed Marketing Revenue

During 2016, the Company began collecting managed marketing fees. These were funds previously required to be expended by the franchisees that the Company is now pooling and spending in support of the franchisees. The total managed marketing revenue earned for the year ended December 31, 2017 and 2016 were $238,981 and $60,000, respectively. Marketing fund revenue and expenses are recognized up to the amount paid by the fund, for both operating and capital expenditures, not to exceed amounts collected or accrued during the year. Any amount collected or accrued but unspent at the end of the year are reported as deferred revenue on the accompanying balance sheets. There was no deferred revenue as of December 31, 2017 and 2016.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Technology and Other Revenues

Other revenues consist primarily of technology fees charged to franchisees in accordance with the franchise agreements. Technology and other revenues are recognized as they are earned and become receivable from the franchisee.

Income Taxes

For the period from June 16, 2015 through October 9, 2015, the income tax expense or benefit to be included on the statements of operations was based upon the taxable income of the Company on a separate tax return basis, as the Company operated as a corporation. Income tax expense or benefit of the Company is paid or received by Holdings and is reflected as due to/from affiliates on the balance sheets. The Company recognized deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the period in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that are not expected to be realized based on available evidence. The Company's temporary differences resulted primarily from recognition of revenue, amortization of reacquired rights, and net operating loss carryforwards. During this period, the Company had net taxable losses resulting in an increase in the deferred tax asset for which the Company has provided a full valuation allowance.

On October 9, 2015, the Company converted to a flow-through entity for income tax purposes. As such, the Company is no longer subject to accounting for deferred tax assets and liabilities, and the related income will be reported by the Parent. As of October 9, 2015, the Company had a deferred tax liability in the amount of $15,000; therefore, the Company reported a one-time tax benefit related to the change in entity type in the amount of $15,000 as of December 31, 2015.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution in accordance with Accounting Standards Codification Topic 740-10, *Accounting for Uncertainty in Income Tax*. The Company recognizes interest and penalties related to income tax matters in other income (expense) and general and administrative expenses. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017, 2016, or 2015. The Company's federal and state tax returns are subject to future examination by tax authorities or all its tax jurisdictions.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Company is required to adopt the new standard in 2019 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods. The Company is continuing to evaluate the provisions of this new guidance but expects it to impact the recognition of franchise fees, costs, and related disclosures.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015 was $609,518, $689,066, and $157,389, respectively, inclusive of marketing and production and managed marketing.

Reclassifications

Certain amounts in the 2016 and 2015 financial statements have been reclassified to conform to the 2017 presentation.

Note 2 - Notes Receivable

Notes receivable consist of the following:

	December 31,		
	2017	2016	2015
Note receivable for initial franchise fees financed by the Company, with 0% interest, due upon various specified terms in the agreements.	$ -	$ 30,000	$ 75,000
Less current portion	-	(15,000)	(30,000)
	$ -	$ 15,000	$ 45,000

During 2017, the Company entered into an agreement to terminate a Fit 36 area director agreement effective January 1, 2018. As a result of the termination, the note receivable of $30,000 was offset against deferred revenue during the year ended December 31, 2017. Unearned revenue of $95,175 that existed at the date of acquisition for this area director franchise agreement was recognized as revenue.

Note 2 - Notes Receivable (continued)

Upon entering into this note agreement, the Company deferred the related revenue until payments from the sale of studios within the respective territory are received. The Company collateralizes the notes with the related franchise agreement. The Company has not recorded a discount for the note receivable issued with 0% interest as it would not be material. The Company reserves an allowance for doubtful collections. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance of the notes, which is tracked by the Company on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2017, 2016, and 2015, management determined that no allowance was necessary.

Note 3 - Intangible Assets

Intangible assets consist of the following as of December 31, 2017:

	Gross Carrying Amount	Less Accumulated Amortization and Impairment Losses	Net Intangible Assets
Tradename	$ 42,000	$ (42,000)	$ -
Non-compete agreements	4,630	(4,630)	-
	$ 46,630	$ (46,630)	-

Intangible assets consist of the following as of December 31, 2016:

	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Assets
Tradename	$ 42,000	$ -	$ 42,000
Non-compete agreements	4,630	(1,803)	2,827
	$ 46,630	$ (1,803)	$ 44,827

Note 3 - Intangible Assets (continued)

Intangible assets consist of the following as of December 31, 2015:

	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Assets
Tradename	$ 42,000	$ -	$ 42,000
Non-compete agreements	4,630	(633)	3,997
	$ 46,630	$ (633)	$ 45,997

Amortization expense in the amount of $1,170, $1,170, and $633 was recognized on the non-compete agreements during the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015, respectively.

