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FRANCHISE DISCLOSURE DOCUMENT

FITNESS EVOLUTION FRANCHISING, LLC
a Delaware Limited Liability Company
2144 Industrial Parkway
Silver Spring, MD 20904
(240) 315-8484
chris@fitnessevolution.com
www.fitnessevolution.com

Fitness Evolution Franchising, LLC offers franchises for businesses that will establish and operate fitness centers.

The total investment necessary to begin operation of a Fitness Evolution business is between $166,100 and $1,639,500, which includes $31,250 that must be paid to the franchisor or an affiliate. If you currently own an existing fitness center that you will rebrand to a Fitness Evolution franchised business (a "Conversion Franchise"), the total investment necessary to begin operation of a Fitness Evolution business is between $166,100 and $623,250, which includes $30,000 that must be paid to the franchisor or an affiliate. If you intend to establish a new fitness center where one has not operated before (a "Standard Franchise"), the total investment necessary to begin operation of a Fitness Evolution business is between $330,250 and $1,639,500, which includes $31,250 that must be paid to the franchisor or an affiliate. If you sign an Area Development Agreement to develop at least 2 Fitness Evolution businesses in a specified area, you must pay to the franchisor an area development fee equal to $30,000 for the first FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement, plus $20,000 for each additional FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement. When you sign the Franchise Agreement, you will receive a credit of $30,000 toward the Initial Franchise Fee for the first Fitness Evolution business you agree to develop under the Area Development Agreement and a $20,000 credit for each additional Fitness Evolution business you agree to develop under the Area Development Agreement.

This Disclosure Document summarizes certain provisions of the 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 payments 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 Chris Maddox, Co-Founder & CEO, Fitness Evolution Franchising, LLC, 2144 Industrial Parkway, Silver Spring, MD 20904, (240) 315-8484.

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

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

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

Issued: May 25, 2016.

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 D 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 REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN MARYLAND. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN MARYLAND THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT MARYLAND LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INVESTMENT RANGING FROM $166,100 TO $1,639,500. THIS AMOUNT EXCEEDS THE FRANCHISOR'S MEMBERS' EQUITY AS OF DECEMBER 31, 2015, WHICH IS $81,572.
4. FOR CALIFORNIA FRANCHISEES, PAYMENT OF ALL INITIAL FEES IS POSTPONED UNTIL AFTER ALL OF OUR INITIAL OBLIGATIONS ARE COMPLETE AND YOU OPEN FOR BUSINESS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may 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 may 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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

FITNESS EVOLUTION FRANCHISING, LLC

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The franchisor is Fitness Evolution Franchising, LLC (**"Fitness Evolution"**). In this Franchise Disclosure Document (the **"Disclosure Document"**), when we refer to Fitness Evolution we sometimes use the words **"we," "us"** or **"our."** A person who buys a franchise from us is called **"you"** in this Franchise Disclosure Document. If you are a corporation, partnership, limited liability company or other entity, **"you"** also includes your owners.

The Franchisor and Affiliates

We are a Delaware limited liability company organized on February 27, 2012. Our principal place of business is 2144 Industrial Parkway, Silver Spring, MD 20904. We do business under the name FITNESS EVOLUTION. We do not do business under any other name. Our agents for service of process are listed in Exhibit F. We do not have any predecessors.

M Group Fitness, LLC (**"M Group"**), owns the Proprietary Marks (as defined below) and licenses to us the right to use and license others to use the Proprietary Marks. M Group was formed on or about January 1, 2010 as a Maryland limited liability company. M Group owned and operated a full service health club in Frederick, Maryland from February 2010 until selling the assets of the business in February 2011. M Group may arrange for the placement of various franchisee advertising and/or marketing with third-party suppliers. M Group's principal place of business is 2144 Industrial Parkway, Silver Spring, MD 20904. M Group has never offered franchises for this or any other business.

Fitness Evolution Licensing, LLC (**"FEL"**) is our affiliate and its principal place of business is located at 2144 Industrial Parkway, Silver Spring, MD 20904. FEL was formed on May 11, 2012 as a Delaware limited liability company. FEL may develop private label products that you may be required to purchase from FEL. FEL intends to arrange sourcing and financing solutions for franchisees, but no such relationships exist as of the date of this Franchise Disclosure Document. FEL has never offered franchises for this or any other business.

We have no other affiliates that offer products or services to our franchisees or offer franchises in any line of business. We have no parents.

Our Experience

We began offering franchises in November 2013. We do not currently operate any fitness centers, but we may in the future. We began licensing fitness centers the right to operate under the FITNESS EVOLUTION trademarks in June 2012. The licensees operate under their own marketing plans and are required to comply only with limited quality control measures designed to protect the Proprietary Marks, so their businesses have significant differences from the franchises offered in this Disclosure Document. Although we refer to these fitness centers as "licenses" throughout this disclosure document, we understand that some government agencies believe they qualify as "franchises" under applicable law. For example, see Item 3. As of

December 31, 2015, we had 61 licensed fitness centers the right to operate under the FITNESS EVOLUTION trademarks, of which 55 are located in California, 5 are located in Minnesota and one is located in Washington. In addition, we have implicit licenses with 12 additional fitness centers (1 located in California, 5 located in Maryland, 1 located in Virginia and 5 located in Washington) which are owned and operated by related entities. We have never offered franchises in any other line of business and we do not engage in any other business.

The Franchises We Offer

We offer a franchise program under the name "Fitness Evolution" for establishing and operating fitness center businesses, including various exercise machines, free weights, group exercise programs, and related services (the **"Franchised Business"**). The Franchised Business is generally identified by the trademarks and service marks identified in Item 13 (the **"Proprietary Marks"**). The Franchised Business operates using certain business processes, trade secrets, customer lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress, skills training drills and other intellectual property; distinctive signage; standards and specifications for services, products, supplies, appearance, operations and management control; safety standards; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs; which may be developed or changed, discontinued, improved, modified and further developed by us from time to time (the **"System"**). As a franchisee, you will offer fitness center gym memberships to consumers.

We anticipate that many FITNESS EVOLUTION Franchised Businesses will be existing fitness centers that convert to the FITNESS EVOLUTION brand. These businesses are referred to in this Disclosure Document as **"Conversion Franchises"**. Unless we indicate differently, the description of the FITNESS EVOLUTION Franchised Businesses in this Disclosure Document applies equally to all franchises, including Conversion Franchises. FITNESS EVOLUTION Franchised Businesses that are not Conversion Franchises are referred to as **"Standard Franchises"** in this Disclosure Document.

We may offer you the opportunity to enter into an **"Area Development Agreement."** The Area Development Agreement grants the right to establish and open a specified number of Franchised Businesses in a specified area (the **"Development Area"**) at specific locations to be designated in separate Franchise Agreements. The form of Area Development Agreement is attached to this Disclosure Document as Exhibit C. If you sign an Area Development Agreement, you must open each Franchised Business according to the schedule for developing Franchised Businesses described on the Declarations Page of the Area Development Agreement (the **"Development Schedule"**). The Developer will exercise each development right by executing a Franchise Agreement for the establishment and operation of a Franchised Business. The number of Franchised Businesses to be established under the Development Schedule will be mutually determined by you and us, based on the size of the Development Area, demographics and economic factor in the Development Area, expected demand for fitness centers, your desire and ability to develop and operate the fitness centers, and other factors. During the term of the Area Development Agreement you must operate and maintain at least the number of Franchised Businesses which are required to be established according to the terms of the Development Schedule. The Franchise Agreement for the first Franchised Business developed under the

Development Schedule will be in the form of the Franchise Agreement attached to the Development Agreement. The Franchise Agreement for each additional Franchised Business will be the form of Franchise Agreement that we are generally offering at the time each Franchise Agreement is executed; except that you will be credited the portion of the Development Fee you paid to us for that Franchised Business.

The Market and Competition

The fitness industry is highly competitive and the market for fitness services is developed and heavily segmented. Your competition may include other national fitness centers, local gyms, personal trainers, and specialty training businesses (like boot camp fitness businesses, sport-specific athletic training businesses and multi-sport or cross training businesses). Your competition may include other FITNESS EVOLUTION fitness centers or other fitness centers by us or our corporate affiliates. See Item 12. You may also experience competition from retail sales of fitness equipment for home use. Fitness center businesses tend to be highly seasonal, with activity typically peaking in January and with lower levels of activity in August.

FITNESS EVOLUTION fitness centers will offer certain ancillary products and services to customers attending the fitness center, for their convenience and comfort, like sports drinks, nutritional supplements and similar fitness related products and services, like group and personal training. The market for the ancillary goods and services offered by FITNESS EVOLUTION fitness centers is well-developed, highly competitive and these ancillary products and services are widely available from other sources.

Some market factors that may affect your Franchised Business include the location of other competing fitness centers or other fitness related business in relation to your Franchised Business, and general economic factors like unemployment, inflation and interest rates. You may also be affected by the degree to which your business is subject to state and local regulations and bonding and licensing requirements.

Applicable Regulations

If you purchase rights to operate a Franchised Business, your business will be subject to laws, regulations and ordinances that are applicable to businesses generally. You must also comply with Executive Order 13224 which prohibits transactions with suspected terrorists or persons or organizations associated with suspected terrorists and the USA Patriot Act and the International Money Laundering Statement and Anti-Terrorist Financing Act of 2001 which impose anti-money laundering requirements on a broad variety of "financial institutions." You will also have to comply with certain federal laws, such as the Gramm Leach Bliley Act, the Health Insurance Portability and Accountability Act, the Fair Credit Reporting Act and the Financial Services Modernization Act. Also, the fitness industry is regulated by federal, state and local laws, rules, and ordinances. For example, some states may limit the permissible length of your membership contract, provide customers with rights to terminate their membership contract, or require you to obtain a bond if you collect pre-paid membership fees and/or escrow pre-opening membership fees. If you are building a new fitness center and intend to rely on membership fees to build and equip the facility, the offer of those memberships may be considered securities which may

require registration. Compliance with these laws is your responsibility. You should consult with a lawyer and investigate the specific laws and regulations applicable to your business.

ITEM 2
BUSINESS EXPERIENCE

Co-Founder/CEO: Chris Maddox

Mr. Maddox has been our Co-Founder and CEO since our founding in February 2012, located in Silver Spring, Maryland. Mr. Maddox has also been a co-owner of M Group, currently based in Silver Spring, Maryland since January 2010. From October 2005 until January 2010, Mr. Maddox was an owner of a predecessor of M Group, Makosi Brothers, Inc. in Frederick, Maryland. From January 2006 to February 2011, Mr. Maddox owned and operated a personal training business under a company called Results Fitness Training, Inc. located in Frederick Maryland. From January 2000 to November 2013, Mr. Maddox has also been a firefighter in the Special Operations Division of Washington, DC Fire Department. Mr. Maddox has also been a member of and maintained an ownership interest in FEL since its formation in May 2012.

Co-Founder/CFO: Jeff Mayerson

Mr. Mayerson has been our Co-Founder and CFO since our founding in February 2012, located in Frederick, Maryland. Mr. Mayerson has also been a co-owner of M Group, currently based in Silver Spring, Maryland since January 2010. Mr. Mayerson has also been a member of and maintained an ownership interest in FEL since its formation in May 2012. He has also owned (a whole or partial interest) and operated fitness centers in: (a) Silver Spring, Maryland since October 1992 under the corporate name Bitwac, Inc; (b) Laurel, Maryland since August 1996 under the corporate name MBM Fitness, Inc.; (c) Hyattsville, Maryland since February 2011 under the corporate name M Group 3, LLC; (d) Baltimore, Maryland since January 2011 under the corporate name M Group 4, LLC; (e) Ft. Washington, Maryland since January 2013 under the corporate name M Group FW, LLC; (f) Sterling, Virginia since September 2013 under the corporate name M Group Sterling, LLC; (g) Seattle, Washington since March 2012 under the corporate name FitEvo WA Aurora, LLC; (h) Everett, Washington since August 2012 under the corporate name Everett 22, LLC; and (i) Richmond, Virginia from June 2013 until August 2014, under the corporate name FE RVA NS, LLC.

Franchise Sales Representative: Chris Finch

Mr. Finch has been a Franchise Sales Representative of ours since our founding in February 2012, located in Seattle, WA. Mr. Finch has also been a member and maintained an ownership interest in us and FEL from 2012 to 2015. He has also operated and co-owned, fitness centers operating under the FITNESS EVOLUTION brand in Everett and Seattle, WA since January 2012 under the corporate names FitEvo WA Aurora, LLC and Everett 22, LLC. From July 2005 to December 2011, Mr. Finch was Senior Director of International Franchising for Gold's Gym International in Irving, TX.

Vice President – Unit Economics Specialist: Justin Bell

Mr. Bell has been our Vice President – Unit Economics Specialist since our founding in February 2012. He has also served as Regional Manager (until January 2012) and Vice President (since June 2012) of fitness centers in: (a) Silver Spring, Maryland since October 2010 under the corporate name Bitwac, Inc; (b) Laurel, Maryland since October 2010 under the corporate name MBM Fitness, Inc.; (c) Hyattsville, Maryland since February 2011 under the corporate name M Group 3, LLC; (d) Baltimore, Maryland since January 2011 under the corporate name M Group 4, LLC; (e) Ft. Washington, Maryland since January 2013 under the corporate name M Group FW, LLC; (f) Sterling, Virginia since September 2013 under the corporate name M Group Sterling, LLC; (g) Seattle, Washington since January 2012 under the corporate name FitEvo WA Aurora, LLC; (h) Everett, Washington since July 2012 under the corporate name Everett 22, LLC; (i) Federal Way, Washington since January 2013 under the corporate name Fitevo Federal Way, LLC; (j) University Place, Washington since November 2014 under the corporate name M Group Tacoma, LLC; (k) Bremerton, Washington since December 2014 under the corporate name Fitevo Bremerton, LLC; (l) Encinitas, California since July 2015 under the corporate name SOCALEVOLUTION, LLC; and (m) Richmond, Virginia from June 2013 until August 2014, under the corporate name FE RVA NS, LLC

ITEM 3
LITIGATION

Governmental Actions

In the Matter of Fitness Evolution Franchising, LLC. We entered into a Consent Order with the Minnesota Commissioner of Commerce (the "Commissioner") dated July 31, 2014. In the Consent Order the Commissioner alleged that the licenses that we had entered into in Minnesota were franchises within the definition of a franchise under Minnesota law and that those franchises were offered and sold in Minnesota without being registered or exempt from registration in the state. We disputed that the licenses were franchises and that their offer and sale was a violation of Minnesota law. Under the terms of the Consent Order, we were required to offer rescission to each of the Minnesota licensees, comply with the Minnesota franchise sales laws in the future and pay a civil penalty of $5,000.

Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fees

The Initial Franchise Fee for a FITNESS EVOLUTION Franchised Business is $30,000, which is due when you sign the Franchise Agreement. The Initial Franchise Fee is expected to be the same for all franchisees subject to this offering. In the fiscal year preceding the date of this Disclosure Document, we sold no franchises. We anticipate offering our existing licensees the option of replacing their license agreement with a Franchise Agreement, in which event we intend to waive the Initial Franchise Fee. We do not anticipate offering additional Initial Franchise Fee concessions or adjustments, but we reserve the right to do so.

The Initial Franchise Fee is fully-earned upon receipt and is non-refundable and made in consideration of our costs and expenses related to entering into the Franchise Agreement with you and our lost or deferred opportunity to enter into a Franchise Agreement with someone else.

If you intend to establish a new fitness center that will be a FITNESS EVOLUTION Franchised Business, you may elect to ask for our assistance in selecting a site. If you do, we may require that you reimburse us for our reasonable costs and expenses, including the costs of travel, lodging and meals, among other expenses. We expect these expenses to be $1,250 per site reviewed, or less. These site selection costs are fully-earned upon receipt and are non-refundable.

Development Fee

If you sign an Area Development Agreement, you must pay to us a non-refundable development fee (the "Development Fee") equal to $30,000 for the first FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement, plus $20,000 for each additional FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement which is due when you sign the Development Agreement. When you sign the Franchise Agreement, you will receive a credit of $30,000 toward the Initial Franchise Fee for the first Fitness Evolution business you agree to develop under the Area Development Agreement and a $20,000 credit for each additional Fitness Evolution business you agree to develop under the Area Development Agreement. The calculation and the structure of the Development Fee is uniform for developers.

If you remain in full compliance with the Development Schedule, and you are not otherwise in default under any provisions of the Area Development Agreement, or any other Franchise Agreement, then for each Initial Franchise Fee you pay under a Franchise Agreement, we will credit back to you the amount of the Development Fee that you paid to us under the Area Development Agreement for each of these Franchised Businesses.

Deposit Agreement & Letter of Intent

You may elect to enter into a Deposit Agreement & Letter of Intent with us before executing a Franchise Agreement. Under the Deposit Agreement & Letter of Intent, you will pay us a deposit of $10,000, which will be credited toward the Initial Franchise Fee under the Franchise Agreement. If you do not enter into a Franchise Agreement with us as provided in the Deposit Agreement & Letter of Intent, the deposit will not be refundable.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	4%	See Note 1	See Note 1
Marketing Fund Fee	1.5% of Gross Revenues per month	At the time of payment of Royalty Fee	See Note 2
Co-Op Advertising Fee	Currently $0	At the time of payment of Royalty Fee	See Note 3
Renewal Fee	$5,000	Before renewal	See Note 4
Transfer Fee – Franchise Agreement	$5,000	Before transfer	See Note 5
Transfer Fee – Area Development Agreement	$10,000, plus $5,000 for each existing Franchised Business that is being transferred and for each un-developed Franchised Business specified in the Development Schedule	Before transfer	See Note 6
Taxes	Amount required to reimburse us for certain taxes imposed on payments to us	On demand	See Note 7
Interest	1.5% per month or the maximum allowed by law, whichever is less	On demand	See Note 8
Product Evaluation Fee	Currently, $0	On demand, before evaluation of product	See Note 9
Inspection Fee	Our costs and expenses of	On demand, after inspection	See Note 10

Type of Fee	Amount	Due Date	Remarks
	correcting uncured deficiencies from inspections		
Offering Materials Review	$10,000 or more, if necessary to reimburse us for our costs and expenses of reviewing any offering materials	Before offering	See Note 11
Additional Training	Currently $0, up to $400 per day	Upon receipt of additional training, if applicable	See Note 12
Site Evaluation Fee	Our then-current site evaluation fee (currently $1,250 per visit), plus our expenses	Upon demand	See Note 13
Web Servicing Fee	Currently $100 per month	At the time of payment of the Royalty Fee	See Note 14
Pre-Sale On-site Consulting	Up to $500/day, plus travel and lodging for up to 5 days	Upon demand	See Note 15
Audit Fee	2% interest per month on unpaid amount and our cost of audit	On demand, after audit	See Note 16

Notes:

1. We are entitled to a monthly **"Royalty Fee"**, which will be 4% of your Gross Revenues. You must pay the Royalty Fee (and all other payments to us) on a monthly basis by direct debit. Direct debits generally occur on or near the 5th day of each month. **"Gross Revenues"** means the aggregate of all gross receipts of the Franchised Business, including all fees, charges, other amounts received or charged, and the value of all services or products received from customers, vendors or any other entity, for services provided or contracted or products sold, whether for cash or barter, on a charge, credit or time basis, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds, allowances or discounts to customers.

2. We may establish a **"Marketing Fund"** for the promotion of the System and the Proprietary Marks. We may require you to contribute 1.5% of your Gross Revenues per month to the Marketing Fund. For more information on the Marketing Fund, see Item 11. You must

also spend at least $3,000 each month and a total of $60,000 each year on local advertising. These totals are not included in your Marketing Fund contribution.

3. In areas where there are multiple units operating under the System, we may decide that it is advantageous to establish a **"Co-Op"** for the purpose of funding local or regional advertising activities. If we establish a Co-Op in your area, the amount of your required contribution will be determined by the members of the Co-Op. We will be entitled to be a member of and casts votes in any Co-Op where and to the extent that we own or operate a FITNESS EVOLUTION business in the area covered by the Co-Op. Each owner of a Franchised Business shall have one vote. We retain the right to approve or disapprove contribution levels determined by the Co-Op or to specify minimum contribution levels. For more information on Co-Ops, see Item 11.

4. We may require you to pay a fee as a condition of renewal of the Franchise Agreement, at our option. If we require you to pay a renewal fee, it will be $5,000. You are not required to pay another initial franchise fee.

5. If you or any person holding an interest in the Franchised Business of the Franchise Agreement wishes to transfer 5% or more of the outstanding interest in the Franchise Agreement, in the entity operating the Franchised Business or in the Franchised Business, we may require you to pay us a fee as a condition of transfer. This transfer fee will be $5,000.

6. If you or any person holding an interest in the Developer wishes to transfer 55% or more of the outstanding interest in this Agreement, in you, or in all or substantially all of the assets of you, we may require you to pay us a fee as a condition of transfer. This transfer fee will be $10,000, plus $5,000 for each existing Franchised Business that is being transferred and for each un-developed Franchised Business specified in the Development Schedule.

7. You must pay to us all sales, excise, trademark, franchise, value-added or similar taxes imposed on us on account of our collection of any of the fees or payments called for by the Franchise Agreement as a result of the operation of the Franchise Business. This requirement does not apply to any income tax or any optional alternative to an income tax imposed on us.

8. If any payment is received by us more than 15 days past due, you must pay to us immediately upon demand, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of 1.5% per month, or if less, the maximum rate permitted by law.

9. On occasion, you may wish to offer a product or service to customers or to use a product or service in the operation of the Franchised Business. To determine whether or not to allow that product or service to be offered or used, we may wish to evaluate the product. In connection with any product evaluation, we reserve the right to charge you a fee as provided in the Manual. Currently, we intend to charge this fee only in situations where we must conduct testing or other research on the product, service, equipment or supplier sought to be approved. See Item 8.

10. If, as a result of a site-visit, on-site review or consultation, any deficiencies related to the Franchised Business are identified, you must correct the deficiency within a reasonable time as

we may designate in writing. If you fail to correct the deficiencies in a manner satisfactory to us, we may take any action as is necessary to correct the deficiency and you must reimburse us on demand for our reasonable costs and expenses in connection with this action. We do not expect any inspection costs to exceed $5,000. We will conduct up to two on-site evaluations for each Franchised Business.

11. All materials required by federal or state law for the offering of securities or partnership interests in you must be submitted to us for review before filing with any government agency, and any materials to be used in any exempt offering must be submitted to us for review before their use. For each proposed offering, you must pay us $10,000 or, if greater, an amount necessary to reimburse us for our costs and expenses associated with reviewing the proposed offering, including legal and accounting fees.

12. Additional training for you or your employees may include on-site assistance and consultation we provide to you if you fail to achieve established performance criteria, as described in Item 12. We may also provide additional training to address franchisee defaults or deficiencies. We do not currently charge for this additional training, but we may do so. If we charge for this additional training, we expect that the cost will be calculated to reimburse us for the costs and expenses of allocating our employees to conduct the training and amount to approximately $400 per day and last at least 1 day.

13. After you have completed the site evaluation information packet required under the Area Development Agreement or the Site Selection Addendum to the Franchise Agreement, and provided us with all of the information that we request, we will visit your proposed site and you must pay us our then-current site evaluation fee, which is currently $1,250 per site visit, plus our expenses.

14. We maintain a website for the system which may include one or more pages about your FITNESS EVOLUTION business. We will periodically update the information relating to your FITNESS EVOLUTION business as you request. Some of the changes that we may make at your request include, changes in phone numbers for club contacts, your pricing schedules, group workout or activities schedules, and trainer biographies and pictures. We will set up, provide and maintain email for you. The Web Servicing Fee includes this kind of general maintenance only and does not include custom design work or SEO.

15. Before opening, you may request that we assign a Membership Sales associate to assist you with the pre-sale of memberships. Availability of Membership Sales associates is not guaranteed and is on an as-available basis. If you request this assistance and we agree to provide it, you must compensate us for the cost of providing it, which may be up to $500 per day for up to 5 days. You must also pay for the travel and lodging costs of the Membership Sales associate.

16. If an independent audit of your books reveals an underpayment of monies owed to us, you must immediately pay to us the amount underpaid plus interest on this underpaid amount at the rate of 2% per month (or, if less, the maximum rate permitted by law) from the date the amount was due. If an audit reveals underpayment of 3% or more in any month, you must

reimburse us for our costs and expenses of the audit. We do not expect the costs of any audit to exceed $10,000.

Except as described above, all fees are imposed by and payable to us and are uniform to new franchisees. We reserve the right to change the terms in the future for later franchisees. All fees are non-refundable.