Note 4 - Member's Equity

The Company is a limited liability company; therefore, the member is not liable for the debts, obligations, or other liabilities of the Company, whether arising in contract, tort, or otherwise, unless the member has signed a specific guarantee. The Company has authorized 1,000 units of membership interest, all of which are held by the member. The member may, but shall not be required to, make additional capital contributions to the Company. The Company may make distributions of cash or other assets of the Company to the member at such times and in such amounts as the member shall determine. During the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015, the member contributed $1,650,000, $1,600,000, and $1,300,000, respectively, to the Company. Contributions are recorded on the statements of changes in member's equity.

Note 5 - Commitments and Contingencies

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

Note 6 - Related Party Transactions

The Company is a wholly owned subsidiary of the Parent, which also owns Elements, Fitness Together, and WellBiz. Based upon the cash needs of each company, cash may transfer among the companies. The amounts transferred are recorded as an intercompany asset or liability depending on the amounts owed to or from related entities.

Note 6 - Related Party Transactions (continued)

The intercompany balance consists of the following:

	December 31,		
	2017	2016	2015
Due from Parent	$ 20,000	$ 20,000	$ 20,000
Due from (to) WellBiz	51,088	(47,341)	(135,347)
Due from Elements	-	-	16,000
Due (to) Fitness Together	-	-	(1,564)
	$ 71,088	$ (27,341)	$ (100,911)

Management Fees

The Company maintains a servicing agreement with WellBiz, whereby WellBiz will provide certain executive, legal, administrative, and marketing services on behalf of the Company. The allocation methodology is based on estimated time and effort spent on the Company, and the resulting costs to the Company are reported as management fees on the accompanying statements of operations. Management fees for the years ended December 31, 2017 and 2016 and the period from June 16, 2015 through December 31, 2015 were $569,000, $604,000, and $601,000, respectively.

Note 7 - Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. No additional disclosures considered necessary other than those described in Note 2.

FIT 36, INC.

Financial Statements
and
Independent Auditors' Report
June 15, 2015

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FIT 36, INC.

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EKS&H
AUDIT | TAX | CONSULTING

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Fit 36, Inc.
Highlands Ranch, Colorado

We have audited the accompanying financial statements of Fit 36, Inc., which are comprised of the balance sheet as of June 15, 2015, and the related statements of operations, changes in stockholder's deficit, and cash flows for the period from January 1, 2015 through June 15, 2015, 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 is 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 auditors consider 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 Fit 36, Inc. as of June 15, 2015, and the results of its operations and its cash flows for the period from January 1, 2015 through June 15, 2015, in accordance with accounting principles generally accepted in the United States of America.

EKS+H LLLP

EKS&H LLLP

October 2, 2015
Denver, Colorado

FIT 36, INC.

Balance Sheet
June 15, 2015

Assets

Current assets		
Cash and cash equivalents	$	103,298
Due from Elements		41,956
Deferred franchising costs, current		54,970
Prepaid expenses		11,317
Total current assets		211,541
Non-current assets		
Intangible assets, net		118,974
Deferred franchising costs, less current portion		62,250
Total non-current assets		181,224
Total assets	$	392,765

Liabilities and Stockholder's Deficit

Current liabilities		
Accounts payable	$	4,436
Accrued expenses		31,875
Due to WellBiz		455,176
Due to Fitness Together		51,341
Deferred revenue, current		54,800
Total current liabilities		597,628
Non-current liabilities		
Deferred revenue, net of current portion		163,200
Total non-current liabilities		163,200
Total liabilities		760,828
Commitments and contingencies		
Stockholder's deficit		
Common stock; $0.001 par value; 1,000 shares authorized, issued, and outstanding		1
Additional paid-in capital		1,130,591
Accumulated deficit		(1,498,655)
Total stockholder's deficit		(368,063)
Total liabilities and stockholder's deficit	$	392,765

See notes to financial statements.

FIT 36, INC.

Statement of Operations
For the Period from January 1, 2015 through June 15, 2015

Expenses		
Franchise-related costs	$	13,568
Payroll		156,209
Advertising and promotion		128,500
General and administrative		68,365
Amortization		3,210
Management fee		243,000
Total expenses		612,852
Net loss	$	(612,852)

See notes to financial statements.

FIT 36, INC.

Statement of Changes in Stockholder’s Deficit
For the Period from January 1, 2015 through June 15, 2015

	Common Stock		Additional Paid-In	Accumulated	Total Stockholder’s
	Shares	Amount	Capital	Deficit	Deficit
Balance - December 31, 2014	1,000	$ 1	$ 1,130,591	$ (885,803)	$ 244,789
Net loss	-	-	-	(612,852)	(612,852)
Balance - June 15, 2015	1,000	$ 1	$ 1,130,591	$ (1,498,655)	$ (368,063)

See notes to financial statements.

FIT 36, INC.

Statement of Cash Flows
For the Period from June 15, 2015 through June 15, 2015

Cash flows from operating activities	
Net loss	$ (612,852)
Adjustments to reconcile net loss to net cash used in operating activities	
Amortization	3,210
Changes in assets and liabilities	
Prepaid expenses	6,570
Deferred franchise costs	(117,220)
Accounts payable	1,836
Accrued expenses	(28,625)
Deferred revenue	218,000
	83,771
Net cash used in operating activities	(529,081)
Cash flows from investing activities	
Advances to Elements	(41,956)
Net cash used in investing activities	(41,956)
Cash flows from financing activities	
Advances from Fitness Together	38,196
Advances from WellBiz	510,239
Net cash provided by financing activities	548,435
Net decrease in cash and cash equivalents	(22,602)
Cash and cash equivalents - beginning of period	125,900
Cash and cash equivalents - end of period	$ 103,298

See notes to financial statements.

Note 1 - Description of Business and Summary of Significant Accounting Policies

Fit 36, Inc. (the "Company") was organized in the state of Delaware on June 25, 2014 (inception). The Company is primarily engaged in the business of selling franchises to own and operate fitness studios in the United States.

From June 25, 2014 (inception) through June 15, 2015, the Company's activities have consisted of acquiring certain intellectual property and performing research and development activities. As such, significant revenue from planned principal operations has not yet commenced.

The Company franchises the right to open fitness studios. The Company plans to enter into area director franchise agreements with area directors for the right to develop a territory. The area director will pay an initial area director franchise fee of varying amounts based upon the territory selected. The area director will be entitled to receive up to half of the initial franchise fee for studios developed in his or her area and half of the royalties received for the term of the franchise. The studio franchisee pays an initial franchise fee for the right to open a studio and pays royalties equal to a percent of revenues received, per the franchise agreement. Both the studio franchise agreement and the area director franchise agreement provide a term of 10 years and are renewable after the initial term. Studio franchise agreements are renewable for an additional fee. Currently, no area director territories have been identified or sold.

The Company is a wholly owned subsidiary of WellBiz Brands, Inc. ("WellBiz" or the "Parent"), which also owns Elements Therapeutic Massage, Inc. ("Elements") and Fitness Together Franchise Corporation ("Fitness Together"). WellBiz provides funds for operational needs of the Company. The operating results of this Company could vary significantly if it operated independently of WellBiz, Elements, and Fitness Together. Accordingly, this affiliation and other related party disclosures must be taken into consideration in reviewing the accompanying financial statements. On June 15, 2015, WellBiz and its wholly owned subsidiaries, through a series of simultaneous transactions, were acquired by WBZ Holdings, Inc. All operations will continue under the new organizational structure.

The following table summarizes the number of the studios in operation at June 15, 2015:

Studios open at beginning of period	1
Studios opened during the period	-
Studios closed during the period	-
Studios in operation at end of period	1
Studios sold but not yet operational	14

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity 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 disclosures 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.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Periodically throughout the year, the Company has maintained balances in excess of federally insured limits.

Concentrations of Credit Risk

The Company grants credit in the normal course of business to franchisees related to the collection of royalties and other operating revenues. In select cases, credit is issued for initial franchise fees and area director franchise fees. The Company periodically performs credit analysis and monitors the financial condition of franchisees to reduce credit risk.

Intangible Assets

Intangible assets consist primarily of intellectual property and a trademark.

Intellectual Property

Intangible assets consist of intellectual property acquired for the purpose of developing a fitness franchise concept. The intellectual property will be amortized over its estimated remaining life, which is approximately 10 years.

Trademark

The Company has determined that its trademark has an indefinite life; accordingly, this asset is not being amortized but is subject to impairment.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated, undiscounted future cash flows expected to be generated by the asset (income approach). If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Upon review of the Company's long-lived assets, no impairments were recorded for the period ended June 15, 2015.

Franchise Fee Revenue Recognition and Related Franchise Costs

The Company's revenues consist of fees from franchisees, such as initial franchise fees, royalties, renewal fees, transfer fees, and initial area director franchise fees.

Initial franchise fees received from a franchisee will be recognized as revenue when the Company has performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a studio. Royalties are based upon a percentage of franchisee sales and recognized when earned. Renewal and transfer fees are recognized when the agreement has been executed. Additionally, the Company will recognize initial area director franchise fee revenues over the life of the area director franchise agreement and only to the extent that cash consideration has been received. These agreements are normally for a term of 10 years.

Deferred franchise costs represent certain costs incurred to develop new franchises and are expensed when the related revenue is recognized, generally upon the opening of a studio. Franchise costs will not be deferred in excess of the amount of revenue to be recognized.