ITEM 7
ESTIMATED INITIAL INVESTMENT

CONVERSION FRANCHISE:

YOUR ESTIMATED INITIAL INVESTMENT

Expenditure Type	Amount-Low	Amount-High	Method of Payment	When Due	To Whom Payment is to be made
Initial Franchise Fee[1]	$30,000	$30,000	Deposit and installment payment or lump sum	Upon signing of Deposit and Letter of Intent and/or upon signing of Agreement	Us
Site Selection Costs[2]	$0	$1,250	Single payment	As incurred	Us
Lease, Improvements, Furniture, Fixtures, Utilities[3]	$50,000	$200,000	As arranged	As arranged	Approved Suppliers or other Vendors
Signage and Media[4]	$6,000	$24,000	As arranged	Before opening	Approved Suppliers or other Vendors
Presale Marketing /Grand Opening Campaign[5]	$60,000	$120,000	As arranged	Before opening	Vendors
Training Expenses[6]	$1,500	$6,500	As arranged	As incurred	Vendors

Expenditure Type	Amount-Low	Amount-High	Method of Payment	When Due	To Whom Payment is to be made
Fitness Equipment Lease Deposit and Payments and Startup Supplies[7]	$5,000	$189,000	As arranged	As incurred	Approved Suppliers or other Vendors
Insurance[8]	$1,500	$12,500	Single payment (for first year's premium)	Before opening	Vendors
Licenses[9]	$100	$2,500	As arranged	According to statute or ordinance	Government Agencies
Computers, Software, Office Equipment, Phones[10]	$5,000	$15,000	As arranged	Before opening	Vendors
Professional Fees[11]	$1,000	$10,000	As arranged	Before opening	Your lawyer or accountant
Utilities and Operational Services[12]	$1,000	$2,500	Lump sum	As arranged	Utilities, CC companies, communications, Credit card companies
Additional Funds – 3 months[9]	$5,000	$10,000	As arranged	As incurred	Vendors, Suppliers
TOTALS	**$166,100**	**$623,250**			

STANDARD FRANCHISE:

YOUR ESTIMATED INITIAL INVESTMENT

Expenditure Type	Amount-Low	Amount-High	Method of Payment	When Due	To Whom Payment is to be made
Initial Franchise Fee[1]	$30,000	$30,000	Deposit and installment payment or lump sum	Upon signing of Deposit and Letter of Intent and/or upon signing of Agreement	Us
Site Selection Costs[2]	$1,250	$2,500	Single payment	As incurred	Us
Lease, Improvements, Furniture, Fixtures, Utilities[3]	$200,000	$1,200,000	As arranged	As arranged	Landlord, Approved Suppliers or other Vendors
Signage and Media[4]	$6,000	$24,000	As arranged	Before opening	Approved Suppliers or other Vendors
Presale Marketing /Grand Opening Campaign[5]	$60,000	$120,000	As arranged	Before opening	Vendors
Training Expenses[6]	$1,500	$6,500	As arranged	As incurred	Vendors
Fitness Equipment Lease Deposit and Payments and Startup Supplies[7]	$15,000	$189,000	As arranged	As incurred	Approved Suppliers or other Vendors
Insurance[8]	$1,500	$25,000	Single payment (for first year's premium)	Before opening	Vendors
Licenses[9]	$1,000	$2,500	As arranged	According to statute or ordinance	Government Agencies

Expenditure Type	Amount-Low	Amount-High	Method of Payment	When Due	To Whom Payment is to be made
Computers, Software, Office Equipment, Phones[10]	$5,000	$15,000	As arranged	Before opening	Vendors
Professional Fees[11]	$1,000	$10,000	As arranged	Before opening	Your lawyer or accountant
Utilities and Operational Services[12]	$3,000	$5,000	Lump Sum	As arranged	Utilities, CC companies
Additional Funds – 3 months[13]	$5,000	$10,000	As arranged	As incurred	Vendors, Suppliers
TOTALS	**$330,250**	**$1,639,500**			

Notes (apply to both charts, above):

1. The Initial Franchise Fee is $30,000. See Item 5. If you sign an Area Development Agreement, you must pay a Development Fee equal to $30,000 for the first FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement, plus $20,000 for each additional FITNESS EVOLUTION Franchised Business you agree to develop under the Area Development Agreement which is due when you sign the Development Agreement. When you sign the Franchise Agreement, you will receive a credit of $30,000 toward the Initial Franchise Fee for the first Fitness Evolution business you agree to develop under the Area Development Agreement and a $20,000 credit for each additional Fitness Evolution business you agree to develop under the Area Development Agreement. You may elect to enter into a Deposit Agreement & Letter of Intent with us before executing a Franchise Agreement. Under the Deposit Agreement & Letter of Intent, you will pay us a deposit of $10,000, which will be credited toward the Initial Franchise Fee under the Franchise Agreement.

2. If you intend to establish a new fitness center that will be a FITNESS EVOLUTION Franchised Business, you may elect to ask for our assistance in selecting a site. If you do, we may require that you reimburse us for our reasonable costs and expenses, including the costs of travel, lodging and meals, among other expenses. We expect these expenses to be $1,250 per site reviewed, or less.

3. Franchised Businesses are intended to be located in strip centers, malls, and freestanding buildings. We typically recommend that you lease your location, but you may purchase the real estate if you wish. The cost to purchase or lease and developing a site for a Fitness Evolution will vary considerably depending on the location, size, local real estate market and other factors and will depend on whether you are converting an existing facility or are opening a new location.

Typically, you will lease a location at least 17,000 square feet and up to 30,000 square feet. The estimate above includes 3 months' rent and utilities expenses. You will pay for the site work and the leasehold improvements with cash, third-party financing, through an agreement with your landlord, or a combination. Typically, the necessary leasehold improvements include HVAC, data and entertainment cabling, electrical, plumbing, installation of floors, carpet and other surfaces, interior directional signage, and interior branding design elements, furniture, fixtures and equipment and other items unique to the operation of a fitness business. Existing fitness center businesses with adequate facilities and systems will generally incur expenses in the range contained in the "Conversion Franchise" chart. New facilities that have not been used as a fitness center previously will generally incur expenses in the range contained in the "Standard Franchise" chart.

4. The type of signage you will need will depend significantly on the nature of the facility to obtain and any zoning requirements or landlord restrictions in place. This estimate includes either building, pylon or monument signage and directional and mobile signage, as we specify in the Manual.

5. We expect all new FITNESS EVOLUTION Franchised Businesses to conduct a Presale Marketing/Grand Opening Campaign, which will include a variety of media, public relations, marketing and advertising materials. The Presale Marketing/Grand Opening Campaign generally begins 90 days before opening and continues until 90 days after opening. While your facility is undergoing its leasehold improvements to be a FITNESS EVOLUTION Franchised Business, you will conduct your presale marketing efforts from a temporary facility (which must be approved by us) located at or near the site of your location. We may adopt standards and specifications for the temporary facility in the operations manual. On or about the date of opening, we recommend that each FITNESS EVOLUTION fitness center conduct a Grand Opening (on which we will consult with you). You must spend at least $10,000 in each 30-day period of the Presale Marketing/Grand Opening Campaign. The low estimate in the chart assumes that you will spend the minimum amount and that the leasehold improvements needed to your facility will permit a portion of your facility to serve as a suitable temporary facility. The high estimate in the chart assumes that you may spend more than the minimum and that you will obtain a suitable, additional temporary facility for the Presale Marketing/Grand Opening Campaign.

6. You are responsible for any travel and lodging expenses you or any of your employees who receive training may incur. Training generally is conducted at FITNESS EVOLUTION fitness centers operated by affiliated companies either in Hyattsville, Maryland or in Seattle, Washington. In some circumstances, conversion franchisees may not require on-site training, in our discretion. See Item 11.

7. You will need to obtain fitness equipment from our approved suppliers. We expect that you will lease the equipment. You are responsible for arranging financing for the equipment lease. We estimate down payments for a new location to range between $2,500 and $150,000. (If you choose to purchase instead of lease, the equipment cost will range from $350,000 to $550,000, but this additional cost is not included in the estimate.) The terms of a lease (or the purchase price should you chose not to lease) will vary depending on the size of the location and

the terms of the fitness lease. If you are converting an existing facility to the FITNESS EVOLUTION brand, the cost of the equipment may be less depending on whether the existing fitness equipment meets our standards. You may also need an initial supply of various office and cleaning supplies and uniforms.

8. You must procure and maintain an insurance policy or policies protecting you and us against any demand or claim with respect to bodily injury, personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Franchised Business. The policy or policies must be written by a carrier with a minimum Bests Rating of A unless we grant specific approval, must name us as an additional insured as specified by us, and must provide at least the following types and minimum amounts of coverage (subject to periodic modification made by changes in the Manual or other notice): Commercial General Liability Insurance, including Premises, Operations, Products, Completed Operations and Contractual Liability coverages (not less than $1 million per occurrence); Business Automobile Liability Insurance covering all owned, non-owned, and hired automobiles (not less than $1 million per accident); Employer's Liability and Worker's Compensation Insurance (as required by state and local laws but in any case not less than $1 million per occurrence); Umbrella Liability (not less than $2 million); Property Insurance (not less than 90% of the replacement cost of the insured property; if your Approved Location is located in a flood zone other than B, C or X, as determined by the Federal Emergency Management Agency, you must also obtain flood insurance coverage in the amount of the lesser of 90% of the replacement cost or the maximum coverage available from the National Flood Insurance Program) and Professional Liability (Errors & Omissions) Insurance (minimum of $1,000,000 of coverage for every $5,000,000 of annual written premium by the franchisee with a floor of $1,000,000 of coverage and a maximum deductible of $25,000 allowed). We may require you to obtain some or all of these policies from vendors approved or required by us. We may expand the insurance requirements and your coverage amounts from time to time. The estimate in the chart assumes that you will pay a full year's premium in advance. This estimate also includes your costs for any bonding requirements for "future services" under state or local laws or ordinances.

9. You must obtain whatever licenses and permits that are required to occupy the premises and operate the Franchised Business at your location. The nature and amounts of these licenses will depend on the local laws, rules and ordinances in your jurisdiction.

10. You must purchase or lease a compatible computer system from our approved billing provider. The billing provider will train you and your staff on general system operations at no extra fee. We will provide you specific reporting and operational remote training at no additional fee. Typically, you will need at least 2 desktop computers for front desk/check-in/retail purchase functions, including product and membership card scammers, receipt printer and credit card terminal, and printers. In addition, you will typically need 2 or 3 tablet computers, laptops, or kiosks for self-service sign up. Also, you will need one office computer with a printer and scanner. If you offer personal training services, you will need at least one tablet or laptop computer for their use.

11. You may wish to engage a lawyer or an accountant to assist you in the review of this offering, the purchase of the franchise, forming a legal entity or in obtaining any necessary

permits or licenses. Your costs may be higher if you wish for your advisor to be heavily involved in the start-up process.

12. The estimate includes the deposits or binding requirements, hook-up fees, and small equipment purchases may be necessary to set up services related to utilities and data, entertainment (including music and movies).

13. This estimate includes your start-up expenses during your first three months of operation. These expenses include royalty and other fees payable to us, repairs and maintenance for equipment, advertising, bank charges, state taxes, depreciation/amortization, and other miscellaneous items. This range does not include an estimate of your (or your Manager's) salary. If you intend to draw a salary (or if you wish to employ a Manager who is not you) during the initial phase of business, you should modify these estimates accordingly. Your costs may be more or less depending on your management skill, experience and business acumen, local economic conditions, whether you already have some of the items described in this Item and your actual sales.

In formulating these estimates, we have relied on our officers' and members' experience in operating a business similar to the Franchised Business. All expenses paid to us or our affiliates are non-refundable. We will not finance any part of the initial investment. You should review these figures with a business advisor before making any decision to purchase a franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only use and/or offer for sale such fixtures, furnishings, equipment (including cash registers and/or point of sale systems, billing platform and computer hardware and software), exercise equipment, services, merchandise, forms, labels and other supplies that conform to our specifications and quality standards (**"Approved Products"**) and/or are purchased from suppliers approved by us (which may include us and/or any of our affiliates) (**"Approved Suppliers"**). You may be required to use and/or offer for sale any of the Approved Products and Services that we designate. You acknowledge that we or our affiliates are and may be the sole Approved Supplier for any of the Approved Products. We may modify the list of Approved Products and/or Approved Suppliers in the Manual or otherwise in writing from time to time. After notice of such modification, you may not reorder any products or services or reorder from any supplier which is no longer approved.

If you propose to use any products or services and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such products or services and/or supplier so that we can decide whether such products or services comply with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will make a reasonable effort to evaluate and approve or disapprove the additional product or supplier with 2 weeks of our receipt of your notification, but we may have up to thirty (30) days. If such product or service has not been approved in writing at the conclusion of such thirty (30) day period, it will be deemed to be disapproved. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a

written agreement. We do not generally make our criteria for approval of suppliers available to you, but we may elect to do so if you ask. We may impose limits on the number of Approved Suppliers and/or Approved Products and Services for any of the foregoing items including designating us or an affiliate as the sole Approved Supplier. We may revoke our approval of a product, service or supplier at any time and for any reason by providing you written notice or through a change to the Manual.

Because we did not have any operational franchises in our most recent fiscal year, we received no compensation on account of franchisee purchases in that year. We estimate that purchases you make from us or our designees will represent approximately 60% of your costs to establish the Franchised Business and approximately 25% of your ongoing expenses in operating the Franchised Business.

We anticipate that we will negotiate purchasing or leasing arrangements from time to time with suppliers for the benefit of our franchisees. We expect, but do not guarantee, that those purchasing or leasing arrangements will allow you to obtain certain products and supplies at a lower price than if you were to purchase or lease them individually. We do not otherwise provide material benefits to you for purchasing or leasing from designated or approved sources. Also, we may be compensated by suppliers based on franchisee purchases or leases. In some cases, suppliers may pay us (or FEL or an affiliate of ours) a percentage of the total purchases or leases made by franchisees to be used in the marketing of the supplier's brand at or through the Franchised Businesses. Some suppliers may pay us a cash rebate based on franchisee purchases or leases. During our 2015 fiscal year, we received $0 in on account of franchisee purchases and leases, representing 0% of our $72,533 in total revenues. This information was derived from our audited financial statements as of December 31, 2015. In some cases, we or an affiliate of ours may purchase products and supplies from a supplier at a volume discount and re-sell these products and supplies to you. If we re-sell products and supplies to you, we may require that you pay us more than we paid for those products and supplies in consideration for our administrative expenses incurred in arranging for bulk sales and volume discounts or for warehousing or distributing those products and supplies to you. During its 2015 fiscal year, FEL received $99,450 as a result of rebates from various suppliers from aggregate FITNESS EVOLUTION System purchases (including licensees and affiliate-owned fitness centers), which represented 100% of FEL's total revenue of $99,450. This information was derived from FEL's unaudited financial statements as of December 31, 2015. M Group received no revenues as a result of franchisee (or licensee) purchases in 2015, but it may receive rebates from advertising and marketing companies based on the volume of service provided to FITNESS EVOLUTION businesses.

Currently, we have designated Approved Suppliers for marketing services, billing software and services and various fitness equipment. FEL is not currently an Approved Supplier, but we anticipate that it may be an Approved Supplier for logoed merchandize, certain retail products or other services. As noted in Item 2, Chris Maddox and Jeff Mayerson are members of and maintain and ownership interests in FEL. Neither we nor any other affiliate are currently an Approved Supplier and we do not expect that we or any other affiliate will be an Approved Supplier, but we reserve the right to do so.

Currently, there are no purchasing or distribution cooperatives in existence for the Fitness Evolution system, but we may elect to establish them.

Except as described above, neither we, nor any affiliates are approved suppliers for any products.

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 agreement	Disclosure document item
a. Site selection and acquisition/lease	Section 1.2 of the Franchise Agreement and Site Selection Addendum; Sections 5.3 and 5.4 of the Area Development Agreement	Items 11 and 12
b. Pre-opening purchases	Section 3.1 of the Franchise Agreement	Items 5 and 8
c. Site development and other pre-opening requirements	Section 6.8 of the Franchise Agreement; Sections 5.3 and 5.4 of the Area Development Agreement	Item 11
d. Initial and ongoing training	Section 5 of the Franchise Agreement; Section 3.4 of the Area Development Agreement	Item 11
e. Opening	Declarations Page and Section 11.1 of the Franchise Agreement	Item 11
f. Fees	Deposit Agreement & Letter of Intent; Section 4 of the Franchise Agreement; Section 4.1 of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 6 and 8 of the Franchise Agreement; Section 5.3 of the Area Development Agreement	Items 8, 11, 12, 13, 14, 15 and 16
h. Trademarks and proprietary information	Sections 7, 8 and 9 of the Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 3.1, 3.2 of the Franchise Agreement	Items 8 and 16

Obligation	Section in agreement	Disclosure document item
j. Warranty and customer service requirements	Section 6.1 of the Franchise Agreement	Item 12
k. Territorial development and sales quotas	Section 6.12 of the Franchise Agreement; Section 1.1 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 3.1, 6.1 and 6.2 of the Franchise Agreement	Items 8 and 16
m. Maintenance, appearance, and remodeling requirements	Sections 2.2.2, 6.1 and 13.3.6 of the Franchise Agreement	Item 11
n. Insurance	Section 12 of the Franchise Agreement; Section 7 of the Area Development Agreement	Item 14
o. Advertising	Section 11 of the Franchise Agreement	Items 6 and 11
p. Indemnification	Section 19.4 of the Franchise Agreement; Section 14.4 of the Area Development Agreement	Item 6
q. Owner's participation/management/staffing	Sections 6.4 and 16.1 of the Franchise Agreement	Item 15
r. Records and reports	Section 10; Section 3.5 of the Area Development Agreement	Item 6
s. Inspection and audits	Section 3.4 and 10.6 of the Franchise Agreement	Items 6 and 11
t. Transfer	Section 13 of the Franchise Agreement; Section 8 of the Area Development Agreement	Item 17
u. Renewal	Section 2.2 of the Franchise Agreement	Item 17
v. Post-termination obligations	Sections 9.1, 15 and 23.2 of the Franchise Agreement; Sections 6.1, 10 and 18.2 of the Area Development Agreement	Items 15 and 17
w. Non-competition covenants	Section 16.3 of the Franchise Agreement; Section 11.3 of the Area Development Agreement	Items 15 and 17

Obligation	Section in agreement	Disclosure document item
x. Dispute resolution	Section 24 of the Franchise Agreement; Section 19 of the Area Development Agreement	Item 17
y. Other: Guarantee of franchisee obligations	Exhibit G to the Franchise Agreement (Guarantee, Indemnification, and Acknowledgment); Exhibit E to the Area Development Agreement	Items 15 and 17

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 Franchised Business, we will:

1. Assist you with evaluating your proposed Approved Location. (Site Selection Addendum)

2. Approve your Approved Location, if it meets our standard and specifications. (Section 1.2 of the Franchise Agreement)

3. Provide you with access to lists of Approved Products and Services, Approved Suppliers and Prohibited Products and Services. (Sections 3.1 and 3.2 of the Franchise Agreement)

4. Provide an initial training program, as more fully described below in this Item 11. (Sections 3.3 and 5 of the Franchise Agreement)

5. Provide you with access to the Manual, which includes (among other things) systems and processes for establishing and operating the Franchised Business. (Sections 3.5 and 8 of the Franchise Agreement)

6. Consult with you on the implementation of a Grand Opening Campaign, as more fully described below in this Item 11. (Section 11.1 of the Franchise Agreement)

7. Grant you the right to use the System and the Proprietary Marks. (Section 1.1 of the Franchise Agreement)

8. Establish a website presence for your location. (Section 3.11 of the Franchise Agreement)

Area Development Agreement

1. We will furnish to you site selection guidelines, including our minimum standards for a location for your Franchised Businesses, and any site selection counseling and assistance we may deem advisable. (Section 3.1 of the Area Development Agreement)

2. In response to your request for site authorization, we will perform one on-site evaluation per proposed site for each Franchised Business to be developed under the Area Development Agreement. We may perform additional on-site evaluations as we may deem advisable in response to your request for site approval. But, we will not be required to provide on-site evaluations for any proposed site in addition to your first proposed site for each Franchised Business. If we perform more than one site evaluation for a Franchised Business, we may require that you pay our then current site evaluation fee. (Sections 3.2 and 5.3 of the Area Development Agreement)

3. Before opening your first Franchised Business under the Area Development Agreement, we will provide you (or if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your principals who is designated to supervise the operation of the area development business and who has been previously approved by us) and one of your full-time managers our initial training program. (Section 3.4 of the Area Development Agreement)

Post-Opening Assistance

Franchise Agreement

During the operation of the Franchised Business, we will:

1. Provide you with access to periodic updates to the list of Approved Products and Services, Approved Suppliers and Prohibited Products and Services. (Section 3.1 and 3.2 of the Franchise Agreement)

2. Conduct site visits, as we deem advisable. (Sections 3.4 of the Franchise Agreement)

3. Review proposed new products and services. (Section 3.1 of the Franchise Agreement)

4. Provide access to the Manual. (Sections 3.5 and 8 of the Franchise Agreement)

5. Update the Manual, as we deem appropriate. (Section 8.4 of the Franchise Agreement)

6. Provide, through the Manual, site visits or otherwise, periodic advice and written materials concerning required and suggested techniques for managing the Franchised Business, as we deem advisable. (Section 3.6 of the Franchise Agreement)

7. Establish purchasing or distribution cooperatives, as we deem advisable. (Section 3.7 of the Franchise Agreement)

8. Establish and maintain any computer software programs and appropriate hardware, as we deem advisable. (Section 3.8 of the Franchise Agreement)

9. Offer additional training as we deem appropriate. (Section 5.2 of the Franchise Agreement)

10. Establish pricing schemes and strategies for products, services and memberships offered by franchisees in the System, as we deem advisable. (Section 6.13 of the Franchise Agreement)

11. Establish reciprocal access programs and/or customer loyalty programs and rules applicable to the transfer of memberships between FITNESS EVOLUTION fitness centers, as we deem advisable. (Section 6.14 of the Franchise Agreement)

12. Administer, as we deem advisable, a Marketing Fund for the enhancement of the System. (Section 11.2 of the Franchise Agreement)

13. Establish Co-Ops for marketing and advertising of FITNESS EVOLUTION fitness centers and products and services by multiple FITNESS EVOLUTION fitness centers operating within a defined geographic area, if we deem advisable. (See below, under the heading "Co-Ops".) (Section 11.4 of the Franchise Agreement)

14. Review proposed advertising materials submitted by you. (Section 11.5 of the Franchise Agreement)

15. Conduct regional or national meetings as we deem necessary. (Section 6.9 of the Franchise Agreement)

16. Establish an organization to facilitate communication between us and our franchisees, called a "Franchisee Advisory Council", if we deem advisable. (Section 6.11 of the Franchise Agreement)

Advertising

Presale Marketing/Grand Opening Campaign

We will consult with you on the implementation of a Presale Marketing/Grand Opening Campaign. As noted in Item 7, you must conduct Presale Marketing/Grand Opening Campaign which generally begins 90 days before opening and continues until 90 days after opening. You must spend at least $10,000 in each 30 day period of the Presale Marketing/Grand Opening Campaign. We will provide you with advice and recommendations for the appropriate amount of expenditure for your situation and the materials, techniques and logistics of implementing the Presale Marketing/Grand Opening Campaign.

Local Advertising

You are required to spend at least $3,000 each month and at least $60,000 in each full calendar year on local advertising and marketing. You must submit samples of all advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) if we have not prepared or previously approved them. You may not use plans or materials until they have been approved by us. If you have not received written disapproval within 30 days of our receipt of these samples or materials, you may use them. You must stop using any advertising disapproved by us immediately upon notice.

Marketing Fund

We may establish and maintain an advertising and marketing fund (**"Marketing Fund"**) for the common benefit of the System. We may require you to contribute one and one-half percent (1.5%) of your Gross Revenues per month to the Marketing Fund.

Under the Franchise Agreement, we have the right to use Marketing Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, developing and preparing advertising, marketing, public relations and other promotional programs and materials, and any other activities which we believe will enhance the System, including the costs of preparing and developing print, radio and television advertising; Internet advertising; direct mail advertising; marketing surveys; employing advertising or public relations agencies; purchasing promotional items; and providing promotional and other marketing materials and services to businesses operating under the System. We may use the Marketing Fund to reimburse us or our affiliates for the internal expenses of operating an advertising department and administering the advertising program. The Marketing Fund will not be used to fund advertising relating solely to the sale of franchises. This reimbursement will not exceed 10% of all contributions to the Marketing Fund.

We will direct all Marketing Fund programs, with sole discretion over the concepts, materials and media used in the programs and the placement and allocation of them. The Marketing Fund is intended to maximize general public recognition, acceptance and use of the System. We are not obligated to make expenditures for you, on your behalf or in your Territory which are

equivalent or proportional to your contributions or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

You must contribute to the Marketing Fund by separate check from any other monies paid to us. All monies paid into the Marketing Fund will be maintained by us in a separate account from our general operating revenues. Our company-owned and affiliate-owned FITNESS EVOLUTION businesses will participate in the Marketing Fund in the same manner that similarly situated franchisees participate. We anticipate that all contributions to the Marketing Fund will be expended during the Marketing Fund's fiscal year in which they are received. Marketing Fund surpluses, if any, may be expended in the following fiscal year(s). We may advance money to the Marketing Fund from time to time. In this event, we may be reimbursed by the Marketing Fund for the monies advanced. The Marketing Fund will not be audited, but at your request you may receive an annual report of expenditures and advertising contributions, within 120 days of our fiscal year, for the fiscal year most recently ended.

In our most recently ended fiscal year, the Marketing Fund did not exist and no expenditures were made from the Marketing Fund.

We do not anticipate that any Marketing Fund contributions will be used to solicit the sale of franchises.

Co-Ops

We may designate any geographical area for purposes of establishing a market advertising and promotional cooperative fund (the **"Co-Op"**). Generally, the geographic area for a Co-Op will be contiguous and part of or an entire metropolitan area. If a Co-Op for the geographic area in which your Franchised Business is located has been established at the time you open, you and all FITNESS EVOLUTION fitness centers in the geographic area of the Co-Op must immediately become members of that Co-Op, unless we otherwise agree. If a Co-Op for the geographic area in which your Franchised Business is located is established during the term of this Agreement, you and all FITNESS EVOLUTION fitness centers in the geographic area of the Co-Op must become members of that Co-Op within thirty (30) days after the Co-Op begins operation, unless we otherwise agree. You will not be required to be a member of more than one Co-Op.