Marketing and Production Fund Revenue

Marketing fund monies are used to promote brand awareness and include, but are not limited to, the creation of marketing and promotional material, development and maintenance of websites for the franchise system, and market research. Marketing fund revenues are recognized up to the amount paid by the fund, for both operating and capital expenditures, not to exceed amounts collected or accrued during the period. Any amounts collected or accrued but unspent at the end of the year are reported as deferred revenue on the accompanying balance sheet. During the period ended June 15, 2015, there was no marketing fund revenue collected or spent; therefore, no revenue was recognized.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Income Taxes

The Company files a consolidated tax return with WellBiz. Income tax expense or benefit of the Company is paid or received by the Parent and is reflected as due to/from WellBiz on the accompanying balance sheet. The Parent utilizes a method that allocates current and deferred taxes to the Company as if it were a separate taxpayer. The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company's temporary differences result primarily from recognition of revenue, amortization of intangible assets, and net operating loss carryforwards.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's subjective assumptions and judgments, which can materially affect amounts recognized on the balance sheet and statement of operations. The result of the reassessment of the Company's tax positions did not have an impact on the financial statements. The Company's federal and state tax returns are subject to future examination by tax authorities for all its tax jurisdictions. All previous tax years are open until the utilization of the net operating losses. The Company recognizes interest and penalties related to income tax matters in general and administrative expenses. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 15, 2015.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the period ended June 15, 2015 was $128,500.

Note 2 - Acquisition of Intellectual Property

On July 16, 2014, the Company acquired certain intellectual property assets of Fiit Werx, LLC (the "Seller") for the purpose of developing a franchise concept based on the Seller's fitness program. The fair value of the assets acquired on the date of acquisition was allocated to the trademarks and intellectual property that was acquired.

Total consideration for these assets was $115,500. During 2014, an initial payment of $50,000 was made, and the remaining payment of $65,500 was paid upon satisfaction of an obligation by the Seller to execute a lease for the Seller's current co-tenant facility.

Note 2 - Acquisition of Intellectual Property (continued)

These assets have been recorded as intangible assets with a remaining life of 10 years and will be amortized as such in future periods (Note 3).

Acquisition-related costs have been expensed as incurred.

Note 3 - Intangible Assets

Intangible assets consist of the following at June 15, 2015:

	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Asset
Intellectual property	$ 115,500	$ (10,106)	$ 105,394
Trademark	13,580	-	13,580
	$ 129,080	$ (10,106)	$ 118,974

Amortization expense in the amount of $3,210 was recognized on the intellectual property during 2015.

Amortization expense is expected to be as follows:

Fiscal Year Ending December 31,

2015 (remaining)	$ 6,256
2016	11,550
2017	11,550
2018	11,550
2019	11,550
Thereafter	52,938
Total	$ 105,394

Note 4 - Income Taxes

The Company did not provide a current or deferred federal or state income tax provision or benefit for the period presented because it has experienced recurring operating losses. The Company has provided a full valuation allowance on the deferred tax asset, consisting primarily of the net operating loss, because of uncertainty regarding its realizability.

Note 4 - Income Taxes (continued)

At June 15, 2015, the Company had net operating losses of approximately $1,500,000 related to federal and state jurisdictions. Utilization of the net operating losses, which expire in years through 2034, may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended, and other limitations under state and foreign tax laws.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The valuation allowance increased by $229,000 for the period ended June 15, 2015. Significant components of the Company's deferred tax assets were approximately as follows at June 15, 2015:

Tax basis - intangible assets	$ 1,000
Net operating loss	558,000
Total deferred tax assets	559,000
Valuation allowance for deferred tax assets	(559,000)
Net deferred tax assets	$ -

Note 5 - Commitments and Contingencies

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

Note 6 - Related Party Transactions

The Company is a wholly owned subsidiary of WellBiz, which also owns Elements and Fitness Together. Based upon the cash needs of each company, cash may transfer between the companies. The amounts transferred are recorded as an intercompany asset or liability depending on the amounts owed to or from related entities. The Company's intercompany balance due to WellBiz as of June 15, 2015 was $455,176. The balance due to Fitness Together as of June 15, 2015 was $51,341. The balance due from Elements as of June 15, 2015 was $41,956.

Management Fees

The Company maintains a servicing agreement with WellBiz, whereby WellBiz will provide certain executive, legal, administrative, and marketing services on behalf of the Company. The allocation methodology is based on estimated time and effort spent on the Company, and the resulting costs to the Company are reported as a management fee on the accompanying statement of operations for the period ended June 15, 2015.

Note 7 - Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance.

EXHIBIT ~~E~~F

LIST OF STATE AGENTS/AGENTS FOR SERVICE OF PROCESS

EXHIBIT ~~E~~F

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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

CALIFORNIA

Department of Business Oversight:
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

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

HAWAII

(agent for service of process)

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

(for other matters)
Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(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 West 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

(agent for service of process)

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

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-6328

NEW YORK

(state administrator)

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, New York 10271-0332
(212) 416-8236 Phone
(212) 416-6042 Fax

(agent for service of process)

Attn: 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
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9582

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S. Euclid Street, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

(state administrator)

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

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9672

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

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

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT ~~F~~G

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

Location:

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER ("**Consent**") is made by and among **FIT 36, LLC,** a Delaware limited liability company ("**Franchisor**"); ______________________________ ("**Seller**"); ______________________ ("**Seller Guarantor**"); and ______________________________("**Buyer**"), effective as of the Effective Date (defined below). All terms capitalized in this Consent and not otherwise defined herein shall have the meanings ascribed to them in the Seller Franchise Agreement (defined below) or the Buyer Franchise Agreement (defined below), as the case may be.