Each Co-Op will be organized and governed, and begin operations on a date, that we prescribe or approve. Any documents establishing or governing the Co-Op will be available for review by any Co-Op member, upon reasonable request. Unless we specify otherwise, the activities carried on by each Co-Op will be decided by a majority of its members. The members will also decide upon the amount of required contributions to the Co-Op, provided that we may provide our recommendations and guidelines and will have the right to approve or disapprove a particular requirement or to specify minimum contribution levels. Any FITNESS EVOLUTION business that we operate or manage in the region will have the same voting rights as those owned by the franchisees. Each owner of a Franchised Business (or a FITNESS EVOLUTION business owned by us or our affiliates) will be entitled to cast one (1) vote. Because we have not established any Co-Ops as of the date of this Disclosure Document, we have not adopted a policy regarding whether Co-Ops must prepare annual or periodic financial statements for review by us

or Co-Op members. But, we expect that Co-Ops will be required to produce unaudited statements no less than annually for review by all Co-Op members and us.

Each Co-Op will be organized for the exclusive purpose of administering regional advertising programs and developing standardized promotional materials for use by the members in local advertising and promotion.

No advertising or promotional plans or materials may be used by a Co-Op or furnished to its members without our approval.

You must submit your required contribution to the Co-Op at the time you pay your Royalty Fee. We have the right to require that you submit payments and reports to the Co-Op directly to us for distribution to the Co-Op. If we incur administrative expenses in support of the Co-Op, these expenses may be paid to us from the funds of the Co-Op. If you are required to contribute to a Co-Op, your contributions will be credited toward your requirements to make expenditures for local advertising.

Each Co-Op is intended to be of perpetual duration, but we will have the right to terminate any Co-Op. We may also change the structure or operation of the Co-Op or merge one or more Co-Ops, as we deem advisable or appropriate. But, a Co-Op will not be terminated until all monies in that Co-Op have been expended for advertising and/or promotional purposes.

Advertising Council

No Advertising Council consisting of any franchisees currently exists that has decision making power relating to any System advertising, but we may create one or more in the future.

Computer Requirements

We do not currently require that you obtain or use any specific computer or point-of-sale terminal in the operation of the Franchised Business, although we expect to do so. Generally, you will need at least 2 desktop computers for front desk/check-in/retail purchase functions, including product and membership card scanners, receipt printer and credit card terminal, and printers. In addition, you will typically need 2 or 3 tablet computers, laptops, or kiosks for self-service sign up. Also, you will need one office computer with a printer and scanner. If you offer personal training services, you will need at least one tablet or laptop computer for their use. The initial cost of purchasing these computers and related equipment will range from $4,000 to $12,000, but may be less if you decide to lease any of the equipment. Neither we nor any of our affiliates are not obligated to provide any ongoing maintenance, repairs, upgrades or updates to your computer hardware or software. You are responsible for any ongoing maintenance, repairs, upgrades or updates to your computer hardware or software.

You will also need a billing software program suitable for operating a fitness center. We have established an Approved Supplier for billing and club data management services (including member information, fee collection data, EFT transactions, customer check-in, and client relationship management) which software is provided online as an SAS (software as a service) subscription. The monthly cost for this software (which is paid directly to the Approved

Supplier) is $500 per month plus $0.10 for each transaction plus 2.75% of the transaction for credit or debit transactions. The monthly software fee includes all necessary software updates and upgrades (which are provided by the Approved Supplier).

We will have independent access to all of the information stored in any software provided by an Approved Supplier and there are no limitations on our right to access this data.

Manual

The Table of Contents of the Manual is attached as Exhibit I.

Training Program

Before your Franchised Business opens, you and those that you hire as a Manager must successfully complete, to our satisfaction, our standard initial training program before you open your FITNESS EVOLUTION fitness center. You and your Manager will not pay a fee for the initial management training program, but you will be responsible for your travel expenses to attend initial management training. The topics currently covered during training are identified in the chart below.

TRAINING PROGRAM

Subjects Taught	Hours of Classroom Training	Hours of On-the-Job Training	Location
Site Selection and Development	2	0	Seattle, WA or Sterling, VA
Customer Service/Front Desk	0	4	Seattle, WA or Sterling, VA
Billing	0	3-4	Seattle, WA or Sterling, VA
Human Resources	0	1	Seattle, WA or Sterling, VA
Marketing	2	2	Seattle, WA or Sterling, VA
Administrative	0	2	Seattle, WA or Sterling, VA
Maintenance and Operations	0	6	Seattle, WA or Sterling, VA

In addition, we will provide you with two weeks' training on the day-to-day operation of the business at an affiliate's FITNESS EVOLUTION fitness center in either Seattle, WA or Sterling, VA.

We may require that you, your Manager or your employees attend additional training that we deem necessary. We may consider many factors in determining whether or not to require that you or your employees attend additional training, including: (a) the length of time since your completion of the initial training program, (b) the existence of new procedures, processes or technology in the System or in your service segment, and (c) performance. Subjects covered in any additional training may include, for example: (i) System-wide changes in processes, procedures or offerings, (ii) franchisee-specific or employee-specific trouble-shooting, (iii) safety, (iv) sales and marketing, (v) service, (vi) computer hardware and software, and (vii) financial recordkeeping. The standard initial training program and any additional training will be conducted in Seattle, Washington or at any other location that we deem appropriate. Additional training, if and when provided, will generally be at least 1 day and may last up to 3 days. We may elect to perform some training programs at a location in or near your Territory. You, your

Manager or employees may pay a fee for additional training, and you will be responsible for your travel expenses to attend additional training.

The initial training program is conducted on an as-needed basis. All training will be conducted under the supervision of Chris Finch who has 23 years of experience in the fitness business.

The instructional materials used in the training program include the Manual, software user manuals and marketing materials.

Site Selection

Franchise Agreement

We must approve the location of your Franchised Business. In determining whether to approve a location, we may consider demographic and population growth data and traffic volume and patterns and other factors that we deem appropriate. We expect that you will lease the premises for your Franchised Business from a third party. We must approve your lease (if applicable). If you do not already have an acceptable location, you must obtain an acceptable location within 90 days after signing the Site Selection Addendum (Exhibit B to the Franchise Agreement), if applicable. You must submit all information and materials for your proposed site for our approval within 60 days of signing the Site Selection Addendum, after which we have 15 days to approve or disapprove your site. You are responsible for constructing, remodeling and decorating the premises and conforming the premises to local ordinances and building codes and obtaining any required permits, but we may provide you with advice or assistance, if we deem it appropriate in the circumstance. If we do not approve your site within that 15 day period, your site will be deemed disapproved. If you already have a location that you wish to use as your Approved Location, it must be approved before you sign the Franchise Agreement. If it is approved, you will not need to sign the Site Selection Addendum. If you do not have an Approved Location at the time you sign the Franchise Agreement, then you must also sign the Site Selection Addendum. If you have not obtained an approved location within the time period allotted, we may terminate the Franchise Agreement.

Area Development Agreement

If you sign an Area Development Agreement, for each Franchised Business that you will develop, you must identify and obtain a site that we authorize within the Development Area. The site selection terms and procedures and the time frames and time limits described in the Area Development Agreement for developing each Franchised Business will apply to the site selection and deadlines for opening of Franchised Businesses under the Area Development Agreement (and not those site selection terms and time frames in the Franchise Agreements signed for each Franchised Businesses).

We may provide you with certain site selection counseling and assistance, as we may deem advisable. In response to your request for site authorization, we will perform up to two on-site evaluations for each Franchised Business you will develop. We may perform additional (that is, more than two) on-site evaluations if we deem it advisable in response to your requests for site

review and authorization. If we deem that on-site evaluation is necessary and appropriate (on our own initiative or at your request) for any Franchised Business to be established, you must pay us our then-current site evaluation fee, which is currently $1250 per visit, plus our expenses.

You must submit to us, in the form we specify, a completed site evaluation package, which must include a site evaluation and acceptance form that we prescribe, a copy of the site plan, financial information, and any other materials or information that we may require, together with an option contract, letter of intent, term sheet, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will use reasonable efforts to accept or reject the proposed site within 30 business days after receiving your completed site evaluation package.

When considering a site for a FITNESS EVOLUTION Franchised Business, we consider factors such as area demographics, configuration and characteristics of shopping center, site specifications (such as size, visibility, parking), condition of the premises, and potential lease terms. We will make our site-selection criteria available to you upon request.

Once authorized, the site for a Franchised Business will be the "**Location**" for that particular Franchised Business, and you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. The lease must include in the "Lease Rider," attached to the Franchise Agreement as Exhibit F. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

If we have recommended, accepted, authorized or approved, or given you information regarding, a site for a Location, that is not a representation or warranty of any kind, express or implied, of the suitability of the site for a FITNESS EVOLUTION Franchised Business or any other purpose. Nor is it a representation or warranty as to the level of sales or revenue that may be generated by a FITNESS EVOLUTION Franchised Business at the site. Our recommendation indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and changeable nature of these criteria and factors are beyond our control, and we are not responsible if a site and premises we recommend, accept, approve or authorize fail to meet your expectations. Your acceptance of the obligation to develop a Franchised Business is based on your own independent investigation of the suitability of the site for the Franchised Business.

We estimate that the time period between beginning to find a site for a Location and the start of operations at a Franchised Business at that Location will be approximately nine months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, and obtain and install fixtures and equipment, and obtain supplies.

Length of Time between Signing and Opening

We expect you to open your Franchised Business within 6 months from the date we sign the Franchise Agreement if you are converting an existing fitness center business. If you are

establishing new fitness center, we expect you to open your Franchised Business within 12 months from the date we sign the Franchise Agreement. We expect that the length of time between signing a Franchise Agreement and opening will vary depending – among other things – on the amount of build-out or renovation needed to modify the facility to be FITNESS EVOLUTION fitness center, your ability to arrange for delivery, assembly and installation of furniture, fixtures and equipment and local licensing, permitting and building code enforcement requirements. The average length of time between signing a Franchise Agreement and opening is between 90 and 120 days.

ITEM 12
TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to own and operate a FITNESS EVOLUTION Franchised Business only at the Approved Location. You may not relocate the Approved Location without our written permission.

The Franchised Business must be located within a geographic area (the **"Territory"**). The Territory will be defined by a map attached to the Franchise Agreement and is not defined by the population contained within the Territory, but will generally consist of approximately 75,000 people residing within a 10 minute drive time from the Approved Location at the time of execution of the Franchise Agreement. The Territory will be described in the Franchise Agreement and depicted on a map attached to the Franchise Agreement as an exhibit and will be determined by various factors including demographics, projections of growth in the area, the economic environment and drive time.

You will receive an exclusive territory. During the term of the Franchise Agreement, we will not establish or license anyone else to establish a Franchised Business using the Proprietary Marks (or similar marks) in the Territory. We retain the rights to: (a) acquire or operate fitness center businesses not operating under the Proprietary Marks in the Territory which may compete directly with the Franchised Business; (b) conduct marketing and promotional activities in the Territory; (c) establish or operate, or license to others the right to establish and operate fitness center businesses under the System and the Proprietary Marks at any location outside of the Territory, regardless of proximity to the Territory; and (d) sell or distribute, or license to others to sell or distribute, any products or services, under the Proprietary Marks or any marks at or through locations other than Franchised Businesses within or outside the Territory, regardless of proximity to the Approved Location.

You may solicit customers anywhere — inside or outside of your Territory — including through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but all of your advertising and marketing is subject to our approval of both form and content. See Item 11.

We reserve the right to advertise, market, solicit or promote the System and the Proprietary Marks using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, including inside your Territory. We are not obligated to compensate you

for soliciting or accepting any order from inside your Territory, except that any FITNESS EVOLUTIUON fitness centers we own and operate will participate in any reciprocal access program and/or customer loyalty programs we establish in the same manner as franchisees. We do not currently operate, franchise or have plans to operate or franchise a business under a different trademark to sell goods or services similar to those that you will offer.

You must fully participate in any reciprocal access program and/or customer loyalty programs we establish. For any such program, we may adopt and modify policies and procedures through the Manual. These policies and procedures may include, among other things, minimum levels of access (frequency, access to services, etc.) that must be granted to customers in our reciprocal membership program(s) and rules for transferring memberships between clubs. You will not be entitled to any compensation relating to providing reciprocal products, services or membership access to any customer unless otherwise provided in our policies and procedures for such program as described in the Manual. You acknowledge that customer memberships may be transferred to or from your club based on a customer's frequency of use of a particular club, according to policies and procedures we may adopt in the Manual.

Your rights in the Territory are not dependent upon achievement of a certain sales volume, market penetration or any other contingency. There are no other circumstances that permit us to modify your territorial rights, including any sales or performance quotas.

The Franchise Agreement does not grant you any options, rights of first refusal or similar rights to acquire additional franchises.

We reserve all rights not specifically granted to you.

Area Development Agreement

As described in Item 1, if you sign an Area Development Agreement, you will receive a Development Area in which you must develop Franchised Businesses. You will receive an exclusive Development Area, which will generally consist of an area large enough to encompass the Territories of the number of franchises to be developed under the Area Development Agreement, using approximate anticipated locations of each fitness center expected to be developed. If you are in compliance with your obligations under the Area Development Agreement and all Franchise Agreements between you and us, then we will not establish, nor license anyone other than you to establish, a FITNESS EVOLUTION Franchised Business in the Development Area until the earlier of (a) the termination or expiration of the Area Development Agreement; (b) the opening of the last required Franchised Business under the Development Schedule; or (c) the last date specified in the Development Schedule, except as otherwise provided below.

We will retain all other rights, and therefore retain the right (among others), and without granting to you any rights, to: (a) acquire or operate fitness center businesses not operating under the Proprietary Marks in the Development Area which may compete directly with the Franchised Business; (b) conduct marketing and promotional activities in the Development Area; (c) establish or operate, or license to others the right to establish and operate fitness center

businesses under the System and the Proprietary Marks at any location outside of the Development Area, regardless of proximity to the Development Area; or (d) sell or distribute, directly or indirectly, or license to others to sell or distribute, any products or services, under the Proprietary Marks or any marks at or through locations other than Franchised Businesses within or outside the Development Area, regardless of proximity to the Development Area or any Franchised Business developed or operated under the Area Development Agreement. We reserve all rights not specifically granted to you in the Area Development Agreement.

The continuation of your territorial exclusivity in the Development Area does not depend on the achievement of any particular sales volume, market penetration, or other contingency. If you default under the Area Development Agreement (which may include, but is not limited to, failing to comply with the Development Schedule), we may terminate the Area Development Agreement and the limited exclusivity in the Development Area. Additionally, we reserve the right to undertake certain actions in lieu of termination of the Area Development Agreement, including modifying, or eliminating completely, the Development Area.

The Area Development Agreement does not contain any provisions under which you might receive any options, rights of first refusal or similar rights to acquire franchises in addition to the number specified in the Development Schedule, either within the Development Area or in any contiguous areas.

Neither we nor any affiliate has established or has any present plan to establish other franchises or company-owned outlets or other channels of distribution selling or leasing similar products or services under a different trademark.

ITEM 13
TRADEMARKS

We grant you the right to operate a Franchised Business under the name "Fitness Evolution."

M Group has registered and has filed all required affidavits and/or renewals for the following trademark on the United States Patent and Trademark Office's Principal Register:

Trademark	Registration Date	Registration Number
FITNESS EVOLUTION	December 13, 2011	4071240

We have the right to use and license others to use the Proprietary Marks under a Trademark License Agreement (**"Trademark License"**) with M Group dated March 1, 2012. The Trademark License is perpetual in duration and may only be terminated by M Group for cause. In the event of the termination of the Trademark License by M Group, your rights to use the Proprietary Marks would be unaffected. M Group intends to file all affidavits and renewals when they become due.

You may use these and other current and future marks to operate your Franchised Business, as we may designate.

There are no other agreements currently in effect that significantly limit our rights to use or license the use of the Proprietary Marks that are material to you.

You must follow our requirements when you use the Proprietary Marks. You must use only the Proprietary Marks that we designate and you may use them only in the manner we authorize. You may use the Proprietary Marks only in connection with operating your Franchised Business at the Approved Location and in the Territory, or in advertising for the business in the Territory.

You may not use the Proprietary Marks as part of your corporate or other legal name.

During the term of the Franchise Agreement and any renewal or extension, you must conspicuously identify yourself as the owner of the Franchised Business in conjunction with your use of the Proprietary Marks whenever you use the Proprietary Marks, including on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, and on certain displays as we designate. You must not use the Proprietary Marks to incur any obligation on our behalf. You must comply with our instructions in filing any required trade name or fictitious name registration (sometimes called "d/b/a" filings). You must sign all documents which we deem necessary to protect the Proprietary Marks or to maintain their continued validity and enforceability. You must not attempt to register or otherwise obtain any Internet domain name or URL containing any of the Proprietary Marks or any other word, name, symbol or device likely to cause confusion with any of the Proprietary Marks.

Under the Franchise Agreement, you must notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to the trademark owner's ownership or our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the settlement of any administrative proceeding or litigation. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be paid by us. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, must be paid by you. Except as described in this paragraph, we will defend you at your expense against these third party claims, suits or demands. If there is any litigation relating to your use of the Proprietary Marks, you must sign any and all documents and do all acts as may, in our opinion, be necessary to carry out a defense or prosecution, including becoming a party to the action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these things.

We reserve the right to substitute different Proprietary Marks for use in identifying the system. You must comply with any substitution at your sole cost and expense.

We are not aware of any currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the trademark administrator of any state or any court or any pending material litigation involving any of the Proprietary Marks that are material to the franchise.

We are aware of information that suggests that certain third parties may claim to have prior or superior common law rights to the name or mark "FITNESS EVOLUTION" or similar marks or trade names in connection with the provision of fitness related services in the following states: California, Colorado, Iowa, Michigan, Florida, Texas, Massachusetts, and Ohio. There may be others that we are not yet aware of. We do not have enough information about these uses to determine the exact nature of the uses by these third parties of these marks or trade names or the length of time of the infringement. The trademark owner, M Group, has sent cease and desist letters to several of these third parties and may take further actions as it deems necessary to protect the marks. In the Section 7.3.6 of the Franchise Agreement, we reserve the right to substitute different marks for you to use. In the event that your Franchised Business operates in or near an area in which another party may have common law or other rights to use the name or mark "FITNESS EVOLUTION," we may require you to use a substitute mark for the operation of the Franchised Business. Except as described in this paragraph, we are not aware of any prior rights to or infringing uses of the Proprietary Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the Franchised Business.

We claim copyrights in the Manual and in our marketing and advertising materials. We have not registered these copyrights with the United States Registrar of Copyrights. You may use these items only with our permission. You must stop using any of these materials if we tell you to stop using them or if your Franchise Agreement is no longer in effect.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement significantly limits our right to use or allow others to use the copyrighted materials. We do not know of any infringing uses which could materially affect your use of the copyrighted materials in any state. We can control any action involving the copyrights. You must promptly notify us of any suspected unauthorized use of the copyrighted materials, any challenge to the validity of the copyrights or any challenge to our right to use or license others to use the copyrights. We may take action against these potentially infringing uses by others, but we are not required to do so. We will defend you against any third-party claim arising out of your use of the copyrights. If we determine that you have used the copyrights properly, we will pay for the defense. If we determine that you have used the copyrights in a manner not allowed by the Franchise Agreement, you must pay for the defense.

The Manual and other materials contain our confidential, proprietary, and trade secret information. This information includes business methods, pricing techniques, specifications, standards, procedures, and other techniques used in developing and operating the Franchised Business.

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

We recommend that you personally participate in the direct operation of the Franchised Business, but your personal supervision is not required if the day-to-day operation of your Franchised Business is performed by a manager who has successfully completed our required training program and has, at our sole discretion, the appropriate experience and training (**"Manager"**). If you do not personally supervise the operation of the Franchised Business, you still must attend and satisfactorily complete training. You are not restricted as to whom you may hire as a Manager, except that your Manager must be competent, conscientious, substance-free, and fully-trained. See Item 11 for a description of our initial training program. A Manager does not need to have an equity interest in the Franchised Business.

We may require that you or others sign other agreements with us, like a Confidentiality Agreement (see Exhibit E to the Franchise Agreement), an In-Term Covenant Not To Compete (see Exhibit F to the Franchise Agreement), and a Guarantee, Indemnification, and Acknowledgment (See Exhibit G to the Franchise Agreement)

Confidentiality Agreement. We will require that certain people (including your Manager) involved in your Franchised Business execute the Confidentiality Agreement, under which they will agree to maintain the confidentiality of any confidential information they receive in connection with their involvement in your Franchised Business.

In-Term Covenant Not To Compete. We will require that certain people (including your Manager) involved in your Franchised Business execute the In-Term Covenant Not To Compete, under which they will agree that during the term of their involvement with your Franchised Business, they will not compete with us or any of our franchisees in the city or county in which your Franchised Business operates.

Guarantee, Indemnification, and Acknowledgment. We will require that certain people involved in your Franchised Business execute the Guarantee, Indemnification, and Acknowledgment under which they will agree to pay or perform each obligation under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only purchase, use and sell in the operation of your Franchised Business certain products and services which are Approved Products and Services. We may be an Approved Supplier for some portion of these Approved Products and Services, as we may determine from time to time. You may not use and/or offer for sale any products or services that we have not

approved. If you do use or sell any prohibited products or services, it is grounds for termination of the Franchise Agreement.

If you wish to purchase, use or sell any products or services which are not Approved Products and Services, you must first obtain our approval. There is no limit to our right to modify the list of Approved Products and Services, or to approve or disapprove products or services. See Item 8 for more information.

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 Agreement	Summary
a. Length of the franchise term	Section 2.1 of the Franchise Agreement	10 years.
b. Renewal or extension	Section 2.2 of the Franchise Agreement	You may renew for two consecutive five-year renewal terms, if you meet our conditions.
c. Requirement for franchisee to renew or extend	Section 2.2 of the Franchise Agreement	You may renew if you give us notice of your intent to renew, modernize the equipment, signs and other materials used in the Franchised Business to reflect the System standards in effect at the time, are not in default, have paid all your monetary obligations, sign our then-current Franchise Agreement, sign a release of claims against us, meet our qualification and training requirements in effect at the time, and pay us a renewal fee. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by franchisee	Not applicable	No provision.
e. Termination by franchisor without cause	Not applicable	No provision.
f. Termination by franchisor with cause	Section 14 of the Franchise Agreement	We can terminate your Franchise Agreement if you are in default.
g. "Cause" defined – curable defaults	Section 14.3 of the Franchise Agreement	You will have 30 days to cure: failure to substantially comply with the terms of the Franchise Agreement, late or non-payment of

Provision	Section in Franchise Agreement	Summary
		fees, failure to maintain System standards, failure to obtain our prior written approval when required, failure to use our required software, or use of confusingly similar marks.
h. "Cause" defined – non-curable defaults	Deposit Agreement & Letter of Intent; Section 14.2 of the Franchise Agreement	Non-curable defaults include: failure to enter into a Franchise Agreement as provided under the Deposit Agreement & Letter of Intent; sale of Prohibited Products and Services, failure to complete training, abandonment of the Franchised Business, conviction of a felony or certain misdemeanors and other crimes, threat or danger to public health or safety, any unapproved transfer, failure to effect a transfer within 6 months following death or incapacity, failure to comply with or obtain covenants, disclosure of confidential information, maintaining false books, misuse of the Proprietary Marks, refusal to allow inspection of books and records, and recurring defaults.
i. Franchisee's obligations on termination/non-renewal	Section 15 of the Franchise Agreement	You must: stop representing yourself as a franchisee, stop using our Proprietary Marks, cancel any assumed name registration of "d/b/a", modify the premises (if any) to distinguish it from a Franchised Business, not use any reproduction or colorable imitation of our Proprietary Marks, pay all money due to us and our affiliates, and return the Manual.
j. Assignment of contract by franchisor	Section 13.1 of the Franchise Agreement	We may transfer the Franchise Agreement to any person or legal entity.
k. "Transfer" by franchisee – defined	Section 13.2 of the Franchise Agreement	**"Transfer"** includes any sale, assignment, transfer, conveyance, pledge, incumbrance, merger, or gift by you or any of your successors (including any individual, partnership, corporation, or other legal entity that owns you) of more than 5% of your interest in the Franchise Agreement, the Franchised Business or you.
l. Franchisor approval of transfer by franchisee	Sections 13.2 and 13.3 of the Franchise Agreement	Before you may transfer, you must request and receive from us our written consent to the proposed transfer.