Recitals

A. Seller is the franchisee under that certain franchise agreement dated __________, as it may have been amended by subsequent addendum or addenda (the "**Seller Franchise Agreement**"), governing the ownership and operation of the Fit36 Studio located at ____________________________ ____ (the "**Studio**").

B. Seller Guarantor personally guaranteed all of the obligations under the Seller Franchise Agreement.

C. Seller has notified Franchisor that it and Buyer have entered into a purchase and sale agreement dated ________________________ (the "**Purchase Agreement**"), pursuant to which Seller has agreed to sell, and Buyer has agreed to purchase, all of the rights, obligations and assets relating to the Studio (the "**Interests**").

D. Buyer has also agreed to (1) assume the lease obligations for the Studio premises, and (2) enter into Franchisor's current form of franchise agreement (the "**Buyer Franchise Agreement**") (the transfer of Interests under the Purchase Agreement, the assumption by Buyer of the Studio's lease obligations and the execution of the Buyer Franchise Agreement, collectively referred to as the "**Transfer**").

E. Franchisor has agreed not to exercise its right of first refusal as set forth in the Seller Franchise Agreement and has agreed to approve the Transfer of the Studio in accordance with the terms, and subject to the conditions, set forth in this Consent.

Agreement

NOW, THEREFORE, for and in consideration of the foregoing recitals, which are incorporated herein, the mutual covenants contained herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date**. The "**Effective Date**" will be the date on which Franchisor signs this Consent acknowledging its consent to the proposed Transfer, which date shall be consistent with the effective date of the Buyer Franchise Agreement.

2. **Purchase Agreement**. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the Purchase Agreement and is the

version which has been, or will be, executed by them to effectuate the Transfer. The Purchase Agreement will not be amended, and the terms set forth in the Purchase Agreement will not be changed, except with the prior written consent of Franchisor.

3. **Conditional Consent; Release of Guaranty**. As of the Closing Date, the Seller Franchise Agreement will terminate and operation of the Studio will thereafter be governed by the Buyer Franchise Agreement. Upon termination of the Seller Franchise Agreement, neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder, except that neither Seller nor Seller Guarantor shall be released from (i) any obligations to pay money owed to Franchisor under the Seller Franchise Agreement or the guaranty prior to the Closing Date or such other date as may be set forth herein; or (ii) the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including, without limitation, provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution). Notwithstanding anything in this Consent to the contrary, the consent and release set forth herein are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("**Closing Date**"):

a. Franchise Agreement. The Seller Franchise Agreement will terminate as of the Closing Date in accordance with the terms set forth in Section 7 below, and the operation of the Studio will thereafter be governed by the Buyer Franchise Agreement.

b. Payment of Amounts Due. Seller will pay all amounts due and owing from Seller (or an affiliate of Seller) to Franchisor through the Closing Date.

c. Transfer Fee. Upon execution of this Consent by Seller and Buyer, a transfer fee in the amount of $~~17,450~~19,950 ("**Transfer Fee**") shall be paid to Franchisor via cashier's check or wire transfer. Except as described in Section 5 below, Seller and Buyer acknowledge and agree that Franchisor has earned the Transfer Fee upon receipt thereof and that the Transfer Fee is not refundable.

d. Fee Deposit. Upon execution of this Consent by Seller and Buyer, Seller agrees to deposit $5,000 ("**Fee Deposit**") with Franchisor via cashier's check or wire transfer. Franchisor will refund the Fee Deposit to Seller, less any amounts which may be due pursuant to Section 3.b, within thirty (30) days following the later of the Closing Date or the date upon which Seller and Buyer comply with all terms and conditions set forth in this Consent.

e. Training. Buyer (or, if Buyer is an entity, one of Buyer's co-owners) and, if not the same person as Buyer (or the designated co-owner), Buyer's manager (or the individual having responsibility for the day-to day operations of the Studio) shall satisfactorily complete Initial Training (as defined and described in the Buyer Franchise Agreement) prior to the Closing Date.

f. Right to Possession. Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Studio by way of lease assignment and/or assumption or otherwise (with all required landlord consents), as more fully described in Section 6 below.

g. Site Selection Assistance. Buyer acknowledges and agrees that Franchisor has complied with and satisfied its obligations under the Buyer Franchise Agreement to provide site selection and development assistance.

h. Purchase Agreement. The Purchase Agreement will not be amended and the terms of the purchase transaction will not be changed except with the prior written consent of Franchisor.

i. Studio Possession. Prior to the Closing Date and changing possession and/or ownership of the Studio, Seller and Buyer shall obtain the written consent and authorization of Franchisor.

j. Seller Financing. Regardless of any provision of the Purchase Agreement (or any other agreement) to the contrary, if Seller provides financing to Buyer for any portion of the purchase price for the Studio and such financing is secured by any assets of the Studio, Seller acknowledges and agrees that Seller does not and will not have any interests or rights, revisionary or otherwise, to operate the Studio after the Closing Date pursuant to the Seller Franchise Agreement or Buyer Franchise Agreement.

k. Studio Upgrades/Renovations. Within sixty (60) days following the Closing Date, Buyer will complete the upgrades and renovations of the Studio, at Buyer's expense, as required to improve the condition and appearance of the Studio consistent with Franchisor's current System Standards and other Franchise System requirements.

4. **Waiver of Right of First Refusal**. Franchisor hereby waives its right of first refusal to purchase the Interests, as set forth in the Seller Franchise Agreement.

5. **Contingency**. This Consent and the Buyer Franchise Agreement may be terminated if:

a. The Transfer between Seller and Buyer is cancelled, or otherwise not approved by Franchisor;

b. Seller and/or Buyer fail to meet any of the conditions and/or requirements set forth in this Consent, the Seller Franchise Agreement, and/or the Buyer Franchise Agreement; or

c. Seller and Buyer fail to change possession and/or ownership of the Studio within ninety (90) days following receipt of Franchisor's written consent and authorization (as described in Section 3.i above).

In the event of such termination, Seller and Buyer will execute a termination and release agreement (in a form acceptable to Franchisor) pursuant to which Franchisor will refund the Transfer Fee, without interest; provided, however, if Buyer and/or Buyer's designated representative(s) have attended any portion of Initial Training, Franchisor will only be obligated to refund fifty percent (50%) of the Transfer Fee.

6. **Assignment/Assumption of Premises Lease**. Seller and Buyer acknowledge that one of the requirements of Franchisor's consent is that the Studio premises lease be assigned to and/or otherwise assumed by the Buyer and that the lease for the Studio premises may require consent of and/or notice to the landlord with respect to such assignment and/or assumption. Provided (i) Buyer takes an assignment of the existing lease for the Studio; (ii) the terms of such lease are not amended; and (iii) the

lease for the Studio includes the terms of Franchisor's required lease addendum, Franchisor waives the requirement for lease review and approval set forth in the Buyer Franchise Agreement. If (i) the lease terms are amended; (ii) the lease for the Studio does not include the terms of Franchisor's required lease addendum; or (iii) Buyer enters into a new lease for the Studio, all lease review and approval requirement set forth in the Buyer Franchise Agreement shall remain applicable. Buyer acknowledges and agrees that Franchisor's approval of the Studio location and waiver of the lease review requirement or approval of the lease terms do not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability of the Studio location or the lease, and Buyer acknowledges that it has taken all steps necessary to ascertain whether the Studio location and lease are acceptable to Buyer.

7. **Termination of Seller Franchise Agreement and Guaranties**. Franchisor and Seller acknowledge and agree that, as of the Closing Date and upon the Transfer and compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and associated guaranties will automatically terminate and neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder except that neither Seller nor Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under the Seller Franchise Agreement, the guaranty, or otherwise prior to the Closing Date; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including, without limitation, the provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution).

8. **Release of Franchisor**. Seller, Seller Guarantor, and Buyer, and each of them, on behalf of themselves and each of their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns, hereby fully and forever unconditionally release and discharge Franchisor and its current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, franchisees, area directors, parent companies, predecessors, affiliates, subsidiaries, successors, and assigns (the "**Franchisor Parties**"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown, or which may hereafter be discovered, accrued, or sustained in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or the Franchisor Parties, however characterized or described, including but not limited to, any claims arising from Seller's operation of the Studio, the Seller Franchise Agreement, the Buyer Franchise Agreement, the Purchase Agreement, or the transactions described in this Consent, or under any applicable state or federal franchise or other law, including the Federal Trade Commission Act, and all applicable Rules of the Federal Trade Commission promulgated pursuant to the Federal Trade Commission Act.

(If the Studio is located in California or if Seller, Seller Guarantor, or Buyer (as applicable) is a resident of California, the following shall apply):

Section 1542 Acknowledgment. Seller, Seller Guarantor, and Buyer recognize that he, she, or it may have some claim, demand, obligation, action, liability, defense, or damage against Franchisor or the Franchisor Parties of which Seller, Seller Guarantor, and Buyer are totally unaware and unsuspecting, which he, she, or it is giving up by executing this Consent. Nonetheless, it is the intention of Seller, Seller Guarantor, and Buyer in executing this Consent that this instrument, (i) be and is a general release which shall be effective as a bar to each and every claim, demand, obligation, action, liability, defense, or damage released by Seller, Seller Guarantor, and Buyer, and (ii) will deprive Seller, Seller Guarantor, and Buyer of each and every such claim, demand, obligation, action, liability, defense, or damage and prevent him, her, or it from asserting it against Franchisor or the Franchisor Parties. In furtherance of this intention, Seller, Seller Guarantor, and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her must have materially affected his settlement with the debtor."