Provision	Section in Franchise Agreement	Summary
m. conditions on approval of transfer	Section 13.3 of the Franchise Agreement	You may transfer if: you have paid all your monetary obligations, you are not in default, you sign a release of claims against us, the purchaser signs our then-current Franchise Agreement, the purchaser meets our qualification and training requirements in effect at the time, the purchaser modernizes the equipment, signs and other materials used in the Franchised Business to reflect the System standards in effect at the time, you remain liable for obligations arising up to the date of transfer, the transferee successfully completes training, and you pay us a transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.4 of the Franchise Agreement	We can match any offer made by a third party.
o. Franchisor's option to purchase franchisee's business	Not applicable	No provision.
p. Death or disability of franchisee	Section 13.6 of the Franchise Agreement	The franchise must be transferred within 6 months of your death or incapacity.
q. Non-competition covenants during the term of the franchise	Section 16.3 of the Franchise Agreement	During the term, you may not divert business to a competing business, employ our employees or our franchisees' employees or own a competing business (without our consent).
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	No provision.
s. Modification of the agreement	Section 22 of the Franchise Agreement	No modifications generally, but the Manual is subject to change.
t. Integration/merger clause	Section 22 of the Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. See Exhibit J.
u. Dispute resolution by arbitration or mediation	Not applicable	No provision.
v. Choice of forum	Section 24.5 of the Franchise Agreement	Litigation must be in Maryland (unless superseded by state law). See Exhibit J.

Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section 24.1 of the Franchise Agreement	Except to the extent governed by the Lanham Act, Maryland law applies (unless superseded by state law). See Exhibit J.

Provision	Section in Area Development Agreement	Summary
a. Length of the area development term	Section 2.1 of the Area Development Agreement	The end of the Development Schedule.
b. Renewal or extension	Not applicable	No provision.
c. Requirement for developer to renew or extend	Not applicable	No provision.
d. Termination by developer	Not applicable	No provision.
e. Termination by franchisor without cause	Not applicable	No provision.
f. Termination by franchisor with cause	Sections 9.1, 9.2, 9.3 and 9.4 of the Area Development Agreement	Bankruptcy, insolvency, and other grounds; failure to meet Development Schedule. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because you make a bankruptcy filing.
g. "Cause" defined – curable defaults	Section 9.4 of the Area Development Agreement	You will have 30 days to cure any breach of the Area Development Agreement which is not listed below under provision "h".
h. "Cause" defined – non-curable defaults	Sections 9.1, 9.2 and 9.3 of the Area Development Agreement	Non-curable defaults include: Bankruptcy, insolvency, and other grounds; failure to meet Development Schedule. (Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because you make a bankruptcy filing.) conviction of a felony or certain misdemeanors and other crimes, any unapproved transfer, failure to effect a transfer within 6 months following death or incapacity, failure to comply with or obtain covenants, disclosure of confidential information, maintaining false books, and recurring defaults.
i. Developer's obligations on termination/non-renewal	Section 10 of the Area Development Agreement	You must: stop representing yourself as a developer, pay all money due to us and our affiliates, and return the Manual.

Provision	Section in Area Development Agreement	Summary
j. Assignment of contract by franchisor	Section 8.1 of the Area Development Agreement	We may transfer the Franchise Agreement to any person or legal entity.
k. "Transfer" by developer – defined	Section 8.3 of the Area Development Agreement	**"Transfer"** includes any sale, assignment, transfer, conveyance, pledge, incumbrance, merger, or gift by you or any of your successors (including any individual, partnership, corporation, or other legal entity that owns you) of more than 5% of your interest in the Area Development Agreement or you.
l. Franchisor approval of transfer by developer	Sections 8.3 and 8.4 of the Area Development Agreement	Before you may transfer, you must request and receive from us our written consent to the proposed transfer.
m. conditions on approval of transfer	Section 8.4 of the Area Development Agreement	You may transfer if: you have paid all your monetary obligations, you also transfer any franchise agreements with us to the same transferee; you are not in default, you sign a release of claims against us, the purchaser signs our then-current Franchise Agreement, the purchaser meets our qualification and training requirements in effect at the time, you remain liable for obligations arising up to the date of transfer, you remain bound by the covenants in the Area Development Agreement, the transferee successfully completes training, and you pay us a transfer fee.
n. Franchisor's right of first refusal to acquire developer's business	Section 8.5 of the Development Agreement	We can match any offer made by a third party.
o. Franchisor's option to purchase developer's business	Not applicable	No provision.
p. Death or disability of developer	Section 8.7 of the Area Development Agreement	The developer must be transferred within 6 months of your death or incapacity.
q. Non-competition covenants during the term of the Area Development Agreement	Section 11.3 of the Area Development Agreement	During the term, you may not divert business to a competing business, employ our employees or our franchisees' employees or own a competing business (without our consent).
r. Non-competition covenants after the Area Development	Not applicable	No provision.

Provision	Section in Area Development Agreement	Summary
Agreement is terminated or expires		
s. Modification of the agreement	Section 17 of the Area Development Agreement	No modifications generally, but the Manual is subject to change.
t. Integration/merger clause	Section 17 of the Area Development Agreement	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. See Exhibit J.
u. Dispute resolution by arbitration or mediation	Not applicable	No provision.
v. Choice of forum	Section 19.5 of the Area Development Agreement	Litigation must be in Maryland (unless superseded by state law). See Exhibit J.
w. Choice of law	Section 19.1 of the Area Development Agreement	Except to the extent governed by the Lanham Act, Maryland law applies (unless superseded by state law). See Exhibit J.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its Franchise 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.

As of December 31, 2015, 76 FITNESS EVOLUTION fitness centers were open an operating, 64 of those were operated by franchisees or licensees of ours. This Item 19 contains results of 10 FITNESS EVOLUTION fitness centers which currently use the billing and management software provided by our Approved Supplier and for which we have independent, remote access. There results of the remaining fitness centers are not included in this Item 19 because either: (a) they are owned and operated by one of our affiliates; (b) were open and operating for less than a

full year as of December 31, 2015, or (c) we do not have sufficient data to include them in this analysis.

ANNUAL REVENUES

Average Annual Revenue	Highest Annual Revenue	Median Annual Revenue
$1,280,212	**$1,926,561**	**$1,258,547**

REVENUE BY MONTH

Month	Average Revenue	Highest Revenue	Median Revenue
January	$107,523	$173,358	$102,738
February	$103,915	$162,071	$100,735
March	$106,239	$158,815	$101,398
April	$113,625	$188,703	$102,555
May	$110,949	$178,222	$109,164
June	$111,005	$172,102	$113,986
July	$108,288	$161,720	$110,866
August	$105,250	$162,887	$112,678
September	$102,785	$163,816	$102,338
October	$101,815	$153,447	$100,204
November	$103,839	$157,125	$96,438
December	$104,979	$163,064	$98,577

Notes to both charts:

1. "Revenue" means money actually collected by the fitness center. Generally, revenue includes member dues and sign up fees, personal training fees, apparel and equipment sales, food and beverage sales and other member services fees.

2. Your FITNESS EVOLUTION fitness center's results will vary depending on a number of factors, including: (a) your ability to sell memberships, (b) market demographics in the vicinity of your fitness center, (c) local competition, (d) visibility of your fitness center, (e) the condition and size of your fitness center, (f) the types, condition, variety and amount of fitness equipment you offer at your fitness center, (g) local and national economic conditions, and (h) how much you spend on advertising your fitness center. There may be other factors that influence the results of your fitness center.

3. Although we provide estimates of your costs during the start-up phase for your fitness center in Item 7 of this Franchise Disclosure Document, this Item 19 does not contain any representations about costs or profits of the fitness centers included in the results above. We do not currently have access to actual data for these metrics that we believe is reasonably reliable.

4. Of the 10 FITNESS EVOLUTION fitness centers included in the above charts, 4 (40%) had annual revenues exceeding the average and 6 (60%) did not.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

Each market is different. Your results may be lower or higher than the results stated above. Before you develop and expectations about what level of revenues you may attain, you should investigate the local market demographics, the competition, the labor market, traffic patterns, trends and other factors. Your results will also depend heavily on your individual ability to manage and operate a fitness center and the ability of your employees.

You have the sole responsibility for developing a business plan for your fitness center. Franchisee contact information is included in this Franchise Disclosure Document and you are encouraged to contact franchisees as part of your due diligence and business planning process. We recommend that you perform your own independent analysis to determine whether a FITNESS EVOLUTION franchise may be a profitable or worthwhile investment. You should not consider the revenues presented above to be the actual potential revenues that you will realize. We do not represent that you can or will attain these levels, or any particular level or percentage of that level. We do not represent that you will generate income which exceeds the initial payment of, or investment in, the franchise. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow projections. We strongly suggest that you consult a financial advisor or accountant concerning, federal, state and local income tax obligations and any other applicable taxes that you may incur in operating a Crunch Franchise business.

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

Except as provided above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jeff Mayerson, Fitness Evolution Franchising, LLC, 2144 Industrial Parkway, Silver Spring, MD 20904, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For Years 2013 to 2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised/ Licensed*	2013	7	21	+14
	2014	21	34	+13
	2015	34	64	+30

Table No. 1				
Systemwide Outlet Summary For Years 2013 to 2015				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Company Owned**	2013	6	10	+4
	2014	10	10	0
	2015	10	12	+2
Total Outlets	**2013**	**13**	**31**	**+18**
	2014	**31**	**44**	**+13**
	2015	**44**	**76**	**+32**

* Includes business operating under license agreements, as described in Item 1. The licensees operate under their own marketing plans, so their businesses have significant differences from the franchises offered in this Disclosure Document. Licensed units are identified in Exhibit G by "*".

** Includes units owned by affiliated companies.

Table No. 2		
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) for years 2013 to 2015		
State	**Year**	**Number of Transfers**
Totals	**2013**	0
	2014	0
	2015	0

Table No. 3								
Status of Franchise/License Outlets For Years 2013 to 2015**								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations – Other Reasons**	**Outlets at End Of Year**
Arizona	**2013**	0	2	0	0	0	0	2
	2014	2	0	2	0	0	0	0
	2015	0	0	0	0	0	0	0
California	**2013**	0	12	0	0	0	0	12
	2014	12	16	0	0	0	0	28
	2015	28	29	0	0	0	1	56
Minnesota	**2013**	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	1	0	0	0	0	6
Nevada	**2013**	1	0	0	0	0	0	1
	2014	1	0	1	0	0	0	0
	2015	0	0	0	0	0	0	0
Virginia	**2013**	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1

Table No. 3								
Status of Franchise/License Outlets For Years 2013 to 2015**								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations – Other Reasons**	**Outlets at End Of Year**
Washington	**2013**	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Totals	**2013**	**7**	**14**	**0**	**0**	**0**	**0**	**21**
	2014	**21**	**16**	**3**	**0**	**0**	**0**	**34**
	2015	**34**	**30**	**0**	**0**	**0**	**1**	**64**

** Includes business operating under license agreements with us, as described in Item 1. The licensees operate under their own marketing plans, so their businesses have significant differences from the franchises offered in this Disclosure Document. Licensed units are identified in Exhibit G by "**".

Table No. 4							
Status of Company-Owned Outlets For Years 2013 to 2015							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired From Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of Year**
California	**2013**	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	1	0	0	0	1
Maryland	**2013**	4	1	0	0	0	5
	2014	5	0	0	0	0	5
	2015	5	0	0	0	0	5
Virginia	**2013**	0	2	0	0	0	2
	2014	2	0	0	1[#]	0	1
	2015	1	0	0	0	0	1
Washington	**2013**	2	1	0	0	0	3
	2014	3	1	0	0	0	4
	2015	4	1	0	0	0	5
Totals	**2013**	**6**	**4**	**0**	**0**	**0**	**10**
	2014	**10**	**1**	**0**	**1**	**0**	**10**
	2015	**10**	**2**	**0**	**0**	**0**	**12**

Our affiliate sold the Richmond, VA outlet in August 2014 with the agreement that it is to be rebranded by April 2015.

Table No. 5			
Projected Openings As of December 31, 2015			
State	**Franchise Agreements Signed But Outlet Not Opened**	**Projected New Franchised Outlets in the Next Fiscal Year**	**Projected New Company-Owned* Outlets in the Next Fiscal Year**
California	0	5	0
Florida	0	2	0
Maryland	0	0	1
New Jersey	0	2	0
North Carolina	0	1	0
Oregon	0	2	0
Texas	0	2	0
Virginia	0	2	1
Washington	0	2	1
Total	**0**	**18**	**3**

* Includes units expected to be owned by affiliated companies.

Attached as Exhibit G-1 to this Disclosure Document is a list of the Fitness Evolution franchisees and licensees as of the date of this Disclosure Document and attached as Exhibit G-2 is a list of Fitness Evolution franchisees who have been terminated, cancelled or otherwise ceased to do business under the Franchise Agreement during 2015 or who have not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy a Fitness Evolution franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As noted in Item 1, beginning in January 2012, we have established 12 implicit licenses with related entities for the operation of FITNESS EVOLUTION fitness centers, of which 1 is located in California, 5 are in Maryland, 1 is in Virginia and 5 are in Washington.

We have not sponsored, endorsed or created any trademark-specific franchisee associations. No independent franchisee organizations have asked to be included in this Disclosure Document.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences in our franchise system.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit H are the following financial statements:

1. Audited financial statements of Fitness Evolution Franchising, LLC for the fiscal years ended December 31, 2013, 2014 and 2015.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit A	Deposit Agreement & Letter of Intent
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Release

ITEM 23
RECEIPTS

The Receipts to be signed by all prospective franchisees are attached in duplicate to this Disclosure Document as the last two pages. You will sign and date one copy and give it to us at the time we present the Disclosure Document to you. You will sign and date the other copy and keep it for your records.

EXHIBIT A
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

DEPOSIT AGREEMENT & LETTER OF INTENT

FITNESS EVOLUTION FRANCHISING, LLC
DEPOSIT AGREEMENT & LETTER OF INTENT

[Date]

Fitness Evolution Franchising, LLC
Attn: Jeff Mayerson
2144 Industrial Parkway
Silver Spring, MD 20904

Dear Mr. Mayerson:

This letter will confirm that _____ ("Franchisee") is interested in acquiring a franchise to operate a FITNESS EVOLUTION fitness center from Fitness Evolution Franchising, LLC ("Franchisor").

1. **Payment of Deposit.** Upon delivery of this letter, Franchisee shall pay to Franchisor a non-refundable deposit of $10,000. (the "Deposit").
2. **Execution of Franchise Agreement.** Franchisee acknowledges that this letter does not grant to Franchisee any rights to use any of Franchisor's intellectual property or to operate any business. Franchisor and Franchisee agree to use commercially reasonable efforts to conclude a final agreement substantially in the form of the Franchise Agreement contained in the Franchise Disclosure Document provided to Franchisee on [_____, 20__] no later than [_____, 20__] which date is 60 days from the date of this letter. If Franchisor and Franchisee are unable to reach a final agreement on the terms of a Franchise Agreement by that date, this letter will be of no further effect and the Deposit will be deemed to be forfeited by Franchisee.
3. **Application of Deposit.** In the event that Franchisor and Franchisee agree to enter into a Franchise Agreement as provided in this letter, the Deposit shall be applied to the Initial Franchise Fee due under that Franchise Agreement.
4. **Non-Disclosure.** "Confidential Information" shall mean any and all information disclosed to, or otherwise acquired or identified or observed by, a Franchisee including its subsidiaries and affiliates, and each of their respective directors, officers and employees (collectively, "Franchisee's Representatives"), from Franchisor and its affiliated companies, relating to the business of the Franchisor, whether communicated in writing, orally, electronically, photographically, or recorded in any other form of media, including, but not limited to, all sales and operating information, client lists and other client information, employee and other human resource information, existing and potential business and marketing plans and strategies, financial information, cost and pricing information, data media, know-how, designs, drawings, specifications, source codes, technical information, concepts, reports, methods, processes, techniques, operations, devices, and the like, whether or not the foregoing information is patented, tested, reduced to practice, or subject to copyright or any other intellectual property right. The term "Confidential Information" does not include information which (i) is or becomes generally available to the public other than as a result of disclosure by Franchisee in breach of this Agreement; (ii) was available to Franchisee on a non-

confidential basis as shown in written records prior to its disclosure to Franchisee by Franchisor; (iii) becomes available to Franchisee on a nonconfidential basis from a source other than Franchisor; *provided* that such source is not bound by a confidentiality agreement with Franchisor or is otherwise prohibited from transferring the information to Franchisee by a contractual, legal or fiduciary obligation; or (iv) is independently developed by Franchisee without any use of or benefit from the Confidential Information and such independent development can be documented by Franchisee with written records. This letter is intended to cover Confidential Information disclosed by Franchisor prior to, on and subsequent to the date hereof.

a. Obligations of Franchisee. In consideration for the receipt of Confidential Information, Franchisee shall hold all Confidential Information in strict confidence and with at least the same degree of care it uses to keep its own proprietary information confidential, but in no event shall it use less than a reasonable degree of care. Franchisee shall not, without the prior written consent of Franchisor, disclose such information to any person for any reason at any time; *provided, however*, it is understood that Franchisee may disclose any of the Confidential Information to those of the Franchisee's Representatives who actually need such material for evaluating the proposed franchise relationship on the condition that, prior to such disclosure, such Franchisee's Representatives have agreed to be bound by the confidentiality obligations set forth herein or are otherwise bound by a statutory, fiduciary or another enforceable obligation of confidentiality; Franchisee may also disclose any of the Confidential Information to the Franchisee's agents or representatives who actually need such material for evaluating the proposed franchise relationship on condition that, prior to such disclosure, such Franchisee's agents and/or representatives have agreed *in writing* to be bound by the confidentiality obligations set forth herein; and *provided further, however,* that in any event, Franchisee shall be fully liable for any breach of this letter caused by the disclosure of Confidential Information by such Franchisee's Representatives. Notwithstanding anything herein to the contrary, Franchisee may not disclose Franchisor's Confidential Information to any competitor of Franchisor, without Franchisor's prior written consent. The term "person" as used in this letter shall be broadly interpreted to include, without limitation, any corporation, company, partnership, organization, association, entity or individual.

b. Compelled Disclosure. In the event that Franchisee or any of Franchisee's Representatives is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar incidents) to disclose any of the Confidential Information, it is agreed that Franchisee or such Franchisee's Representative, as the case may be, will provide Franchisor with prompt notice of such request(s) so that Franchisor may seek an appropriate protective order or other appropriate remedy and/or waive compliance with the confidentiality provisions of this letter. In the event that such protective order or other remedy is not obtained, or Franchisor grants a waiver hereunder,

Franchisee or such Franchisee's Representative may furnish that portion (and only that portion) of the Confidential Information which Franchisee is legally compelled to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded any Confidential Information so furnished.

c. Use. Franchisee shall not use any Confidential Information for any reason other than as may be necessary for evaluating the franchise opportunity. Franchisee agrees to make no other use of the Confidential Information or to incorporate any Confidential Information into any work or product.

d. Ownership. Franchisee recognizes that all tangible information relating to Confidential Information, including notes, reports and other documents prepared by Franchisee in connection with evaluating the franchise opportunity, including all copies thereof, are and shall be the sole property of Franchisor, and Franchisee shall keep the same at all times in its custody and subject to Franchisee's control. The Franchisee does not hereby and shall not acquire by implication or otherwise any right in or title to or license in respect of the Confidential Information disclosed to it by Franchisor.

If you are in agreement with the foregoing, please sign and return one copy of this letter, which will constitute our understanding with respect to its subject matter and a binding agreement.

Sincerely,

FRANCHISEE:

By: _____
Name: _____
Title: _____

Agreed to on [_____, 20__].

FRANCHISOR:

By: _____
Name: _____
Title: _____

EXHIBIT B
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FITNESS EVOLUTION FRANCHISING, LLC
FRANCHISE AGREEMENT
"DECLARATIONS PAGE"

Fitness Evolution Franchising, LLC
a Delaware limited liability company
2144 Industrial Parkway
Silver Spring, MD 20904
(referred to in this Agreement
as **"we," "us," "our"** or **"Franchisor"**)

and

_____
_____
_____
_____
(referred to in this Agreement
as **"you," "your"** or **"Franchisee"**)

This Declarations Page, which incorporates the terms of the Fitness Evolution Franchising, LLC Franchise Agreement, version 1.1 (collectively, **"Agreement"**) is made and entered into on _____, 20__, by and between us and you.

1. The Proprietary Marks include (but are not limited to):

   a. Fitness Evolution

   b. fitness evolution

   c.

   d.

2. The Approved Location, as defined in Section 1.2, is _____
_____.

3. The Commencement Date, as defined in Section 2.1, is the first date that you are expected to begin operation as a Franchised Business, which we and you agree will be _____, 20__.

4. The Expiration Date, as defined in Section 2.1, will be _____, which is 10 years from the Commencement Date.

5. The Initial Franchise Fee will be: $30,000. (See Section 4.1).

6. The Franchised Business will not open more than _____ months after the above date of execution of the Agreement.

7. As provided in Section 22, all notices to you will be sent to:

_____

_____

_____

Attn: _____

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Declarations Page and the Fitness Evolution Franchising, LLC Franchise Agreement, version 1.1, which is hereby incorporated by reference.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE AGREEMENT
(version 1.1)

WHEREAS, we, as the result of the expenditure of time, skill, effort, and money, have developed distinctive and proprietary systems for operating fitness center businesses (collectively, the **"System"**);

WHEREAS, the distinguishing characteristics of the System include, without limitation, business processes, trade secrets, customer lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress and other intellectual property; distinctive signage; standards, specifications and sources for services, products, supplies, appearance, operations and management control; safety standards; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs; all of which may be changed, discontinued, improved, modified and further developed by us from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and indicia of origin, including but not limited to, the mark "FITNESS EVOLUTION," as are now designated on the Declarations Page to this Agreement and in Exhibit A to this Agreement, and may be designated by us in writing for use in connection with the System (the **"Proprietary Marks"**);

WHEREAS, you desire to operate a fitness center business under the System and using the Proprietary Marks (the **"Franchised Business"**) and to receive the training and other assistance we provide in connection with the Franchised Business;

WHEREAS, the value of the System and the Marks is based on (1) the maintenance of high quality with regard to the products and services offered through the Franchised Business, (2) the high quality standards of the individual Franchised Businesses, (3) the use of distinctive trademarks, service marks, and advertising representing high quality products and services, (4) the assumption by us and our franchisees of the obligation to maintain and enhance the public acceptance of the System and the Proprietary Marks by strict adherence to our high standards, (5) the processes and procedures designed to obtain and maintain a strong customer base, and (6) the training and management of personnel; and

WHEREAS, you understand and acknowledge the importance of our high standards of quality, consistency, appearance, and service and the necessity of operating the Franchised Business in conformity with our standards and specifications:

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1. **License.** We grant to you the right, and you undertake the obligation, upon the terms and conditions set forth in this Agreement: (a) to establish and operate a Franchised Business; (b) to use the Proprietary Marks and the System solely in connection therewith; and (c) to use, solely in connection with the operation of the Franchised Business, certain business

processes, trade secrets, customer lists, knowledge, know-how, and other intellectual property identified by us from time to time.

1.2. **Approved Location.** The Franchised Business must be operated solely at the approved location identified on the Declarations Page (the **"Approved Location"**). The Franchised Business may not be relocated without our written approval. If you have not obtained an Approved Location as of the date of execution of this Agreement, we and you will also execute the Site Selection Addendum, attached as Exhibit B, at that time.

1.3. **Territory.** During the term of this Agreement, if you are in compliance with the terms of this Agreement, we will not establish or grant a license to another to establish a Franchised Business within the territory identified on Exhibit C (the **"Territory"**). You acknowledge and agree that nothing contained in this Section 1.3 shall prohibit us from: (a) acquiring or operating fitness center businesses not operating under the Proprietary Marks in the Territory which may compete directly with the Franchised Business; (b) conducting marketing and promotional activities in the Territory; (c) establishing or operating, or licensing to others the right to establish and operate fitness center businesses under the System and the Proprietary Marks at any location outside of the Territory, regardless of proximity to the Territory; or (d) selling or distributing, directly or indirectly, or licensing to others to sell or distribute, any products or services, under the Proprietary Marks or any marks at or through locations other than Franchised Businesses within or outside the Territory, regardless of proximity to the Approved Location. We reserve all rights not specifically granted to you in this Agreement.

1.4. **Modification of the System.** You acknowledge that the System may be changed, supplemented, improved, and otherwise modified from time to time by us, and you agree to comply with all of our requirements in that regard, including, without limitation, purchasing, offering, promoting and selling new or different products or services that we specify.

2. TERM AND RENEWAL

2.1. **Term.** This Agreement will be effective upon its execution by the parties. The term of this Agreement will be 10 years, which will commence on the **"Commencement Date"**, as indicated on the Declarations Page, and will expire on the **"Expiration Date"**, as identified on the Declarations Page, unless terminated sooner pursuant to the terms of this Agreement.

2.2. **Renewal.** You may, subject to the following conditions, renew this Agreement for 2 additional consecutive terms of 5 years. We may require satisfaction of any or all of the following conditions prior to such renewal:

2.2.1. You must give us written notice of your election to renew not less than 6 months nor more than 9 months prior to the end of the then-current term;

2.2.2. You must make or provide for, in a manner satisfactory to us, renovation and modernization of the premises of the Franchised Business, if any, as we may reasonably require, which may include acquisition and use of new equipment and renovation of signs, furnishings, fixtures, and décor to reflect the then-current standards and image of the System;

2.2.3. You must not be in default of any provision of this Agreement, any amendment of or successor to this Agreement, or any other agreement between you and us or our affiliates; and you must have substantially and consistently complied with all the terms and conditions of this Agreement and such agreements during their terms;

2.2.4. You must have satisfied all monetary obligations that you owed to us, our affiliates and your suppliers, and must have timely met those obligations throughout the term of this Agreement;

2.2.5. You must, at our option, execute our then-current form of franchise agreement which will supersede this Agreement in all respects. The terms of the then-current form of franchise agreement may differ in many or all material respects from the terms of this Agreement, including but not limited to differences in the provisions regarding royalty fees, term, Territory, and advertising contributions or obligations; however, you will not be required to pay another Initial Franchise Fee;

2.2.6. You must execute a general release, in a form prescribed by us, of any and all claims against us and our affiliates, and our and our affiliates' respective officers, directors, securities holders, agents, and employees;

2.2.7. You must comply with our then-current qualification and training requirements, at your expense; and

2.2.8. You must pay a renewal fee of $5,000.

2.3. **Expiration.** In the event that you fail to give notice of renewal in the manner described in Section 2.2.1 or otherwise fail to comply with the conditions contained in Section 2.2, this Agreement will automatically expire without further notice at the end of the current term.