Seller, Seller Guarantor, and Buyer acknowledge and represent that he, she, or it has consulted with legal counsel before executing this Consent and that Seller, Seller Guarantor, and Buyer understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this Consent shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands, obligations, actions, liabilities, defenses or damages.

(If the Studio is located in Maryland or if Seller, Seller Guarantor, or Buyer (as applicable) is a resident of Maryland, the following shall apply):

Any release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

9. **Non-Disparagement**. In consideration of the accommodations provided to Seller, Seller Guarantor, and Buyer, and the concessions made by Franchisor and its affiliates under this Consent, Seller, Seller Guarantor, and Buyer agree not to, and to use their best efforts to cause their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns not to, disparage, impugn or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Parties, the Fit36 brand, the Fit36 franchise system, or any other service-marked or trademarked concept of Franchisor or the Franchisor Parties, or take any other action which would subject the Fit36 brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor, the Franchisor Parties, or the Fit36 brand.

10. **Acknowledgment**. Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

11. **Additional Documents**. Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

12. **Miscellaneous Provisions**.

a. Confidentiality. Except as reasonably necessary to perform Seller's, Seller Guarantor's, or Buyer's obligations or exercise or enforce Seller's, Seller Guarantor's, or Buyer's rights under this Consent, neither Seller, Seller Guarantor, nor Buyer shall provide or disclose to any third party, or use, unless authorized in writing to do so by Franchisor or properly directed or ordered to do so by public authority or court of competent jurisdiction, any information or matter that constitutes or concerns the terms and conditions of this Consent or that regards any dealings or negotiations with Seller, Seller Guarantor, or Buyer related to this Consent.

b. Governing Law. This Consent will be construed and enforced in accordance with, and governed by, the laws of the state set forth in the Buyer Franchise Agreement.

c. Amendment. This Consent may not be modified or amended or any term hereof waived or discharged except in a writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced.

d. Headings. The headings of this Consent are for convenience and reference only and will not limit or otherwise affect the meaning hereof.

e. Controlling Provisions. In the event of any conflict between the terms of this Consent and the terms of the Seller Franchise Agreement or the Buyer Franchise Agreement, the terms of this Consent shall control.

f. Counterpart Signatures. This Consent may be executed in any number of counterparts and sent via facsimile or other electronic transmission, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be made effective as of the Effective Date.

FRANCHISOR:
FIT 36, LLC

By:______________________________
Name:____________________________
Title:____________________________
Date*:____________________________

***** *This is the Effective Date*

SELLER:
[SELLER]

By:______________________________
Name:____________________________
Title:____________________________
Date:____________________________

Forwarding Address: ____________________________
Forwarding Email: ____________________________
Telephone: ____________________________

SELLER GUARANTOR:
[SELLER GUARANTOR]

By:____
Print Name:_________________________________

By:____
Print Name:_________________________________

BUYER:
[BUYER]

By:____
Name:______________________________________
Title: ______________________________________
Date:______________________________________

<u>EXHIBIT H</u>

<u>SAMPLE GENERAL RELEASE</u>

FIT 36, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Fit 36, LLC ("we," "us," or "our") and the undersigned franchisee or franchisee owner, ______ ____ ("you" or "your"), currently are parties to a certain franchise agreement (the "Franchise Agreement") dated ________________________, 20___. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation]_____ ____ ____ ____ ____ ___________________________. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, members, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Fit 36 Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Fit 36 Parties, including without limitation, Claims (1) arising out of or related to the Fit 36 Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Fit 36 Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Fit 36 Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

You, on your own behalf and on behalf of the Releasing Parties, agree not to disparage, impugn or otherwise speak or write negatively, directly or indirectly, of us or the Fit 36 Parties, the Fit 36 brand, the Fit 36 system, or any other service-marked or trademarked concept of us or the Fit 36 Parties, or take any other action which would subject the Fit 36 brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of us, the Fit 36 Parties, or the Fit 36 brand.

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

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FIT 36 PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FIT 36 PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR."