3. DUTIES OF FRANCHISOR

3.1. **Purchase of Products and Services.** You acknowledge and agree that the reputation and goodwill of the Franchised Business is based on, and can be maintained only by, the sale of distinctive high quality services and ancillary merchandise. Therefore, you agree that your Franchised Business will use and/or offer for sale only such fixtures, furnishings, general business equipment (including cash registers and/or point of sale systems, billing platform and computer hardware and software), exercise equipment, services, merchandise, forms, labels and other supplies that conform to our specifications and quality standards (**"Approved Products and Services"**) and/or are purchased from suppliers approved by us (which may include us and/or any of our affiliates) (**"Approved Suppliers"**). You may be required to use and/or offer for sale any of the Approved Products and Services that we designate. You acknowledge that we or our affiliates are and may be the sole Approved Supplier for any of the Approved Products and Services. We may modify the list of Approved Products and Services and/or Approved Suppliers in the Manual or otherwise in writing from time to time. After notice of such modification, you may not reorder any products or services or reorder from any supplier which is no longer approved. If you propose to use any products or services and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications

and samples concerning such products or services and/or supplier so that we can decide whether such products or services comply with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within 30 days. If such product or service has not been approved in writing at the conclusion of such 30 day period, it will be deemed to be disapproved. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of Approved Suppliers and/or Approved Products and Services for any of the foregoing items including designating us or an affiliate as the sole Approved Supplier. You must maintain at all times an inventory of Approved Products and Services related to the Franchised Business's concept sufficient in quantity, quality and variety to realize your Franchised Business's full potential. We may conduct market research to determine consumer trends and salability of new services and products. You agree to cooperate by participating in our market research programs; by test marketing new services and merchandise in your Franchised Business and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

3.2. **Prohibited Products.** You acknowledge and agree that your Franchised Business will not use and/or offer for sale such products or services which we have prohibited you from using and/or selling (**"Prohibited Products and Services"**). We may update the list of Prohibited Products and Services from time to time. You also acknowledge and agree that if your Franchised Business does use or sell any Prohibited Products or Services, it is grounds for termination of this Franchise Agreement as provided in Section 14.2.1.

3.3. **Training.** We will provide training as set forth in Section 5 of this Agreement.

3.4. **Site Visits.** We and you acknowledge that we will conduct, as we deem advisable, on-site reviews, inspections, and consultations (**"site visits"**) of your operation of the Franchised Business.

3.5. **Confidential Operations Manual.** We will provide you with a copy of our Confidential Operating Manual (the **"Manual"**), which is more fully described in Section 8 of this Agreement. The Manual contains mandatory and suggested specifications, standards, operating procedures, and rules (**"System Standards"**) that we periodically prescribe for the management and operation of a Fitness Evolution Franchised Business and information on your other obligations under this Agreement. We may provide the Manual to you in hard copy or electronic format, as we may determine from time to time. We may modify the Manual periodically to reflect changes in System Standards.

You agree to keep your copy of the Manual current and in a secure location at the Approved Location. If there is a dispute over its contents, our master copy of the Manual controls. You agree that the Manual's contents are confidential and that you will not disclose the Manual to any person other than employees of the Franchised Business who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. If your copy of the Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy from us. We may assess you our then applicable printing or copying

charge. This charge is for our direct costs, and is not related to any value that we place on the Confidential Information (defined in Section 9 below).

At our option, we may post some or all of the Manual on a restricted Website or extranet to which you will have access. (The term "Website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the Internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Google+, YouTube, etc.), blogs, vlogs, and other applications, etc.) If we do so, you agree to monitor and access the Website for any updates to the Manual or System Standards. Any passwords or other digital identifications necessary to access the Manual on a Website will be deemed to be part of Confidential Information.

3.6. **Periodic Advice.** Through the Manual, site visits or otherwise, we will provide to you from time to time, as we deem appropriate, advice and written materials concerning required and suggested techniques for managing and operating the Franchised Business covering such subject matters as: sales and service, marketing and business developments, technical support, human resource development and compliance requirements and recommendations, and management information systems and enhancements.

3.7. **Cooperatives.** We may, from time to time, establish purchasing or distribution cooperatives for any of the products or services promoted, offered or sold by you.

3.8. **Proprietary Programs.** We may establish and maintain such computer software programs and databases as we deem advisable from time to time, which may include software programs to assist in accounting, customer service, marketing, operations or management functions of the Franchised Business, in the form and configuration determined by us in our sole discretion (**"Proprietary Programs"**). You acknowledge and agree that any Proprietary Program may allow us to have, and may require you to provide, continuous remote access, at your expense, to any of the information stored or compiled by any Proprietary Program. You acknowledge that any and all information relating to the Franchised Business must be provided by you in the form and manner as we may require from time to time.

3.9. **Access to Data.** You acknowledge that we will have independent access to certain financial and other information of yours that is stored electronically. During the term of this Agreement and any subsequent Franchise Agreement between us and you, we will not disclose to any third party any specific financial or other information directly associated with you or the Franchised Business unless authorized by you. We may, however, disclose such information: (a) to our employees, attorneys, accountants, consultants, agents and others retained or employed by us who have a need to know such information in order to facilitate the administration of the relationship between you and us, (b) to other franchisees in connection with systemwide benchmarking or incentive programs, or (c) to comply with applicable law, court orders or accounting rules. You acknowledge that after the termination of this Agreement or any subsequent Franchise Agreement between us and you, we may release such information to other franchisees and prospective franchisees. Our obligations pursuant to this Section 3.9 will in no way restrict our right to compile aggregate data for research and other purposes and to use or disclose such aggregate data. You acknowledge that we may require you to enter into a software

license agreement whereby you will record and store data on a server hosted by a third party, and that such third party may also have access to such data as may be necessary to perform such third party's obligations under the software license agreement.

3.10. **Right to Delegate.** You acknowledge and agree that any duty or obligation imposed on us by this Agreement may be performed by any of our designees, employees, or agents (including any of our affiliates), as we may direct.

3.11 **Web Presence.** Before you open, we will provide for you a website presence meeting our current standards and specifications that will be owned and maintained by us. We may change, modify or terminate this presence at our discretion.

4. FEES

4.1. **Initial Franchise Fee.** You must pay to us an **"Initial Franchise Fee"** in the amount indicated on the Declarations Page. The entire Initial Franchise Fee is fully earned and non-refundable and is made in consideration of administrative and other expenses incurred by us in entering into this Agreement and for our lost or deferred opportunity to enter into this Agreement with others. If you elect to enter into a Deposit Agreement & Letter of Intent with us before signing this Agreement, your deposit will be applied to the Initial Franchise Fee as provided in the Deposit Agreement & Letter of Intent.

4.2. **Advertising Fees.** You must undertake and participate in advertising and promotional programs as specified in Section 11 of this Agreement.

4.3. **Royalty Fee.** Beginning on the Commencement Date, you must pay to us a monthly "Royalty Fee" in an amount equal four percent (4%) of your Gross Revenues (as defined below). You and we agree that the Royalty Fee described herein shall be in consideration of your use, pursuant to this Agreement, of such business processes, trade secrets, know-how, trade names, trademarks, service marks, logos, emblems, trade dress and the intellectual property identified from time to time by us as comprising the System. You acknowledge and agree that your obligation to pay the monthly Royalty Fee described herein shall not be predicated or conditioned upon the validity of any trademark or copyright claimed by us and used in the System. You acknowledge and agree that no portion of the Royalty Fee described in this Section 4.3 shall be attributable to any specific item of intellectual property, such as a copyright or trademark, as distinct from the System. In the event that a court of competent jurisdiction determines that an apportionment of the Royalty Fee is necessary or appropriate, any copyright license granted to you hereunder shall be deemed to be royalty free and made in consideration of the goodwill generated by your proper use of the Proprietary Marks and System. For the purposes of this Agreement, "Gross Revenues" shall mean the aggregate of all gross receipts of the Franchised Business, including all fees, charges, other amounts received or charged, and the value of all services or products received from customers, vendors or any other entity, for services provided or contracted or products sold, whether for cash or barter, on a charge, credit or time basis, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds, allowances or discounts to customers.

4.4. **Renewal Fee.** Before you may renew this Agreement with us, you must meet all conditions described in Section 2 of this Agreement, including the payment of the fees described in Section 2.2.8.

4.5. **Transfer Fee.** Prior to your transfer of this Agreement, you must comply with all terms and conditions in Section 13 of this Agreement, including the payment of a transfer fee as described in Section 13.3.9 of this Agreement.

4.6. **Audit Fee.** You must pay an audit fee as described in Section 10.6 of this Agreement in the event that we inspect your records and find an underpayment of fees of at least 3% in any given month. Such audit fee will be in addition to any interest payment required pursuant to Section 10.6 of this Agreement.

4.7. **Monthly Accounting.** All payments pursuant to this Section 4 are non-refundable. All payments required by this Section 4 shall be paid on a monthly basis. You must execute the "Authorization Agreement for Prearranged Payments (Direct Debits)" which is attached to this Agreement as Exhibit H and you must comply with our reporting procedures as specified in the Manual. If any payment is received by us more than fifteen (15) days past due, you will pay us immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of 1.5% per month, or if less, the maximum rate permitted by law. Entitlement to this interest shall be in addition to any other remedies we may have. You are not entitled to set-off any payments required to be made under this Section 4 against any monetary claim you may have against us. We reserve the right to apply any monies received from you to any of your obligations, as we may determine. You acknowledge and agree that we may require all payments described herein and such reports or statements required by Section 10 to be made by electronic means, automatically or otherwise. You agree that for any electronic payments to be made under this Agreement, as specified in the Manual, you must maintain a bank account which at all times will be funded with sufficient funds to make such payments.

4.8. **Taxes.** You must pay to us all sales, excise, trademark, franchise, value added or similar taxes imposed on us on account of our collection of any of the fees or payments called for by this Agreement as a result of your operation of the Franchised Business, but this Section will not apply to any income tax or any optional alternative to an income tax.

5. TRAINING

5.1. **Initial Training.** Prior to the opening of the Franchised Business, you must successfully complete to our satisfaction the initial training program. We require those that you subsequently hire as a Manager (as defined in Section 17.1 hereof) or in a similar position to attend and complete the initial management training program to our satisfaction.

5.2. **Additional Training.** From time to time and as we deem appropriate, we may offer additional training beyond the initial management training and initial employee training and may require you, your Managers or employees to attend such training.

5.3. **Expenses and Fees During Training**. You will be responsible for all travel, lodging and living expenses, including meals, for you, your Manager(s) or employees, which are

incurred in connection with initial and additional training. In addition, we may charge you a fee for any additional training we provide.

6. DUTIES OF FRANCHISEE

6.1. **Compliance with Standards.** You understand and acknowledge that every detail of the Franchised Business is important to you, us, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products offered, promoted and sold by all businesses operating under the Proprietary Marks and the System, and to protect our reputation and goodwill. You must maintain our standards with respect to facilities, services, products, operations, safety, customer relations, consistency and appearance, at your own expense, as we require.

6.2. **No Deviation without Consent.** You must operate the Franchised Business in strict conformity with such methods, standards and specifications as we may from time to time prescribe in the Manual or otherwise in writing. You must not deviate from such methods, standards and specifications without our prior written consent. You acknowledge that you are solely responsible for your compliance with applicable law, including, but not limited to, ensuring that your facilities are in compliance with the Americans with Disabilities Act (as may be amended, revised or recodified from time to time), and that your facilities, equipment and procedures comply with all applicable rules and regulations of the United States Occupational Safety and Health Administration or any similar federal, state or local agency.

6.3. **Full Time.** You or your Manager must devote full time and attention to the operation of the Franchised Business; and you must at all times staff the Franchised Business with such number of employees and operate the Franchised Business diligently so as to promote customer satisfaction and to maximize the revenues and profits therefrom. You must ensure that all advertising and promotional materials, signs, decorations, and other items specified by us bear our Proprietary Marks in the form, color, location, and manner that we prescribe.

6.4. **Staffing.** You must maintain a competent, conscientious, substance-free, trained staff, including a fully-trained Manager(s) (who may be you, if you are an individual). You must take steps necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards that we may establish from time to time in the Manual. You and your employees must conduct yourselves in a manner that will not detract from our name and goodwill. You must be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, wage and hour requirements, insurance (including employment practices liability insurance) and worker's compensation, record keeping, supervision, and discipline of employees.

6.5. **Computer Hardware and Software.** You must purchase, install and use such computer hardware and software that we may require from time to time. If you desire to utilize any computer hardware or software that we have not approved in advance in the Manual or otherwise, you must submit to us information relating to such hardware or software that we may require to evaluate such hardware and software, including information that relates to compatibility. You must not install or use any computer hardware or software unless we have

approved of such hardware or software in writing. You must obtain a license to (if necessary), install, implement, maintain and upgrade such computer hardware and software at your expense and use each Proprietary Program we designate. In connection with your use of any Proprietary Program that we implement, you agree to execute our standard software license agreement for such Proprietary Program, if any, which may require you to pay a fee and permit our affiliates to have independent access to information shared by, in or through the Propriety Program. We may implement new Proprietary Programs upon written notification through the Manual or otherwise. You must purchase or obtain a license for any new Proprietary Program within 90 days of your receipt of such notification. You acknowledge and agree that any data stored in or compiled by a Proprietary Program will be our property, including without limitation, customer lists. You agree to obtain and maintain, at your own expense, such computer hardware as may be necessary to efficiently utilize each Proprietary Program, as we may determine or otherwise designate by the license for such Proprietary Program.

6.6. **Forms.** You must use such contracts, invoices and other standard forms that we may periodically prescribe, but you must be responsible for ensuring that all provisions of such contracts are valid and enforceable under applicable law.

6.7. **Franchisee Modifications/Grant-back.** You must not implement any change, modification, amendment, or improvement to the System without our express prior written consent. You must notify us in writing of any change, modification, amendment, or improvement in the System which you propose to make, and must provide to us such information that we request regarding the proposed change, modification, amendment, or improvement. No such change, modification, amendment or improvement will be implemented or made without our express prior written consent. You acknowledge and agree that we will have the right to incorporate the proposed change, modification, amendment, or improvement into the System and will obtain all right, title, and interest therein, including, without limitation, any rights to any patents, patent improvements, trade secrets and copyrights, for which we are not required to provide any compensation to you. You further acknowledge and agree to execute any such documentation, from time to time, that we may require to give effect to this section.

6.8. **Compliance with Lease.** You must comply with all terms of your lease or sublease, if any, and all other agreements affecting the location and operation of the Franchised Business; must undertake your best efforts to maintain a good and positive working relationship with your landlord and/or lessor and your tenants and/or lessees, and must refrain from any activity which could jeopardize your right to remain in possession of, or to renew the lease or sublease for, the premises of the Franchised Business, if any. Unless you have obtained our written approval to the exclusion of a required provision, the lease will (by its terms or a Lease Rider prepared by us) include the following terms and conditions:

a. That the premises will be used only for the operation of the Franchised Business;

b. That the lessor (i) approve the use of such Proprietary Marks and signage as we may prescribe for the Franchised Business, and (ii) agrees to furnish us with copies of any and all letters and notices sent to you pertaining to the lease and the premises at the same time that such letters and notices are sent to you;

c. That you may not sublease or assign all or any part of your occupancy rights, or extend the term of or renew the lease, without our prior written approval;

d. That we will have the right to enter the premises to make any modification necessary to protect the Proprietary Marks or to cure any default under the lease, this Agreement or the Franchise Agreement;

e. That the lessor agrees that you may assign the lease to us; that the lessor will approve such assignment and may not impose any assignment fee or similar charge on us in connection with such assignment; and that we may sublease the premises for all or any part of the remaining term of the lease;

f. That we (or our designee) will have the option (but not the obligation), upon default of the Franchise Agreement or the lease, and upon notice to the lessor, to assume all of your rights under the lease, including the right to assign or sublease;

g. That the lessor and you must not amend or otherwise modify the lease in any manner that would materially affect any of the foregoing terms and conditions without our prior written approval; and

h. That the lease term (including any renewal options) will not expire before the expiration date of the initial franchise term specified in the Franchise Agreement.

6.9. **Meetings.** You must attend at your own expense such regional or national meetings and gatherings that we deem necessary at dates and locations we select.

6.10. **Ownership of Franchisee.** You must maintain and provide to us, without request, a current list of all of your owners, members, shareholders, or partners of record and all beneficial owners of any class of voting securities and promptly notify us of any changes to such list. You represent, warrant and covenant that your owners, members, shareholders, or partners of record, and all beneficial owners of any class of voting security as of the Commencement Date are described on Exhibit D hereto.

6.11. **Franchisee Advisory Council.** We may establish an organization to facilitate communication between us and franchisees operating under the Proprietary Marks and the System (the **"Franchisee Advisory Council"**). In the event that we form the Franchisee Advisory Council, you agree to fully participate in the Franchisee Advisory Council if requested by us. The Franchisee Advisory Council may be terminated or dissolved by us at any time.

6.12. **Right of Entry.** If, as a result of a site visit, on-site review or consultation, any deficiencies related to the Franchised Business are identified, you agree to correct such deficiency within a reasonable time as we may designate in writing. If you fail to correct such deficiencies in a manner satisfactory to us, we will have the right, but not the obligation, to enter the premises of the Franchised Business, without being guilty of trespass, and take such action as is necessary to correct such deficiency and you must reimburse us our reasonable costs and

expenses in connection therewith upon demand. The foregoing rights are in addition to all other rights and remedies available to us under this Agreement.

6.13 **Pricing Policies.** We intend for the System to be defined, in part, by a common pricing scheme and that many of the prices of products, services and memberships offered by franchisees to customers will be uniform among all franchisees. In furtherance of this goal, we reserve the right to establish prices for the products, services or memberships you offer and sell, unless applicable law prohibits us from doing so. We will provide to you in writing (through the Manual or otherwise) a list of the products, services or memberships for which we have established mandatory pricing. For any other product, service or membership, any pricing guidance we provide will be suggestion only.

6.14 **Reciprocal Memberships.** You must fully participate in any reciprocal access program and/or customer loyalty programs we may establish. For any such program, we may adopt and modify policies and procedures through the Manual. These policies and procedures may include, among other things, minimum levels of access (frequency, access to services, etc.) that must be granted to customers in our reciprocal membership program(s) and rules for transferring memberships between clubs. You will not be entitled to any compensation relating to providing reciprocal products, services or membership access to any customer unless otherwise provided in our policies and procedures for such program as described in the Manual. You acknowledge that customer memberships may be transferred to or from your club based on a customer's frequency of use of a particular club, according to policies and procedures we may adopt in the Manual.

7. PROPRIETARY MARKS

7.1. **Control of Proprietary Marks.** We represent that we will take all steps reasonably necessary to preserve and protect the validity of the Proprietary Marks and our right to use and to license others to use the Proprietary Marks.

7.2. **Use of Proprietary Marks.** With respect to your use of the Proprietary Marks pursuant to this Agreement, you agree that:

7.2.1. You must use only the Proprietary Marks we designate, and must use them only in the manner we authorize and permit;

7.2.2. You must use the Proprietary Marks only for the operation of the Franchised Business or in advertising for the Franchised Business;

7.2.3. Unless we otherwise authorize or require, you must operate and advertise the Franchised Business only under the name "FITNESS EVOLUTION", without prefix or suffix. You must not use the Proprietary Marks as part of your corporate or other legal name;

7.2.4. You must identify yourself (and not us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, the use thereof on leases, invoices, order forms, receipts, and business stationery, as well as at such other locations that we may designate in writing;

7.2.5. Your right to use the Proprietary Marks is limited to the uses authorized under this Agreement, and any unauthorized use thereof will constitute an infringement of our rights;

7.2.6. You must not use the Proprietary Marks to incur any obligation or indebtedness on our behalf;

7.2.7. You must not register, attempt to register, obtain any ownership in, or otherwise utilize any website, domain name, URL, Internet presence or other electronic communications portal relating to the Franchised Business that has not been previously approved by the Franchisor. In the event that you register, attempt to register, obtain any ownership in, or otherwise utilize any website, domain name, URL, Internet presence or other electronic communications portal in violation of this Section 7.2.7, in addition to any rights we may have under Section 14 hereof, you acknowledge and agree that any such website, domain name, URL, Internet presence or other electronic communications portal, including any copyrights therein, are our property. In the event that a court of competent jurisdiction determines that any ownership rights to any website, domain name, URL, Internet presence or other electronic communications portal are not automatically transferred to us pursuant to this Section 7.2.7, you agree to execute any documents we deem necessary to give effect to this Section 7.2.7.

7.2.8. You must execute any documents we deem necessary or useful to obtain protection for the Proprietary Marks or to maintain their validity and enforceability; and

7.2.9. You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of the Proprietary Marks, or any challenge to our right to use and to license others to use such Proprietary Marks, or your right to use the Proprietary Marks. You acknowledge that we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We (and not you) will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by us. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by you. In the event of any litigation relating to your use of the Proprietary Marks, you must execute any and all documents and do such acts as may, in our opinion, be necessary or useful to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in doing such acts. For purposes of this Section 7.2.9, the term **"Proprietary Marks"** also will include any materials for which we have a registered copyright or otherwise have claimed copyrights.

7.3. **Acknowledgements.** You expressly understand and acknowledge that:

7.3.1. The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

7.3.2. During the term of this Agreement and after its expiration or termination, you must not directly or indirectly contest the validity of our ownership of, or our right to use and to license others to use, the Proprietary Marks;

7.3.3. Your use of the Proprietary Marks pursuant to this Agreement does not give you any ownership interest or other interest in or to the Proprietary Marks;

7.3.4. Any and all goodwill arising from your use of the Proprietary Marks must inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with your use of the System or the Proprietary Marks;

7.3.5. The right and license of the Proprietary Marks granted hereunder to you is nonexclusive, and we have and retain the rights, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to you; and

7.3.6. We reserve the right to substitute or add different proprietary marks for use in identifying the System and the businesses operating thereunder if we, in our sole discretion, determine that substitution or addition of different marks as Proprietary Marks will be beneficial to the System. You must implement promptly any such substitution or addition of new Proprietary Marks and immediately cease to use any mark we indicate. You must bear the costs of conforming to our new or substituted Proprietary Marks.

8. MANUAL

8.1. **Copy of Manual.** In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Franchised Business in strict accordance with the standards, methods, policies, and procedures specified in the Manual. You will receive a hard copy of or online access (as we determine appropriate) to the Manual for the duration of this Agreement and any renewals, additions, supplements, or extensions thereof, upon completion by you or your Manager of our initial training program to our satisfaction.

8.2. **Confidentiality.** You must treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and must use all reasonable efforts to maintain such information as secret and confidential. To that effect, you represent and warrant that you and your officers, directors, managers, employees, agents, contractors and any other personnel having access to any of our confidential information, including but not limited to the Manual, must each execute a Confidentiality Agreement in the form attached hereto as Exhibit E to this Agreement. You must not copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make them available to any unauthorized person.

8.3. **Ownership of and Access to Manual.** The Manual will remain our sole property and will be maintained online by us. We may permit you to obtain electronic copies of and updates or revisions to the Manual through the Internet, extranets, email or otherwise. You agree to permanently delete or destroy any extraneous or superseded copies (including electronic copies), as we may periodically prescribe.

8.4. **Revisions.** We may from time to time revise the contents of the Manual, and you expressly agree to comply with each new or changed standard. In connection with the implementation of any material changes to the Manual, we will provide you with a summary of such change.

8.5. **Controlling Copy.** You must ensure that the Manual is kept current. In the event of any dispute as to the contents of the Manual, the terms of the master copy we maintain will be controlling.

9. CONFIDENTIAL INFORMATION

9.1. **General.** You must not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, business processes, trade secrets, customer lists, knowledge, know-how, patents applied for concerning the methods of operation of the Franchised Business, or any other information we designate as confidential (collectively, **"Confidential Information"**) which may be communicated to you or of which you may be apprised of by virtue of our operation under the terms of this Agreement. You will divulge such Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business. Any and all other information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed Confidential Information for purposes of this Agreement.

9.2. **Separate Covenants from Franchisee Personnel.** You represent and warrant that you and your officers, directors, partners, members, managers, employees, agents, contractors and any other personnel having access to any of our Confidential Information, including but not limited to the Manual, each must execute a Confidentiality Agreement in the form attached hereto as Exhibit E to this Agreement stating that each will maintain the confidentiality of information they receive in connection with their employment by or relationship with you.

10. ACCOUNTING AND RECORDS

10.1. **General.** You must prepare, and must preserve for at least 7 years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner we prescribe from time to time in the Manual or otherwise in writing.

10.2. **Recordation.** All Gross Revenues, sales tax, and charges collected on behalf of third parties must be recorded by you in accordance with applicable laws and the procedures prescribed in the Manual, on the computer system, or as we may specify. You must provide us with electronic access to your financial records.

10.3. **Monthly Close.** You must record all transactions electronically, on a daily basis, in a form and manner we prescribe. You must perform a monthly close of your books for each month no later than the last business day of the following month. A **"monthly close"** will mean that all monthly adjusting entries to your books have been completed as specified in the Manual.

10.4. **Reports.** You must, at your expense, submit to us in the form we prescribe, the following reports, financial statements, and other data no later than:

10.4.1. Ninety days after the end of each fiscal year of the Franchised Business, financial statements that you certified to be true and correct, showing the results of operations of the Franchised Business during the preceding fiscal year;

10.4.2. Thirty days after their submission to the appropriate taxing authority, copies of your state sales tax returns, and the portions of your federal and state income tax returns that reflect the operations of the Franchised Business; and

10.4.3. Such other forms, reports, records, information, and data as we may reasonably designate.

10.5. **Use of Data.** Subject to Section 3.9, we will not communicate to, or divulge or use for the benefit of, any other person, partnership, association, or corporation, any report, financial statement, or other data required to be submitted to us pursuant to Section 10.4 of this Agreement, unless we do so: (a) without identifying that such report, financial statement, or other data relates to you or the Franchised Business, (b) to the extent required by law, or (c) otherwise with your permission.

10.6. **Audit.** We and our designated agents will have the right at all reasonable times to examine and copy, at our expense, your books, records, accounts, and tax returns. We will also have the right, at any time, to have an independent audit made of your books. If an inspection should reveal that any underpayments have been made to us, then you must immediately pay to us the amount underpaid upon demand, in addition to interest from the date such amount was due until paid, at the rate of 2% per month, or if less, the maximum rate permitted by law. If an inspection discloses an understatement in any report of 3% or more in any given month, you must, in addition to repayment of monies owed with interest at the rate of 2% per month or the maximum rate allowed by applicable law, whichever is less, reimburse us, within 30 days after billing, for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wage expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have.

11. ADVERTISING AND PROMOTION

11.1. **Presale Marketing/Grand Opening Campaign.** We will consult with you on the implementation of a Grand Opening Campaign. You must conduct a Presale Marketing/Grand Opening Campaign, which will include a variety of media, public relations, marketing and advertising materials. The Presale Marketing/Grand Opening Campaign generally begins 90 days before opening and continues until 90 days after opening. While your facility is undergoing its leasehold improvements to be a Franchised Business, you must conduct your presale marketing efforts from a temporary facility (which must be approved by us) located at or

near the site of your location. We may adopt standards and specifications for the temporary facility in the operations manual. We may allow you to use a portion of your facility to serve as your temporary facility, if we determine that the leasehold improvements required to your facility will permit a portion of your facility to serve as a suitable temporary facility. On or about the date of opening, you must conduct a Grand Opening. You must spend at least $10,000 in each 30 day period of the Presale Marketing/Grand Opening Campaign

11.2. **Marketing Fund.** We may establish a marketing fund (the **"Fund"**) which we will maintain and administer. We may require you to contribute one and one-half percent (1.5%) of your Gross Revenues per month to the Fund.

11.2.1. We will direct all Fund programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree and acknowledge that the Fund is intended to maximize general public recognition, acceptance, and use of the System. We are not obligated, in administering the Fund, to make expenditures for you, on your behalf, or in the Territory which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Fund;

11.2.2. The Fund, all contributions to the Fund, and any earnings thereon, will be used exclusively to meet the costs of maintaining, administering, directing, conducting, developing, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the System, including, among other things, the costs of preparing and conducting media advertising campaigns, including print, radio and television advertising; Internet advertising; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; and providing promotional and other marketing materials and services to the businesses operating under the System. The Fund may be used to reimburse us or our affiliates for the internal expenses of operating an advertising department and administering the advertising program. Reimbursement of internal expenses will not exceed 10% of all contributions to the Fund;

11.2.3. You must contribute to the Fund by separate checks made payable to us. All sums you pay to the Fund, we will maintain in a separate account from our general operating revenues;

11.2.4. It is anticipated that all contributions to and earnings of the Fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions for the current year;

11.2.5. You are entitled to receive from us, upon your request, and within 120 days of the end of your most recent fiscal year, an unaudited annual report of expenditures of advertising fees contributed to the Fund; and

11.2.6. Nothing contained herein will be deemed to impose on us any fiduciary duties or to create between us and you any fiduciary relationship.

11.3. **Local Advertising Programs.** You must actively advertise the Proprietary Marks and the System in the Territory. You must spend, on a monthly basis, at least $3,000 each month and at least $60,000 in each full calendar year, on local advertising and marketing in the Territory. We may identify one or more suppliers of local marketing services that you may be required to use. In such event, amounts spent on such marketing services may be applied toward the expenditure requirement in this Section 11.3.

11.4. **Co-Op Participation and Contributions.** We may designate any geographical area for purposes of establishing a market advertising and promotional cooperative fund (the **"Co-Op"**). If a Co-Op for the geographic area in which your Franchised Business is located has been established at the time you commence operations, you must immediately become a member of that Co-Op, unless we otherwise agree. If a Co-Op for the geographic area in which your Franchised Business is located is established during the term of this Agreement, you must become a member of that Co-Op within thirty (30) days after the date on which the Co-Op commences operation, unless we otherwise agree. In no event will you be required to be a member of more than one Co-Op. The following provisions will apply to each such Co-Op:

11.4.1. Each Co-Op will be organized (including but not limited to bylaws and other organic documents) and governed in a form and manner, and will commence operations on a date, that we prescribe or approve in writing in advance. Unless we specify otherwise, the activities carried on by each Co-Op will be decided by a majority of its members. The members will also decide upon the amount of required contributions to the Co-Op, provided that we may provide our recommendations and guidelines and will have the right to approve or disapprove a particular requirement or to specify minimum contribution levels. Any Fitness Evolution business that we operate or manage in the region will have the same voting rights as those owned by the franchisees. Each owner of a Franchised Business (or a Fitness Evolution business owned by us or our affiliates) will be entitled to cast one (1) vote.

11.4.2. Each Co-Op will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion.

11.4.3. No advertising or promotional plans or materials may be used by a Co-Op or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 11.5 below.

11.4.4. You must submit your required contribution to the Co-Op at the time required for payment of the Royalty Fee under Section 4.3 above. We will have the right to require that Franchisee submit payments and reports to the Co-Op directly to us for distribution to the Co-Op. If we incur administrative expenses in support of the Co-Op, these expenses may be paid to us from the funds of the Co-Op. If you are required to contribute to a Co-Op, your contributions will be credited toward your requirements to make expenditures for local advertising and promotion pursuant to Section 11.3 above.

11.4.5. Although each Co-Op is intended to be of perpetual duration once it is established, we will have the right to terminate any Co-Op. But, a Co-Op will not be terminated until all monies in that Co-Op have been expended for advertising and/or promotional purposes.

11.5. **Approval Required.** All of your advertising and promotion must be in such media and of such type, format and other particulars as we may approve, must be conducted in a dignified manner, and must conform to such standards and requirements as we may specify. You must not use any advertising or promotional plans or materials unless and until you have received written approval from us, pursuant to the procedures and terms set forth in Section 11.4 hereof. Advertising and promotional materials requiring our approval will include, but not be limited to, advertising placed in any media, including but not limited to the Internet, and advertising displays or other printed or electronic materials used by you or your employees which contain any of the Proprietary Marks, including but not limited to business forms, stationery, cards, and Internet websites. You may maintain such social media presence as we may periodically designate and your activity in such social media does not need to be specifically approved by us in advance, provided that your activity is otherwise in compliance with our general marketing standards and social media policies (as may be identified in the Manual or otherwise). In connection with any social media presence, you must notify us of such presence and provide us or our designee with administrative credentials and access to such presence, with authority to modify or delete all or any portion of such presence at our sole discretion.

11.5.1. **Review of Materials.** You must submit samples of all advertising and promotional plans and materials to us, for our prior approval (except with respect to prices to be charged), if we have not prepared or previously approved such plans and materials. You must not use the plans or materials until we have approved them. If you do not receive written notice of disapproval from us within 30 days of the date we receive such samples or materials, you will be permitted to use them. You must cease to use any advertising disapproved by us immediately upon notice from us.

12. INSURANCE

12.1. **General.** You must procure, before the commencement of any operations under this Agreement, and must maintain in full force and effect at all times during the term of this Agreement at your expense, an insurance policy or policies protecting you and us (including your and our respective officers, directors, shareholders, agents, and employees) against any demand or claim with respect to bodily injury, personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Franchised Business and the Approved Location. Such policy or policies must be written by a carrier with a minimum Bests Rating of A unless we grant specific approval, must name us as an additional insured as specified by us, and must provide at least the types and minimum amounts of coverage specified herein, as amended by us, by changes in the Manual or other notice.

12.2. **Coverage Amounts.** Subject to changes in the Manual or other notice, as of the Commencement Date hereof, you must obtain the following types of insurance at the stated coverage amounts: Commercial General Liability Insurance, including Premises, Operations, Products, Completed Operations and Contractual Liability coverages (not less than $1 million

per occurrence); Business Automobile Liability Insurance covering all owned, non-owned, and hired automobiles (not less than $1 million per accident); Employer's Liability and Worker's Compensation Insurance (as required by state and local laws but in any case not less than $1 million per occurrence); Umbrella Liability (not less than $2 million); Property Insurance (not less than 90% of the replacement cost of the insured property; if your Approved Location is located in a flood zone other than B, C or X, as determined by the Federal Emergency Management Agency, you must also obtain flood insurance coverage in the amount of the lesser of 90% of the replacement cost or the maximum coverage available from the National Flood Insurance Program) and Professional Liability (Errors & Omissions) Insurance (minimum of $1,000,000 of coverage for every $5,000,000 of annual written premium by the franchisee with a floor of $1,000,000 of coverage and a maximum deductible of $25,000 allowed). We may require you to obtain some or all of these policies from vendors approved or required by us. From time to time we may expand the insurance requirements and your coverage amounts.

12.3. **Independent Obligation.** Your obligation to obtain and maintain the policy or policies in the amounts specified in the Manual will not be limited in any way by reason of any insurance which we may maintain, nor will your performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 20.4 of this Agreement. The Commercial General Liability and Business Automobile policies will contain a contractual coverage endorsement insuring your performance under such indemnity.

12.4. **Additional Insureds.** All policies except Workers Compensation must contain a provision that your insurance coverage is primary to any coverage maintained by us. Your Commercial General Liability and Business Automobile policies must include a separation of insured's clause or endorsement, in a form acceptable to us and, unless otherwise permitted by us in writing, all policies must name us, our servants, agents, and employees as additional insureds and must expressly provide that these persons may recover under such policies on any loss occasioned by us, our affiliates, or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees. Such policies must also expressly provide that any interest of ours, our servants, agents, and employees will not be affected by your breach of any policy provisions.

12.5. **Delivery of Certificates.** Prior to the commencement of any operations under this Agreement, and thereafter at least 30 days prior to the expiration of any policy, you must deliver to us Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates must expressly provide that we will receive no less than 30 days' prior written notice in the event of material alteration to or cancellation of the coverages evidenced by the Certificates.

12.6. **Franchisor's Right to Procure.** Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as we may revise such requirements from time to time in the Manual or otherwise in writing, we will have the right and authority (but not the obligation) to procure or maintain the insurance and to charge same to you. The charges, together with a reasonable fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have.

13. TRANSFER OF INTEREST

13.1. **Transfer by Franchisor.** We will have the absolute right, without limitation, to sell, transfer, or assign our business, in whole or in part, and whether by sale of assets or securities, or otherwise, this Agreement, the System or the Proprietary Marks to any person or legal entity, and such sale, transfer or assignment will constitute a novation of this Agreement whereby any designated assignee of ours will become solely responsible for all of our rights and obligations under this Agreement from the date of assignment.

13.2. **Transfer by Franchisee.** You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have entered into this Agreement in reliance on your (or, if you are a corporation or partnership, your principals') business skill, financial capacity, and personal character. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, assign, transfer, convey, pledge, encumber, merge, or give away (collectively, **"transfer"**), directly, through any judicially mandated division or distribution of assets or otherwise, any direct or indirect interest which individually or in the aggregate, when combined with any other transfer, has the effect of transferring 5% or more of the outstanding interest in this Agreement, in you, in the Franchised Business, or in all or substantially all of the assets of the Franchised Business or you without our prior written consent. Any such proposed transfer will be subject, among other things, to the provisions of Section 13.4 hereof. In the event that we elect not to exercise our rights under Section 13.4, our prior written consent to a proposed transfer will not be unreasonably withheld for any transfer, nor will it be required for a transfer of less than a 5% interest in a corporation which has securities registered under the Securities Exchange Act of 1934 (**"publicly-held corporation"**). Any purported assignment or transfer not having our written consent required by this Section 13.2 will be null and void and will constitute a material breach of this Agreement, for which we may immediately terminate without opportunity to cure pursuant to Section 14.2.6 of this Agreement.

13.3. **Notification and Approval.** You must notify us in writing of any proposed transfer of any direct or indirect interest which individually or in the aggregate, when combined with any other transfer, has the effect of transferring 5% or more of the outstanding interest in this Agreement, in you, in the Franchised Business, or in all or substantially all of the assets of the Franchised Business at least 30 days before such transfer is proposed to take place, but that notice will not be required for a transfer of less than a 5% interest in a publicly held corporation. If any transfer which requires our consent, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of changing control of you, this Agreement, or all or substantially all of the assets of the Franchised Business, we may, in our sole discretion, require any or all of the following as conditions of our approval:

13.3.1. That all of your accrued monetary obligations and all other outstanding obligations to us and our affiliates have been satisfied;

13.3.2. That you are not in default of any provision of this Agreement, any amendment of or successor to this Agreement, or any other material agreement between you and

us or our affiliates or with, among others, your landlord, mortgagee, bank, other lenders, or suppliers, etc.;

13.3.3. That the transferor must execute a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, and our respective officers, directors, shareholders, member, agents, and employees;

13.3.4. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; and, if your obligations were guaranteed by the transferor, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us; or we may at our option require transferee to execute the then-current form of franchise agreement;

13.3.5. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) demonstrate to our satisfaction that it meets our educational, managerial, and business standards; possesses good moral character, business reputation, and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital inclusive of its obligations to you to operate the Franchised Business in a fiscally responsible manner;

13.3.6. That the transferee, at its expense, renovate and modernize the Franchised Business as we may reasonably require, which may include acquisition and use of new equipment and renovation of signs and décor to reflect the then-current standards and image of the System, and complete the refurbishing and other requirements within the time we specify;

13.3.7. That you remain liable for all of the obligations to us in connection with the Franchised Business which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by us to evidence such liability;

13.3.8. That the transferee's Manager, at the transferee's expense, successfully complete any training programs then in effect for Managers upon such terms and conditions as we may reasonably require at transferee's expense; and

13.3.9. That you will pay a transfer fee of $5,000.

13.4. **Right of First Refusal.** If you or any person or entity holding any direct or indirect interest in you, this Agreement or the Franchised Business desires to make a transfer for value, other than to a member of an individual Franchisee's immediate family, you must first notify us in writing of such intention and offer to sell or transfer such interest to us upon the terms and conditions set forth in the notice, which will be at least as favorable as those offered by a bona fide third party (and such notice will include a copy of the third party offer), net of any applicable real estate and/or business brokerage commissions. If we and you cannot agree within 30 days of the notice on the terms and conditions of such transfer or if we notify you that we do not wish to acquire such interest, you may sell or transfer such interest to a bona fide third party; provided that such transfer is made within 120 days after the expiration of any offer to us, that

such transfer is made on precisely the same terms and conditions as those offered in writing by such third party and provided in the notice to us, and that all applicable requirements of Section 13 hereof are met. Our failure to exercise the option afforded by this paragraph will not constitute a waiver of any other provision of this Agreement, including all requirements of this Section 13, with respect to a proposed transfer.

13.5. **No Security Interest.** You must not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by you under any documents related to the security interest, we will have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of yours, and, in the event we exercise such option, any acceleration of indebtedness due to your default will be void. You agree to fully indemnify us from any and all costs or damages including, but not limited to attorneys' fees and costs, incurred by us in curing any default of yours. You and any such secured party must comply with applicable terms of this Section 13.

13.5.1. In no event will you agree to grant any security interest or other lien or encumbrance in the System, the Proprietary Marks or any other confidential or proprietary property or information of ours and any attempt to grant such an interest will constitute a breach of this Agreement and will be deemed to be void and of no force and effect. You agree to fully indemnify us for any costs or damages including, but not limited to, attorneys' fees, other professional or expert fees, and costs, incurred by us in bringing any action to invalidate or attempt to invalidate any security interest or other lien or encumbrance purported to have been granted by you relating to any confidential or proprietary information or property of ours.

13.6. **Death or Incapacity.** Upon the death or mental incapacity of any person with an interest in this Agreement, in Franchisee, in the Franchised Business, or in all or substantially all of the assets of the Franchised Business:

13.6.1. The executor, administrator, or personal representative of such person will transfer such interest to a third party approved by us within 6 months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same conditions as any transfer during their lifetime. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 13, the executor, administrator, or personal representative of the decedent will transfer the decedent's interest to another party approved by us within a reasonable time, which disposition will be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, we may terminate this Agreement, pursuant to Section 14.2.7 hereof. Any transfer subject to this section which is made in accordance with a succession plan approved in advance by us will be deemed approved for the purposes of this Section 13.6.1. We will not unreasonably withhold any approvals required by this Section 13.6;

13.6.2. We will have the right to take such steps as are necessary to manage the Franchised Business for your account until such time as a transfer can be completed pursuant to Section 13.6.1. You further grant to us the right to receive a reasonable fee for such services and reimbursement for our expenses in connection with such services.

13.7. **No waiver.** Our consent to a transfer of any interest in this Agreement, in Franchisee, in the Franchised Business, or in all or substantially all of the assets of the Franchised Business or Franchisee will not constitute a waiver of any claims we may have against the transferring party, nor will it be deemed a waiver of our right to demand full compliance with any of the terms of this Agreement by the transferor or transferee.

13.8. **Securities Offerings.** All materials required by federal or state law for the offering of securities or partnership interests in Franchisee must be submitted to us for review prior to filing with any government agency, and any materials to be used in any exempt offering, such as for example, certain private placements of securities, will be submitted to us for review prior to their use. No Franchisee offering may imply, by use of the Proprietary Marks or otherwise, that we are participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor, and our review of any offering will be limited solely to the subject of the relationship between you and us. You and other participants in the offering must fully indemnify us in connection with the offering. For each proposed offering you will pay to us a non-refundable fee of $10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. You will give us written notice at least 30 days prior to the date of commencement of any activity of any sort prior to such offering or other transaction covered by this Section 13.8. Notwithstanding anything to the contrary contained in this Section 13.8, the fee described in this Section 13.8 shall not be required in connection with any private offering to a member of your family or an individual employed by you in the Franchised Business that would result in the transfer of 25% or less (individually or in the aggregate) of the outstanding interest in you, the Franchise Agreement or the Franchised Business.

14. TERMINATION

14.1. **Termination without Notice.** You will be deemed to be in default under this Agreement, and all rights granted to you herein will automatically terminate without notice to you, if you become insolvent (either by virtue of your having an excess of liabilities over assets or your inability to meet your obligations as they become due as we determine), or make a general assignment for the benefit of creditors; if you file a petition in bankruptcy or such a petition is filed against and not opposed by you; if you are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of yours or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Approved Location or equipment is instituted against Franchisee and not dismissed within 30 days; or if the real or personal property of the Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

14.2. **Termination with Notice and No Opportunity to Cure.** Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all

rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon receipt of notice by you:

14.2.1. If you use or sell any Prohibited Products and Services, as described in Section 3.2;

14.2.2. If you or your Manager fails to successfully complete the required initial training program(s) described in Section 5.1 hereof to our satisfaction;

14.2.3. If you at any time cease to operate or otherwise abandon the Franchised Business, or otherwise breach any lease of real estate, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located;

14.2.4. If you are convicted of a felony or a misdemeanor carrying a jail term (but not an infraction), a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

14.2.5. If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;

14.2.6. If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business is made to any third party without our prior written consent, contrary to the terms of Section 13 hereof;

14.2.7. If an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 13.6 hereof;

14.2.8. If you fail to comply with the covenants in Section 16 hereof or fail to obtain execution of the covenants required under Sections 8.2 or 16.6 hereof;

14.2.9. If, contrary to the terms of Sections 8 or 9 hereof, you disclose or divulge the contents of the Manual or other Confidential Information provided to you by us;

14.2.10. If you knowingly maintain false books or records, knowingly submit any false reports to us or breach a representation or warranty contained herein;

14.2.11. If you misuse or make any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, fail to adhere to our guidelines regarding use and display of your name and the Proprietary Marks, or otherwise materially impair the goodwill associated therewith or our rights therein;

14.2.12. If you refuse to permit us to inspect the Franchised Business or your books, records, or accounts as provided in this Agreement upon demand;

14.2.13. If you, upon receiving a notice of default under Section 14.3 hereof, fail to initiate immediately a remedy to cure such default; or

14.2.14. If you commit a default subject to Section 14.3 hereof 3 times or more in any 12 month period, whether or not any such default is cured after notice.

14.3. **Termination with Notice and Opportunity to Cure.** Except as otherwise provided in Sections 14.1 and 14.2 of this Agreement, you will have 30 days after your receipt from us of a written notice of default within which to remedy any default under this Agreement and to provide evidence thereof to us. You may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the thirty-day period, and by promptly providing proof thereof to us. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to you, effective immediately upon the expiration of the thirty-day period or such longer period as applicable law may require. You will be in default pursuant to this Section 14.3 for failure substantially to comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manual, or failure to carry out the terms of this Agreement in good faith. Such defaults include, but are not limited to, the following illustrative events:

14.3.1. If you fail, refuse, or neglect promptly to pay any monies owing to us or our affiliates when due, to fully fund any electronic funds transfers to be made under Section 4.7 hereof, or to submit the financial or other information required by us under this Agreement;

14.3.2. If you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement or to maintain substantial compliance with the Manual, including, but not limited to failure to attend and complete to our satisfaction additional training described in Section 5.2 above;

14.3.3. Except as provided in Section 14.2.6 and 14.2.7 hereof, if you fail, refuse, or neglect to obtain our prior written approval or consent as required by this Agreement;

14.3.4. If you fail to implement and use any Proprietary Program, as required by Section 6.7 hereof and to execute any software license agreement required to be executed in connection with such Proprietary Program; or

14.3.5. If you engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.

15. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you will terminate immediately, and:

15.1. You will immediately cease to, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

15.2. You will immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Programs; the Proprietary Mark "FITNESS EVOLUTION" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In

particular, you will cease to use, without limitation, all telephone numbers, signs, advertising materials, domain names, websites or web pages, displays, stationery, forms, products, and any other articles which display the Proprietary Marks or suggest an association with the Proprietary Marks.

15.3. You will take such action as may be necessary to cancel any assumed name registration or equivalent registration you obtain which contains the mark "FITNESS EVOLUTION" or any other Proprietary Marks, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 5 days after termination or expiration of this Agreement.

15.4. You will make such modifications or alterations to the premises, if any, (including, without limitation, the changing of, and the assigning to us of, your telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from that of a Franchised Business under the System, and will make such specific additional changes thereto as we may reasonably request for that purpose. In the event you fail or refuse to comply with the requirements of this Section 15.4, we will have the right to enter upon the premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you agree to pay upon demand.

15.5. You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in our sole discretion, is likely to cause confusion, mistake, or deception, or which, in our sole opinion, is likely to dilute our rights in and to the Proprietary Marks. You further agree not to utilize any designation of origin or description or representation which, in our sole opinion, falsely suggests or represents an association or connection with us.

15.6. You will promptly pay all sums owing to us and our affiliates. In the event of termination for any default of yours, such sums will include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default.

15.7. You will immediately deliver to us the Manual and all other records, correspondence, and instructions containing confidential information relating to the operation of the Franchised Business, all of which are acknowledged to be our property, and will retain no copy or record of any of the foregoing, with the exception of your copy of this Agreement, any correspondence between the parties, and any of the documents which you reasonably need for compliance with any provision of law.

16. COVENANTS

16.1. **Full Time and Best Efforts.** You covenant that, during the term of this Agreement, except as we otherwise approve in writing, you will have appointed a fully-trained manager or managers approved by us (**"Manager"**) who will devote full time and best efforts to the management and operation of the Franchised Business.

16.2. **Customer Lists.** You specifically acknowledge that customer lists of or relating to the Franchised Business are and will remain our property.

16.3. **Covenant Not to Compete.** You specifically acknowledge that, pursuant to this Agreement, you and your employees will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity:

16.3.1. Divert or attempt to divert any present or prospective business or customer of any Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

16.3.2. Employ or seek to employ any person who is at that time employed by us or by any other franchisee of ours, or otherwise directly or indirectly induce such person to leave his or her employment; or

16.3.3. Except for ownership by you of a less than 5% beneficial interest in the outstanding equity securities of any publicly held corporation or for any fitness center business you may own or operate at the time of execution of this Agreement (if you have provided us with a written notification of your interest in that existing fitness business), you will not without our express written consent, own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in (as owner or otherwise) any other fitness business.

16.4. **Scope of Covenants.** You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section 16, or any portion thereof, without your consent, and you agree that you will comply immediately with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 22 hereof.

16.5. **Franchisee Claims No Defense.** You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Section 16.