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

If the Studio you operate under the Franchise Agreement is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

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

Fit 36, LLC,
a Delaware limited liability company

Signature:______________________________

Name:__________________________________

Title:___________________________________

Dated:__________________________________

FRANCHISEE:

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

Signature:______________________________

Name:__________________________________

Title:___________________________________

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
Signature

____
Print Name

____
Signature

____
Print Name

OWNER:

____
Signature

____
Print Name

____
Signature

____
Print Name

EXHIBIT I

TABLE OF CONTENTS TO OPERATIONS MANUAL

FIT 36, LLC

OPERATIONS MANUAL TABLE OF CONTENTS

NEW YORK REPRESENTATIONS PAGE

WE REPRESENT THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT J

RECEIPTS

RECEIPT
(OUR COPY)

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 Fit 36, 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, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. 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 Fit 36, 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, D.C. 20580 and the appropriate state agency identified on Exhibit ~~E~~F.

The franchisor is Fit 36, LLC, 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112, (303) 663-0880. The franchise seller for this offering is:

❑ ____________________ Fit 36, LLC 9780 Meridian Boulevard Suite 400 Englewood, CO 80112 (303) 663-0880	❑ ____________________ Fit 36, LLC 9780 Meridian Boulevard Suite 400 Englewood, CO 80112 (303) 663-0880	❑ Name of Franchised Seller: ____________________ Principal Business Address: ____________________ ____________________

Issuance Date: March ~~30, 2017, as amended on November 21, 2017.~~12, 2018

See Exhibit ~~E~~F for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March ~~30, 2017, as amended on November 21, 2017~~12, 2018, that included the following Exhibits:

Exhibit A -	State Addenda ~~and Agreement Riders~~	Exhibit E -	Financial Statements ~~Agencies for Service of Process~~
Exhibit B -	Franchise Agreement	Exhibit F -	~~Agreement and Conditional Consent to Transfer~~State Agencies for Service of Process
Exhibit C~~1~~ -	~~List of Franchisees~~Area Development Agreement	Exhibit G -	~~Form of Conversion Program Addendum to Franchise~~ Agreement and Conditional Consent to Transfer
Exhibit ~~C2~~D1 -	List of Franchisees ~~Who Left the System~~	Exhibit ~~H~~ - H-	Form of General Release
Exhibit ~~C3~~D2 -	Franchisees ~~Sold But Not Yet Opened~~Who Left the System	Exhibit I -	Table of Contents of Operations Manual
Exhibit D3 -	~~Financial Statements~~Franchises Sold But Not Yet Opened	Exhibit J -	Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:	If an individual:
____________________	____________________
Name of Business Entity	Print Name: ____________________
Signature: ____________________	
Title: ____________________	Dated: ____________________

Print Name: ______________________ (Do not leave blank)

Dated: ___________________________
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail to Fit 36, LLC, 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112, or by faxing it to (720) 545-2151.

RECEIPT
(YOUR COPY)

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 Fit 36, 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, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. 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 Fit 36, 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, D.C. 20580 and the appropriate state agency identified on Exhibit ~~E~~F.

The franchisor is Fit 36, LLC, 9780 Meridian Boulevard, Suite 400, Englewood, Colorado 80112, (303) 663-0880. The franchise seller for this offering is:

❑ ____________________
Fit 36, LLC
9780 Meridian Boulevard
Suite 400
Englewood, CO 80112
(303) 663-0880

❑ ____________________
Fit 36, LLC
9780 Meridian Boulevard
Suite 400
Englewood, CO 80112
(303) 663-0880

❑ Name of Franchised Seller:
____
Principal Business Address:
____
____

Issuance Date: March ~~30, 2017, as amended on November 21, 2017.~~12, 2018

See Exhibit ~~E~~F for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March ~~30, 2017, as amended on November 21, 2017~~12, 2018, that included the following Exhibits:

Exhibit A -	State Addenda~~ and Agreement Riders~~	Exhibit E -	Financial State<u></u>ments~~ Agencies for Service of Process~~
Exhibit B -	Franchise Agreement	Exhibit F -	~~Agreement and Conditional Consent to Transfer~~State Agencies for Service of Process
Exhibit C -	Area Development Agreement	Exhibit G -	Agreement and Conditional Consent to Transfer
Exhibit ~~C~~D1 -	List of Franchisees	Exhibit ~~G -~~ H-	Form of ~~Conversion Program Addendum to Franchise Agreement~~General Release
Exhibit ~~C~~D2 -	Franchisees Who Left the System	Exhibit ~~H~~I -	~~Form of General Release~~Table of Contents of Operations Manual
Exhibit ~~C~~D3 -	Franchises Sold But Not Yet Opened	Exhibit ~~I~~J -	~~Table of Contents of Operations Manual~~Receipts
~~Exhibit D -~~	~~Financial Statements~~	~~Exhibit J -~~	~~Receipts~~

PROSPECTIVE FRANCHISEE:

If a business entity:

____
Name of Business Entity
Signature: ____________________
Title: ____________________
Print Name: ____________________

Dated: ____________________
(Do not leave blank)

If an individual:

____
Print Name: ____________________

Dated: ____________________
(Do not leave blank)

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.