16.6. **Execution of Individual Covenants.** You will obtain and furnish to us executed covenants similar in substance to those set forth in Section 16.3 of this Agreement from the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of you, and of any corporation directly or indirectly controlling, controlled by, or under common control with you, if you are a corporation; (b) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of 1% or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership; and (c) all members and managers of you if you are a limited liability company. Every covenant required by this Section 16.6 will be substantially in the form provided as Exhibits F of this Agreement. In the

event you cannot reasonably secure such covenants from any of your passive investors or partners, or outside directors, you will not be required to obtain the same, subject, however, to the limitation that such persons will not be entitled to receive any information characterized in this Agreement as confidential.

16.7. **Equitable Relief.** You acknowledge that any failure to comply with the requirements of this Section will cause us irreparable injury, for which no adequate remedy at law may be available. You also acknowledge that our ability to obtain equitable relief on a System-wide basis for breaches by franchisees of non-disclosure and non-competition covenants benefits you by enabling us to defend and protect the distinctiveness of the System. Accordingly, you consent to the issuance of an order of specific performance, temporary restraining order, or preliminary or permanent injunction against violation by you of the covenants.

16.8. **Freedom to Contract.** You represent and warrant that neither you nor any of your principals are, at the time of signing this Agreement, subject to any non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement which would restrict or limit your or such principal's ability to participate in the ownership or operation of the Franchised Business. You further represent and warrant that neither you nor any of your principals will be in breach of any such non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement as a result of entering into this Agreement or participating in the ownership or operation of the Franchised Business.

17. CORPORATE, PARTNERSHIP, OR LIMITED LIABILITY COMPANY FRANCHISEE

17.1. **Corporate Franchisee.** If you are a corporation, you will comply with the following requirements:

17.1.1. Your Articles of Incorporation or Charter Bylaws, Minutes and other governing instruments and materials as appropriate, and any amendments thereto, will at all times authorize the operation of the Franchised Business;

17.1.2. Copies of Your Articles of Incorporation, Charter or Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, will be promptly furnished to us;

17.1.3. You will maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of you will have conspicuously endorsed upon its face a statement in a form satisfactory to us that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement, but the requirements of this Section 17.1.3 will not apply to a publicly-held corporation, except as required by or under applicable securities laws; and

17.1.4. You will maintain a current list of all owners of record and all beneficial owners of any class of voting securities of you and will furnish the list to us upon request.

17.2. **Partnership Franchisee.** If you are a partnership, you will comply with the following requirements:

17.2.1. You will furnish us with a copy of its partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto, which will state that its activities include operating the Franchised Business; and

17.2.2. You will prepare and furnish to us, upon request, a list of all general and limited partners in you.

17.3. **Limited Liability Company Franchisee.** If you are a limited liability company, you will comply with the following requirements:

17.3.1. Copies of your Articles of Organization, Operating Agreement, and other governing documents, and any amendments thereto, including the resolution of the members and/or managers authorizing entry into this Agreement, will be promptly furnished to us. These documents will at all times authorize the you to operate the Franchised Business; and

17.3.2. You will maintain a current list of all members and/or managers of you and will furnish the list to us upon request.

18. TAXES, PERMITS, AND INDEBTEDNESS

18.1. **Payment of Taxes.** You will promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the operation of the Franchised Business.

18.2. **Tax Disputes.** In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority, or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

18.3. **Compliance with Laws.** You will comply in all material respects with all federal, state, and local laws, rules, and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits and all requisite trade, business, occupational or professional licenses.

18.4. **Notification of Suits.** You will immediately notify us in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

19.1. **Independent Contractor.** It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that you will be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner, employer, employee, or servant of the other for any purpose whatsoever.

19.2. **Communication of Status to Consumers.** During the term of this Agreement, you will hold yourself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact, the content and location of which we reserve the right to specify. Such notice will specify that we are not the owner of the Franchised Business.

19.3. **Losses and Expenses.** As used in this Section 19, the phrase **"losses and expenses"** will include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

19.4. **Indemnification.** You will, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our corporate affiliates, successors and assigns and the respective directors, officers, employees, agents and representatives of each (collectively, the **"Indemnitees"**) from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

19.4.1. Your (or your principals') violation, breach, liability or asserted violation of breach of or liability under any contract, federal, state or local law, regulation, rule, order, standard or directive, or of any industry standard;

19.4.2. Libel, slander or any other form of defamation by you;

19.4.3. Your violation or breach of any warranty, representation, or other term or provision of this Agreement; and

19.4.4. Acts, errors or omissions of yours or any of your agents, servants, employees, contractors, partners, affiliates or representatives.

19.5. **Notification of Claims.** You will promptly notify us of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 19.4. If any Indemnitees are or may be named as a party in any such action, we may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such

undertaking by us will, in any manner or form, diminish your obligation to indemnify the Indemnitees and to hold each of them harmless.

19.6. **Resolution of Claims.** With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, we may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of us or others, order, consent or agree to any settlement or take any remedial or corrective action as we deem expedient, if, in our sole judgment, there are reasonable grounds to believe that:

19.6.1. Any of the acts or circumstances enumerated in Section 19.4 have occurred; or

19.6.2. Any act, error, or omission of yours may result directly or indirectly in damage, injury or harm to any person or any property.

19.7. **Payment.** All losses and expenses incurred under this Section 19 will be chargeable to and paid by you pursuant to your obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity or defense.

19.8. **No Obligation to Recover from Third Parties.** Under no circumstances will the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against you. You agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from you.

19.9. **No Assumption of Liability.** The Indemnitees assume no liability whatsoever for any acts, errors, or omissions of any persons with whom you may contract, regardless of the purpose. You will hold harmless and indemnify the Indemnitees and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom you may contract.

20. APPROVALS AND WAIVERS

20.1. **Approvals.** Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefor. Such approval or consent must be obtained in a writing signed by an authorized officer of ours.

20.2. **No Warranties.** We makes no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor. Nothing in this Section 20.2 will be deemed to disclaim, or to waive your reliance on, any statements made in the disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising."

20.3. **No Waiver.** No failure of ours to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with respect to any obligation or condition

hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to demand exact compliance with any of the terms hereof. Waiver by us of any particular default of yours will not affect or impair our rights with respect to any subsequent default of the same, similar, or different nature, nor will any delay, forbearance, or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor will such constitute a waiver by us of any right under this Agreement, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by us of any payments due to us under this Agreement will not be deemed a waiver by us of any preceding breach by you of any terms, covenants, or conditions of this Agreement.

21. NOTICES

Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by registered or certified mail, or sent by overnight courier (such as UPS, FedEx or other similar service) which affords the sender evidence of delivery or attempted delivery, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Fitness Evolution Franchising, LLC
2144 Industrial Parkway
Silver Spring, MD 20904
Attn: Jeff Mayerson

with a copy to:

Patrick Maslyn, Esq.
Maslyn Law PLC
6430 Arwen Mews
Moseley, VA 23120

Notices to Franchisee:

as described on Declarations Page.

Any notice by a means which affords the sender evidence of delivery or attempted delivery will be deemed to have been given and received at the date and time of receipt or attempted delivery.

22. ENTIRE AGREEMENT

This Agreement, the Declarations Page, the attachments hereto, and the documents referred to herein constitute the entire Agreement between us and you concerning the subject matter hereof, and supersede any prior agreements, no other representations, warranties, or

promises having induced you to execute this Agreement, but that nothing in this Section 22 will be deemed to disclaim, or to waive your reliance on, any statements made in the disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising." Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

23. SEVERABILITY AND CONSTRUCTION

23.1. **Severability.** If, for any reason, any section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, by a court of competent jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants will be deemed not to be a part of this Agreement.

23.2. **Survival.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement (whether termination is by us or you, and regardless of cause) will survive such expiration or termination, including, but not limited to, Sections 8, 9, 16, and 24.

23.3. **No Third Party Beneficiary.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, shareholders, agents and employees, and such of our successors and assigns as may be contemplated by Section 13 hereof, any rights or remedies under or by reason of this Agreement.

23.4. **Reduction of Covenants.** You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions a court of competent jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

23.5. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, but such counterparts together will constitute one and the same instrument.

24. APPLICABLE LAW; DISPUTE RESOLUTION

24.1. **Applicable Law.** This Agreement is accepted by us in the State of Maryland. This Agreement will be governed by, construed and enforced in accordance with the laws of the State of Maryland except to the extent governed by the United States Trademark Act of 1946 (Lanham Act). Nothing in this Section 24.1 is intended by the parties to subject this Agreement to any franchise, business opportunity or similar statute, rule, or regulation of the State of

Maryland to which it would not otherwise be subject. You and we acknowledge and agree that each party's agreement regarding applicable state law set forth in this Section 24 provides each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. You and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit, and that each party's agreement regarding applicable state law has been negotiated in good faith and is part of the benefit of the bargain reflected by this Agreement.

24.2. **Limitations of Claims.** You and we each hereby waive, to the fullest extent permitted by law, any right or claim for any punitive, incidental, consequential, or exemplary damages against the other and agree that if there is a dispute with the other that each party will be limited to the recovery of actual damages sustained by it. You and we also agree that any claim or action brought by you relating to this Agreement must be brought within 1 year of the occurrence of the circumstances giving rise to such claim or action, whether known or unknown, or such claim or action will be barred.

24.3. **No Class Actions.** You and we agree that all litigation will be conducted on an individual, not a class-wide, basis.

24.4. **Allocation of Costs.** In any litigation, all costs and expenses, including court costs and fees, and reasonable attorneys' fees incurred by the prevailing party in such litigation will be borne by the losing party.

24.5 **Venue.** All disputes, controversies, claims, or causes or action arising out of or relating to this Agreement or the breach thereof or the transaction embodied therein or the relationship evidenced hereby, arising between you and us will be finally resolved by litigation in, and you hereby irrevocably submit yourself to the exclusive jurisdiction of either the Maryland District Court for Montgomery County, Maryland (without prejudice to the right of any party to remove to the United States District Court for the District of Maryland), or the United States District Court for the District of Maryland, for purpose of any suit, action, or other proceeding arising out of or relating to this Agreement, or of any of the transactions contemplated hereby or thereby, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such State of Maryland court, or to the fullest extent permitted by applicable law, in such federal court. By execution and delivery of this Agreement, you hereby irrevocably waive, to the fullest extent you may effectively do so, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim that you are not personally subject to the jurisdiction of the above-named courts for any reason whatsoever. We and you agree that a final judgment (as to which all appeals have been exhausted or the time within which such appeals may be made has expired) in any such action or proceeding will be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

25. ACKNOWLEDGMENTS

25.1. You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your

ability (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson. We expressly disclaim the making of, and you acknowledge that you have not received from us, any indication, promise, warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

25.2. You acknowledge that you received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, at least 7 days prior to the date on which this Agreement was executed. You further acknowledge that you received a disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to the date on which this Agreement was executed or as otherwise required by applicable state law.

25.3. You acknowledge that you have read and understood this Agreement, the attachments hereto, and agreements relating thereto, as well as the aforesaid disclosure document and that we have afforded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement and that, in fact, you have so consulted with professional advisors about such subject matter.

25.4. You acknowledge and agree that we may delegate any right or obligation of ours under this Agreement to such third party as we may designate. You further acknowledge that: (i) the term **"Franchisor"** as used in this Agreement will refer only to Fitness Evolution Franchising, LLC and not our parent or affiliates; (ii) we are not authorized to contract for or on behalf of our parent or any of our affiliates; and (iii) this Agreement will not be deemed to bind or otherwise restrict our parent or any of our affiliates.

EXHIBIT A
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

TRADEMARKS

Trademark	Registration Date	Registration Number
FITNESS EVOLUTION	December 13, 2011	4071240

EXHIBIT B
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

SITE SELECTION ADDENDUM

FITNESS EVOLUTION FRANCHISING, LLC (referred to in this Agreement as **"we," "us," "our"** or **"Franchisor"**) and _____ _____ (referred to in this Agreement as **"you," "your"** or **"Franchisee"**), have this date, _____, 20 ____, entered into a certain Fitness Evolution Franchising, LLC Franchise Agreement ("Franchise Agreement") and desire to supplement its terms, as set out below. The parties agree as follows:

1. Within 90 days after the execution of this Site Selection Addendum and the Franchise Agreement, you must obtain commercial space, at your expense, for the business to be operated under the Franchise Agreement (**"Franchised Business"**), which premises must be approved by us as provided in this Site Selection Addendum. The premises must be within the following territory (**"Site Selection Territory"**):

_____

_____.

You acknowledge and agree that the Site Selection Territory is different from the Territory described in Section 1.3 of the Franchise Agreement. We may establish, and franchise another to establish, a Franchised Business within the Site Selection Territory at any time, subject to Section 1.3 of the Franchise Agreement.

2. Failure by you to obtain premises for the Franchised Business within the time required in Paragraph 1 will constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Prior to obtaining the premises for the Franchised Business in the Site Selection Territory, you will submit to us, in the form we specify, a description of the proposed site and such information or materials as we may reasonably require, which may include an environmental assessment, and a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. Recognizing that time is of the essence, you agree that you must submit such information and materials for your proposed site to us for our approval within 60 days after execution of this Site Selection Addendum. We will have 15 days after receipt of such information and materials from you to approve or disapprove, in our sole discretion, the site as a location for the Franchised Business. In the event the we do not approve a proposed site by written notice to you within such 15 days, such site will be deemed disapproved by us.

4. We will furnish to you the following:

a. Such site selection guidelines and consultation as we may deem advisable;

b. Such on-site evaluation as we may deem advisable as part of our evaluation of your requests for site approval, but we will not provide on-site evaluation for any

proposed site prior to our receipt of the information or materials required by Paragraph 3. If we deem on-site evaluation to be necessary and appropriate, we will conduct up to 2 on-site evaluations, for which you will reimburse us for our reasonable expenses, including, without limitation, the costs of travel, lodging, and food.

5. Prior to the execution of any lease by you for the premises at which the Franchised Business will be located, you will submit such lease to us for our written approval. Unless you have obtained our written approval to the exclusion of a required provision, the lease will (by its terms or a Lease Rider prepared by us) include the following terms and conditions:

a. That the premises will be used only for the operation of the Franchised Business;

b. That the lessor (i) approve the use of such Proprietary Marks and signage as we may prescribe for the Franchised Business, and (ii) agrees to furnish us with copies of any and all letters and notices sent to you pertaining to the lease and the premises at the same time that such letters and notices are sent to you;

c. That you may not sublease or assign all or any part of your occupancy rights, or extend the term of or renew the lease, without our prior written approval;

d. That we will have the right to enter the premises to make any modification necessary to protect the Proprietary Marks or to cure any default under the lease, this Agreement or the Franchise Agreement;

e. That the lessor agrees that you may assign the lease to us; that the lessor will approve such assignment and may not impose any assignment fee or similar charge on us in connection with such assignment; and that we may sublease the premises for all or any part of the remaining term of the lease;

f. That we (or our designee) will have the option (but not the obligation), upon default of the Franchise Agreement or the lease, and upon notice to the lessor, to assume all of your rights under the lease, including the right to assign or sublease; and

g. That the lessor and you must not amend or otherwise modify the lease in any manner that would materially affect any of the foregoing terms and conditions without our prior written approval.

6. After the location for the Franchised Business has been approved in writing by us and obtained by you pursuant to Paragraph 3 hereof, the location will constitute the Approved Location referred to in Section 1.2 of the Franchise Agreement and the exact street address of the then Approved Location will be inserted on the Declarations Page.

7. You agree that you will not execute a lease for the Franchised Business premises which we have, for any reason, disapproved. You will furnish us with a copy of any executed lease within 10 days after execution thereof.

8. You hereby acknowledge and agree that our review of the site information and lease (if any) and/or approval does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or any of the lease terms or for any other purpose. Our approval of the site and/or lease (if any) indicates only that we believe the site and lease complies with acceptable minimum criteria we established solely for our purposes as of the time of the evaluation. Both you and we acknowledge that application of such criteria may not be predictive of potential for all sites and leases and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from our criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond our control. We will not be responsible for the failure of a site or lease approved by us to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for the operation of the Franchised Business at the site or lease is based on your own independent investigation of the suitability of the site or the lease.

9. The opening date of the Franchised Business will not be later than 6 months from the date of execution of the Franchise Agreement and will be confirmed in writing by the parties.

10. This Site Selection Addendum constitutes an integral part of the Franchise Agreement between the parties, and the terms of this Site Selection Addendum will be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, Franchisor and Franchisee have executed this Addendum concurrently with the Franchise Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

EXHIBIT C
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

TERRITORY

The Territory will be defined as follows (as depicted specifically on the map attached to this Exhibit C):

EXHIBIT D
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

OWNERSHIP OF FRANCHISEE

Name and Address	Type of Interest (i.e., limited partner, general partner, member, or shareholder)	Percentage of Total Ownership Interest

EXHIBIT E
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

IN CONSIDERATION of my employment or other relationship with _____ _____, a franchisee of Fitness Evolution Franchising, LLC (**"Franchisor"**) with its principal place of business at _____, (**"Franchisee"**) I hereby agree with Franchisor as follows:

I recognize that through my employment or other relationship with Franchisee I will have close contact with confidential information of Franchisor. While I am employed by or otherwise have a relationship with Franchisee or at any time thereafter, I promise not to communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, business processes, trade secrets, knowledge, know-how, including but not limited to the Franchisor's Operations Manual, or patents applied for concerning the methods of operation of a FITNESS EVOLUTION Franchised Business which may be communicated to me or of which I may be apprised by virtue of my affiliation with Franchisee. I understand that any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

I understand that notwithstanding any Maryland choice or conflict of laws rules to the contrary, this Covenant will be interpreted and enforced in accordance with the substantive laws of the State of Maryland. For the purpose of any suit, action, or proceeding arising out of this Covenant, I submit to the jurisdiction of the state and federal courts in the jurisdiction in which Franchisor maintains its principal place of business and waive any objections or defenses I may have based on improper venue, lack of personal jurisdiction, inconvenience of forum or any similar matter.

Accepted this __ day of _____, 20__.

_____ _____
Witness Signature Signature

_____ _____
Witness Name Name

EXHIBIT F
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

IN-TERM COVENANT NOT TO COMPETE

IN CONSIDERATION of my employment or other relationship with _____ _____, a Franchisee of Fitness Evolution Franchising, LLC (**"Franchisor"**), with its principal place of business at _____, (**"Franchisee"**) I hereby agree with Franchisor as follows:

I recognize that through my employment or other relationship with Franchisee I will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and its Franchise System. I covenant that during the term of my employment or other relationship with Franchisee, except as otherwise approved in writing by Franchisor, I must not, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person or legal entity:

(a) Divert or attempt to divert any present or prospective business or customer of any franchisee of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and its Franchise System;

(b) Employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

(c) Except for my ownership of a less than 5% beneficial interest in the outstanding equity securities of any publicly held corporation or for any fitness center business I own or operate at the time of execution of this Agreement (if I have provided Franchisor with a written notification of my interest in that existing fitness business), I must not own, maintain, operate, provide any assistance to, or have any interest in (as owner or otherwise) any fitness business.

I understand and acknowledge that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion hereof, without Franchisee's or my consent, and I agree to comply immediately with any covenant as so modified.

I further agree that if a court of competent jurisdiction finally determines this Covenant to be invalid, illegal or unenforceable, the Covenant will be deemed restricted in application to the extent required to render it valid under applicable law.

I acknowledge that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, for which no adequate remedy at law may be available. I also acknowledge that Franchisor's ability to obtain equitable relief for breaches of the Covenants contained in this Agreement, if any, by myself and other of Franchisee's employees and other individuals similarly situated benefits Franchisee, other franchisees and their respective employees by enabling Franchisor to defend and protect the distinctiveness of Franchisor's

Franchise System.

I understand that notwithstanding any Maryland choice or conflict of laws rules to the contrary, this Covenant will be interpreted and enforced in accordance with the substantive laws of the State of Maryland. For the purpose of any suit, action, or proceeding arising out of this Covenant, I submit to the jurisdiction of the state and federal courts in the jurisdiction in which Franchisor maintains its principal place of business and waive any objections or defenses I may have based on improper venue, lack of personal jurisdiction, inconvenience of forum or any similar matter.

Accepted this __ day of _____, 20__.

_____	_____
Witness Signature	Signature
_____	_____
Witness Name	Name

EXHIBIT G
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Fitness Evolution Franchising, LLC (referred to in this Agreement as **"we," "us," "our"** or **"Franchisor"**) to execute the Franchise Agreement between Franchisor and _____, a _____ (referred to in this Agreement as **"you," "your"** or **"Franchisee"**) dated _____, 20__ (the **"Agreement"**), the undersigned, jointly and severally, hereby unconditionally guarantee to us and our successors and assigns that all of your obligations under the Agreement and any extensions, renewals, amendments, and modifications thereof, will be punctually paid and performed.

Upon our demand, the undersigned will immediately make each payment and perform each obligation required of you under the Agreement. The undersigned hereby waive any right to require us to: (a) proceed against you for any payment required under the Agreement; (b) proceed against or exhaust any security from you; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against you. All choices relating to the enforcement of the Agreement will be made in our unfettered discretion. Without affecting the obligations of the undersigned under this Guarantee, we may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of yours, or settle, adjust, or compromise any claims against you. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by you, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agree to defend, indemnify, and hold us harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, accountants' fees, fees for other required professional, expert or specialized services, reasonable costs of investigation, court costs, and mediation or arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to pay or perform any of your obligations under the Agreement, any amendment thereto, or any other agreement you executed referred to therein, as well as enforcement of this Guarantee. The undersigned agrees to provide us with such financial statements and other information as we may request, all of which the undersigned represent and warrant will be true, correct, and complete

This Guarantee, Indemnification, and Acknowledgment will terminate upon the termination or expiration of the Agreement, or any extensions, renewals, amendments, and modifications thereof, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination will remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement will remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee, Indemnification, and Acknowledgment, will be interpreted and construed under the laws of the State of Maryland, notwithstanding any Maryland choice of law rule to the

contrary. If, however, any provision of this Agreement would not be enforceable under the laws of the State of Maryland, and if the Franchised Business is located outside of the State of Maryland and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision will be interpreted and construed under the laws of that state. Nothing in this Guarantee, Indemnification, and Acknowledgment is intended by the parties to subject this Agreement to any franchise, business opportunity, or similar statute, rule, or regulation of the State of Maryland to which it would not otherwise be subject.

Any and all notices required or permitted under this Guarantee must be in writing and must be personally delivered, sent by certified mail, or sent by any other means (including, without limitation, overnight courier service such as UPS, FedEx or a similar service), which affords the sender evidence of delivery or attempted delivery to the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Fitness Evolution Franchising, LLC
2144 Industrial Parkway
Silver Spring, MD 20904
Attn: Jeff Mayerson

with a copy to: Patrick Maslyn, Esq.
Maslyn Law PLC
6430 Arwen Mews
Moseley, VA 23120

Notices to Guarantor(s): _____
_____
_____
Attn: _____

Any notice by a method which affords the sender evidence of delivery or attempted delivery will be deemed to have been given at the date and time of receipt or attempted delivery.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTORS

_____
_____
_____
_____
_____

EXHIBIT H
TO THE FITNESS EVOLUTION FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

_____ (Name of person or legal entity)
_____ (SSN or EIN number)

The undersigned depositor (**"Depositor"** or **"Franchisee"**) hereby authorizes Fitness Evolution Franchising, LLC (**"Franchisor"**) to initiate debit entries and/or credit entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below (**"Depository"** or **"Bank"**) to debit or credit such account(s) pursuant to Franchisor's instructions.

_____	_____
Depository	Branch
_____	_____ _____
City	State Zip Code
_____	_____
Ban Transit/ABA Number	Account Number

This authority is to remain in full force and effect until 60 days after Franchisor has received written notification from Franchisee of its termination.

_____	_____
Depositor:	Depository:
By: _____	By: _____
Name: _____	Name _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT C
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

FITNESS EVOLUTION FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
"DECLARATIONS PAGE"

Fitness Evolution Franchising, LLC
a Delaware limited liability company
2144 Industrial Parkway
Silver Spring, MD 20904

(referred to in this Agreement as **"we," "us," "our"** or **"Franchisor"**)

and

_____
_____
_____
_____

(referred to in this Agreement as **"you," "your"** or **"Developer"**)

This Declarations Page, which incorporates the terms of the Fitness Evolution Franchising, LLC Area Development Agreement, version 1.1 (collectively, **"Agreement"**) is made and entered into on _____, 20__, by and between us and you.

1. The Development Fee will be: $_____. (See Section 4.1).

2. Fitness Centers: You must develop, own, and operate _____ (__) FITNESS EVOLUTION Fitness Centers.

3. Development Area: All Franchised Businesses developed under this Development Agreement must be located within the boundaries of the following area (the **"Development Area"**): _____

_____

_____

4. Development Schedule: Time is of the essence of this Agreement. You must meet the following development deadlines:

By (Date)	**Cumulative Total Number of Franchise Agreements to be in Effect Between You and Us**	**By (Date)**	**Cumulative Total Number of Franchised Businesses Which You Must Have Open and in Operation**

5. As provided in Section 22, all notices to you will be sent to:

_____

_____

_____

Attn: _____

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Declarations Page and the Fitness Evolution Franchising, LLC Area Development Agreement, version 1.1, which is hereby incorporated by reference.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____

Name: _____

Title: _____

_____

DEVELOPER

By: _____

Name: _____

Title: _____

FITNESS EVOLUTION FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT
(version 1.1)

WHEREAS, we, as the result of the expenditure of time, skill, effort, and money, have developed distinctive and proprietary systems for operating fitness center businesses (collectively, the **"System"**);

WHEREAS, the distinguishing characteristics of the System include, without limitation, business processes, trade secrets, customer lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress and other intellectual property; distinctive signage; standards, specifications and sources for services, products, supplies, appearance, operations and management control; safety standards; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs; all of which may be changed, discontinued, improved, modified and further developed by us from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and indicia of origin, including but not limited to, the mark "FITNESS EVOLUTION" and may be designated by us in writing for use in connection with the System (the **"Proprietary Marks"**);

WHEREAS, the value of the System and the Marks is based on (1) the maintenance of high quality with regard to the products and services offered through the Franchised Business, (2) the high quality standards of the individual Franchised Businesses, (3) the use of distinctive trademarks, service marks, and advertising representing high quality products and services, (4) the assumption by us and our franchisees of the obligation to maintain and enhance the public acceptance of the System and the Proprietary Marks by strict adherence to our high standards, (5) the processes and procedures designed to obtain and maintain a strong customer base, and (6) the training and management of personnel; and

WHEREAS, you desire to obtain rights to develop Fitness Evolution fitness centers (the **"Franchised Business(es)"**); and you and we desire to enter into this Agreement in order to reflect the understandings and agreements that we have reached with respect to the foregoing points and the other matters that are addressed herein;

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1. **License.** We grant to you the right, and you undertake the obligation, upon the terms and conditions set forth in this Agreement, to develop a specified number of Franchised Businesses in the Development Area (defined below), as set forth on the Declarations Page. In this regard, the parties further agree that:

1.1.1. You must develop and have in operation the Franchised Businesses pursuant to the development schedule identified on the Declarations Page (the **"Development Schedule"**). If, at any time during the term of this Agreement, you fail to satisfy the

Development Schedule, we shall have the right, but not the obligation, to exercise our termination rights, and other rights, pursuant to Section 9.2 hereof.

1.1.2. Each Franchised Business developed hereunder must be established and operated pursuant to a separate Fitness Evolution Franchise Agreement (a **"Franchise Agreement"**) that shall be executed as provided in Section 5.1 below.

1.1.3. Each Franchised Business developed under this Agreement must be located within the area that is specified on the Declarations Page (the **"Development Area"**).

1.2. **Restriction on Development by Us.** If you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any affiliate of Developer) and us, then we shall not establish, nor license anyone other than you to establish, a Franchised Business in the Development Area until the earlier of (a) the termination or expiration of this Agreement, (b) the opening of the last required Franchised Business under the Development Schedule, or (c) the last date specified in the Development Schedule, except as otherwise provided under Section 1.3 below.

1.3. **Reservation of Rights.** Except as otherwise specifically provided under Section 1.2 above, we retain all rights, and therefore we shall have the right (among others) on any terms and conditions we deem advisable, and without granting you any rights therein, to: (a) acquire or operate fitness center businesses not operating under the Proprietary Marks in the Development Area which may compete directly with the Franchised Business; (b) conduct marketing and promotional activities in the Development Area; (c) establish or operate, or license to others the right to establish and operate fitness center businesses under the System and the Proprietary Marks at any location outside of the Development Area, regardless of proximity to the Development Area; or (d) sell or distribute, directly or indirectly, or license to others to sell or distribute, any products or services, under the Proprietary Marks or any marks at or through locations other than Franchised Businesses within or outside the Development Area, regardless of proximity to the Development Area or any Franchised Business developed or operated under this Agreement. We reserve all rights not specifically granted to you in this Agreement.

1.4. **No Rights in Proprietary Marks.** This Agreement is not a franchise agreement, and does not grant to you any right to use in any manner the Proprietary Marks or System.

1.5. **No Sublicensing.** You will have no right under this Agreement to license others to use in any manner the Proprietary Marks or the System.

2. TERM

2.1. **Term.** This Agreement will be effective upon its execution by the parties and all rights granted under this Agreement will expire on the last day of the Development Schedule, unless terminated sooner pursuant to the terms of this Agreement.

3. DUTIES OF THE PARTIES

3.1. **Site Selection Guidelines.** We will furnish to you site selection guidelines, including our minimum standards for a location for the Franchised Businesses, and such site selection counseling and assistance as we may deem advisable.

3.2. **Site Authorization Process.** In response to your request for site authorization for each Franchised Business to be developed under this Agreement, we shall evaluate and authorize or reject proposed sites as provided in Section 3.3 of this Agreement.

3.3. **Developer's Obligations.** You accept the following obligations:

3.3.1. You shall at all times preserve in confidence any and all materials and information furnished or disclosed to you by us, and shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

3.3.2. You shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions from us, you shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to us.

3.3.3. We shall have the right to require that you employ one (1) or more district managers (who shall be a Principal of Developer) ("**District Managers**") to supervise the day-to-day operations of your Franchised Businesses, if you (and/or an affiliate of you) operate three (3) or more Franchised Businesses. Any District Manager(s) shall be required to attend and successfully complete (to our reasonable satisfaction) such training course as we may reasonably require.

3.4 **Training.** Prior to the opening of the first Franchised Business hereunder, you (or, if Developer is a corporation, partnership, limited liability company, or limited liability partnership, one (1) of your Principals who is designated to supervise the operation of the business hereunder, and who we have previously approved) and one (1) full-time manager of your operations shall attend and successfully complete, to our satisfaction, our initial area developer training program.

3.5 **Periodic Reports.** With respect to the operation and financial condition of Developer and Developer's business under this Agreement, you shall adopt, until otherwise specified by us, a fiscal year consisting of four (4) accounting periods of three (3) months each, which coincides with our then-current fiscal year, as specified by us. You shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination or expiration of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Manuals or otherwise in writing. In addition, we reserve the right to require that you comply with and satisfy any or all of the following:

3.5.1 You shall, at your expense, provide to us, in a format specified by us, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement for such fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow), on a review basis, prepared by an independent certified public accountant satisfactory to us or certified as to its accuracy in writing, by an officer and your Principal Operator, no later than April 15th each year for your preceding fiscal year, showing the results of your operations during the most recently completed fiscal year.

3.5.2 No later than the fifteenth (15th) day of each calendar year quarter during the term of this Agreement, you shall submit to us, for the preceding calendar year quarter, in a format acceptable to (or, at our election, specified by) us as amended from time to time: (i) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited); (ii) reports of those income and expense items which we specify from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees and/or developers; and (iii) copies of all state sales tax returns for Developer. If required by us, you must use on-line or other electronic accounting and reporting systems as we may specify periodically.

3.5.3 Once you (and/or any affiliate of you) has established and operates three (3) or more Franchised Businesses, then at your expense, you shall also furnish to us, no later than April 15 of each year for the preceding fiscal year during the term hereof, an Administrative P&L. The term "Administrative P&L" shall mean a profit and loss statement, and such additional financial information in such detail as we may reasonably require, relating to your expenses (and/or your affiliates) incurred with respect to the management of your operations during said fiscal year; and such Administrative P&L shall be prepared on a review basis by an independent certified public accountant satisfactory to us. For the purpose of this Section 3.5, and all financial reports required under this Agreement or the Manuals, the reports shall provide information for, and with respect to, the Franchised Business and the person(s) and/or entity that is the "franchise" that owns and/or operates the Franchised Businesses developed under this Agreement.

3.6 **Guarantee.** Each person or entity that is an owner of or has an ownership interest in you equal to or greater than ten percent (10%) on a fully diluted basis (collectively, "**Principals**") at any time during this Agreement's term will execute the Guaranty, Indemnification and Acknowledgment attached to this Agreement as Exhibit E, or a comparable document acceptable to us, undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us.

4. DEVELOPMENT FEE.

4.1. On or before the date of this Agreement, you must pay to us a **"Development Fee"** equal to $30,000 for the first Franchised Business, plus $25,000 for each additional Franchised Business that you must develop in order to comply with the Development Schedule. When you sign the first Franchise Agreement, you will receive a credit of $30,000. You will receive a credit of $25,000 toward the Initial Franchise Fee for each additional Franchised Business you agree to develop in order to comply with the Development Schedule. The amount

of the Development Fee is indicated on the Declarations Page. The entire Development Fee is fully earned and non-refundable and is made in consideration of administrative and other expenses incurred by us in entering into this Agreement and for our lost or deferred opportunity to enter into this Agreement with others.

5. DEVELOPMENT OBLIGATIONS

5.1. **Exercise of Development Obligations; Franchise Agreements.** You must execute a Franchise Agreement for each Franchised Business to be developed hereunder. Notwithstanding the foregoing, we have the right to permit one or more Franchise Agreements to be executed by entities other than you; provided that (a) you own a controlling ownership interest in the franchisee entity; (b) we approve the ownership structure of, and each owner of more than twenty-five percent (25%) equity in, the franchisee entity; and (c) the Developer, or a Principal (defined in Section 7.2 below) of Developer that we approve, executes a guarantee, guaranteeing to us the timely payment and performance of the franchisee's obligations under the Franchise Agreement. Each Franchised Business shall be located at a site that we authorize within the Development Area, in accordance with Section 5.3 of this Agreement (the "**Location**"). The Franchise Agreement for the first (1st) Franchised Business developed hereunder shall be in the form of the Franchise Agreement attached hereto as Exhibit A, and the Franchise Agreement for each additional Franchised Business developed hereunder shall be the form of Franchise Agreement that we are generally offering at the time each such Franchise Agreement is executed; except that for each Franchise Agreement executed, the franchisee shall be credited the portion of the Development Fee you paid to us for such Franchised Business pursuant to Section 4.1 of this Agreement.

5.2. **Development Schedule.** Time is of the essence of this Agreement. You agree to satisfy the Development Schedule by timely developing, opening and continuously operating in the Development Area the number of Franchised Businesses specified in the Development Schedule, which is included on the Declarations Page. For each Franchised Business, there are two applicable deadlines under the Development Schedule: first, is the date by which you must enter into a Franchise Agreement, and second, is the date by which you must develop and have open and in operation the Franchised Business at the Location. Failure by you to adhere to the Development Schedule, shall constitute a default under this Agreement as provided in Section 9.2 hereof. Any failure by you in fulfilling your obligations to locate and secure a site as a Location or to develop and open any Franchised Business when required by the Development Schedule will constitute a material, non-curable breach of as provided in Section 9.2 of this Agreement permitting us immediately to terminate this Agreement by giving written notice of termination to you.

5.3. **Site Selection.** For each Franchised Business to be developed under this Agreement, you must identify and obtain a site that we authorize within the Development Area, according to the procedures and requirements set forth in this Section 5.3. Unless otherwise specified, the following terms apply for each Franchised Business that you develop under this Agreement.

5.3.1. For each Franchised Business to be developed hereunder, you must submit to us, in the form that we specify, such site evaluation forms and data that we may specify in the

Manuals, which may include a copy of the site plan, financial information, and such other information or materials as we may reasonably require, together with an option contract, letter of intent, term sheet, or other evidence satisfactory to us which describes your favorable prospects for obtaining such site. No site shall be deemed authorized unless we have expressly authorized it in writing. For each Franchised Business to be developed hereunder, you shall execute a lease/sublease that complies with the provisions of Section 6.8 and Exhibit B of the Franchise Agreement, or a binding agreement to purchase the site. You acknowledge and agree that, notwithstanding the execution of the Franchise Agreement and any applicable exhibits and attachments thereto, the selection and authorization of a site that may become an Approved Location under a Franchise Agreement shall be governed by this Agreement and our site review and authorization procedures as set forth in our confidential operations manuals (the "**Manuals**"), and not the site selection procedures in Site Selection Addendum to the Franchise Agreement. We reserve the right to designate third parties to provide you with some of the site selection and site evaluation assistance described above. You hereby acknowledge and agree that our authorization to operate a Franchised Business at a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose, nor is it an assurance, representation, or warranty as to any level or volume of sales that you may obtain from operating a Franchised Business at the site. Our authorization of the site indicates only that we believe the site complies with the acceptable minimum criteria we establish solely for our purposes as of the time of the evaluation. You and we acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our authorization of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site authorized by us to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for the operation of a Franchised Business at a site is based on your own independent investigation of the suitability of the site.

5.3.2. We will use reasonable efforts to help analyze your Development Area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. We will not unreasonably withhold our authorization of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. In response to your request for site authorization, we shall perform up to tow (2) on-site evaluations for each Franchised Business to be developed hereunder. We may perform additional on site evaluations as we may deem advisable in response to your requests for site authorization; but we will not be required to provide on-site evaluation for any proposed site(s) in addition to the first two (2) proposed sites for each Franchised Business. You must pay us our then current site evaluation fee for each on-site evaluation. We will use reasonable efforts to authorize or disapprove the proposed site within thirty (30) business days after receiving your completed site evaluation forms and materials.

5.3.3. Upon our written authorization of a site, and after you secure the site in accordance with Section 5.4 below, the site will be the Approved Location for that Franchised Business.

5.4 **Lease of Premises.** For each Franchised Business to be developed under this Agreement, we shall have the right to review and approve the terms of any lease or sublease for the Approved Location (the "**Lease**") before you sign it. Each Lease must contain terms and provisions that are reasonably acceptable to us. You must collaterally assign the Lease to us as security for your timely performance of all obligations under this Agreement and any Franchise Agreements and obtain the lessor's or sublessor's consent to the collateral assignment. You acknowledge that our approval of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Fitness Evolution Franchised Business operated at any Approved Location. Nor is our action a representation or warranty as to the level of sales or revenue that may be generated by a Fitness Evolution Franchised Business at the site. Our approval indicates only that we believe that an Approved Location and the Lease's terms meet our then-acceptable criteria.

5.5 **Execution of Franchise Agreement.** If you are in compliance with this Agreement, for each Franchised Business to be developed under this Agreement, after we receive the executed Lease for the Approved Location that you located and secured pursuant to Sections 5.3 and 5.4 above, we will provide you with the Franchise Agreement for such Franchised Business as provided in Section 5.1 above. You (or an affiliate of you pursuant to Section 5.1 above) shall execute the Franchise Agreement within thirty (30) days after receiving the Franchise Agreement from us. You shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Business.

6. CONFIDENTIAL INFORMATION

6.1. **General.** You must not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, business processes, trade secrets, customer lists, knowledge, know-how, patents applied for concerning the methods of developing and operating the Franchised Businesses, or any other information we designate as confidential (collectively, "**Confidential Information**") which may be communicated to you or of which you may be apprised of by virtue of our operation under the terms of this Agreement. You will divulge such Confidential Information only to those of your employees as must have access to it in order to develop and operate the Franchised Businesses. Any and all other information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed Confidential Information for purposes of this Agreement.

6.2. **Separate Covenants from Developer Personnel.** You represent and warrant that you and your officers, directors, partners, members, managers, employees, agents, contractors and any other personnel having access to any of our Confidential Information, including but not limited to the Manual, each must execute a Confidentiality Agreement in the form attached hereto as Exhibit C to this Agreement stating that each will maintain the confidentiality of information they receive in connection with their employment by or relationship with you.

7. INSURANCE

7.1. **General.** You must procure, before the commencement of any operations under this Agreement, and must maintain in full force and effect at all times during the term of this Agreement at your expense, an insurance policy or policies protecting you and us (including your and our respective officers, directors, shareholders, agents, and employees) against any demand or claim with respect to bodily injury, personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the development of the Franchised Businesses. Such policy or policies must be written by a carrier with a minimum Bests Rating of A unless we grant specific approval, must name us as an additional insured as specified by us, and must provide at least the types and minimum amounts of coverage specified herein, as amended by us, by changes in the Manual or other notice.

7.2. **Coverage Amounts.** Subject to changes in the Manual or other notice you must obtain the following types of insurance at the stated coverage amounts: Commercial General Liability Insurance, including Premises, Operations, Products, Completed Operations and Contractual Liability coverages (not less than $1 million per occurrence); Business Automobile Liability Insurance covering all owned, non-owned, and hired automobiles (not less than $1 million per accident); Employer's Liability and Worker's Compensation Insurance (as required by state and local laws but in any case not less than $1 million per occurrence); Umbrella Liability (not less than $2 million); Property Insurance (not less than 90% of the replacement cost of the insured property; if your Approved Location is located in a flood zone other than B, C or X, as determined by the Federal Emergency Management Agency, you must also obtain flood insurance coverage in the amount of the lesser of 90% of the replacement cost or the maximum coverage available from the National Flood Insurance Program) and Professional Liability (Errors & Omissions) Insurance (minimum of $1,000,000 of coverage for every $5,000,000 of annual written premium by the franchisee with a floor of $1,000,000 of coverage and a maximum deductible of $25,000 allowed). We may require you to obtain some or all of these policies from vendors approved or required by us. From time to time we may expand the insurance requirements and your coverage amounts.

7.3. **Independent Obligation.** Your obligation to obtain and maintain the policy or policies in the amounts specified in the Manual will not be limited in any way by reason of any insurance which we may maintain, nor will your performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 14.4 of this Agreement. The Commercial General Liability and Business Automobile policies will contain a contractual coverage endorsement insuring your performance under such indemnity.

7.4. **Additional Insureds.** All policies except Workers Compensation must contain a provision that your insurance coverage is primary to any coverage maintained by us. Your Commercial General Liability and Business Automobile policies must include a separation of insured's clause or endorsement, in a form acceptable to us and, unless otherwise permitted by us in writing, all policies must name us, our servants, agents, and employees as additional insureds and must expressly provide that these persons may recover under such policies on any loss occasioned by us, our affiliates, or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees. Such policies must also expressly

provide that any interest of ours, our servants, agents, and employees will not be affected by your breach of any policy provisions.

7.5. **Delivery of Certificates.** Prior to the commencement of any operations under this Agreement, and thereafter at least 30 days prior to the expiration of any policy, you must deliver to us Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates must expressly provide that we will receive no less than 30 days' prior written notice in the event of material alteration to or cancellation of the coverages evidenced by the Certificates.

7.6. **Franchisor's Right to Procure.** Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as we may revise such requirements from time to time in the Manual or otherwise in writing, we will have the right and authority (but not the obligation) to procure or maintain the insurance and to charge same to you. The charges, together with a reasonable fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have.

8. TRANSFER OF INTEREST

8.1. **Transfer by Franchisor.** We will have the absolute right, without limitation, to sell, transfer, or assign our business, in whole or in part, and whether by sale of assets or securities, or otherwise, this Agreement, the System or the Proprietary Marks to any person or legal entity, and such sale, transfer or assignment will constitute a novation of this Agreement whereby any designated assignee of ours will become solely responsible for all of our rights and obligations under this Agreement from the date of assignment.

8.2. **Principals.** If you are a legal entity, each Principal, and the ownership interest of each Principal in you, is identified in Exhibit B hereto. You represent and warrant that your Principals are as set forth on Exhibit B attached to this Agreement, and covenant that you will not permit the identity of such Principals, or their respective interests in you, to change without complying with this Agreement. We shall have the right to designate any person or entity which owns a direct or indirect interest in you as a Principal, and Exhibit B shall be so amended automatically upon notice thereof to you. Throughout the term of this Agreement, we shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in you.

8.3. **Transfer by Developer.** You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have entered into this Agreement in reliance on your (or, if you are a corporation or partnership, your principals') business skill, financial capacity, and personal character. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, assign, transfer, convey, pledge, encumber, merge, or give away (collectively, **"transfer"**), directly, through any judicially mandated division or distribution of assets or otherwise, any direct or indirect interest which individually or in the aggregate, when combined with any other transfer, has the effect of transferring 5% or more of the outstanding interest in this Agreement, in you, or in all or substantially all of the assets of you without our prior written

consent. Any such proposed transfer will be subject, among other things, to the provisions of Section 8.5 hereof. In the event that we elect not to exercise our rights under Section 8.5, our prior written consent to a proposed transfer will not be unreasonably withheld for any transfer, nor will it be required for a transfer of less than a 5% interest in a corporation which has securities registered under the Securities Exchange Act of 1934 (**"publicly-held corporation"**). Any purported assignment or transfer not having our written consent required by this Section 8.3 will be null and void and will constitute a material breach of this Agreement, for which we may immediately terminate without opportunity to cure pursuant to Section 9.3.2 of this Agreement.

8.4. **Notification and Approval.** You must notify us in writing of any proposed transfer of any direct or indirect interest which individually or in the aggregate, when combined with any other transfer, has the effect of transferring 5% or more of the outstanding interest in this Agreement, in you or in all or substantially all of the assets of you at least 30 days before such transfer is proposed to take place, but that notice will not be required for a transfer of less than a 5% interest in a publicly held corporation. If any transfer which requires our consent, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of changing control of you, this Agreement, or all or substantially all of the assets of you, we may, in our sole discretion, require any or all of the following as conditions of our approval:

8.4.1. That all of your accrued monetary obligations and all other outstanding obligations to us and our affiliates have been satisfied;

8.4.2. That the transfer shall be accompanied by the transfer of all franchise agreements with us to all Franchised Businesses operated thereunder and owned by you to the same transferee;

8.4.3. That you are not in default of any provision of this Agreement, any amendment of or successor to this Agreement, or any other material agreement between you and us or our affiliates or with, among others, your landlord, mortgagee, bank, other lenders, or suppliers, etc.;

8.4.4. That the transferor must execute a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, and our respective officers, directors, shareholders, member, agents, and employees;

8.4.5. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; and, if your obligations were guaranteed by the transferor, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us; or we may at our option require transferee to execute the then-current form of Area Development Agreement;

8.4.6. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) demonstrate to our satisfaction that it meets our educational, managerial, and business standards; possesses good moral character, business reputation, and credit rating; has the aptitude and ability to perform

Developer's obligations under this Agreement (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital inclusive of its obligations to you to perform Developer's obligations under this Agreement in a fiscally responsible manner;

8.4.7. That you remain liable for all of the obligations to us in connection with the development of Franchised Businesses hereunder which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by us to evidence such liability;

8.4.8. That you must acknowledge and agree to remain bound by the covenants contained in Sections 6 and 11 of this Agreement;

8.4.9. That the transferee shall have the same training obligations as set forth for you in Section 3.4; and

8.4.10. If a proposed transfer would result in a change in control of you, your business, or any of your assets including any Fitness Evolution Franchised Businesses owned, operated, or controlled by you, you shall pay a non-refundable transfer fee equal to Ten Thousand Dollars ($10,000), plus Five Thousand Dollars ($5,000) for each Franchised Business that is being transferred and for each un-developed Franchised Business specified in the Development Schedule. This will be in addition to any transfer fees paid under any Franchise Agreements subject to this Development Agreement. Such transfer fee shall be paid in full at the closing of the transfer transaction.

8.5. **Right of First Refusal.** If you or any person or entity holding any direct or indirect interest in you, this Agreement or your rights to develop Franchised Businesses under this Agreement, desires to make a transfer for value, other than to a member of an individual Developer's (or, Developer's Principals') immediate family, you must first notify us in writing of such intention and offer to sell or transfer such interest to us upon the terms and conditions set forth in the notice, which will be at least as favorable as those offered by a bona fide third party (and such notice will include a copy of the third party offer), net of any applicable real estate and/or business brokerage commissions. If we and you cannot agree within 30 days of the notice on the terms and conditions of such transfer or if we notify you that we do not wish to acquire such interest, you may sell or transfer such interest to a bona fide third party; provided that such transfer is made within 120 days after the expiration of any offer to us, that such transfer is made on precisely the same terms and conditions as those offered in writing by such third party and provided in the notice to us, and that all applicable requirements of Section 8 hereof are met. Our failure to exercise the option afforded by this paragraph will not constitute a waiver of any other provision of this Agreement, including all requirements of this Section 8, with respect to a proposed transfer.

8.6. **No Security Interest.** You must not grant a security interest in you, in this Agreement or any of your assets unless the secured party agrees that in the event of any default by you under any documents related to the security interest, we will have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of yours, and, in the event we exercise such option, any acceleration of indebtedness due to your

default will be void. You agree to fully indemnify us from any and all costs or damages including, but not limited to attorneys' fees and costs, incurred by us in curing any default of yours. You and any such secured party must comply with applicable terms of this Section 8.

8.6.1. In no event will you agree to grant any security interest or other lien or encumbrance in the System, the Proprietary Marks or any other confidential or proprietary property or information of ours and any attempt to grant such an interest will constitute a breach of this Agreement and will be deemed to be void and of no force and effect. You agree to fully indemnify us for any costs or damages including, but not limited to, attorneys' fees, other professional or expert fees, and costs, incurred by us in bringing any action to invalidate or attempt to invalidate any security interest or other lien or encumbrance purported to have been granted by you relating to any confidential or proprietary information or property of ours.

8.7. **Death or Incapacity.** Upon the death or mental incapacity of any person with an interest in this Agreement, in Developer, or in all or substantially all of the assets of you:

8.7.1. The executor, administrator, or personal representative of such person will transfer such interest to a third party approved by us within 6 months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same conditions as any transfer during their lifetime. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 8, the executor, administrator, or personal representative of the decedent will transfer the decedent's interest to another party approved by us within a reasonable time, which disposition will be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, we may terminate this Agreement, pursuant to Section 9.3.3 hereof. Any transfer subject to this section which is made in accordance with a succession plan approved in advance by us will be deemed approved for the purposes of this Section 8.7.1. We will not unreasonably withhold any approvals required by this Section 8.7;

8.7.2. We will have the right to take such steps as are necessary to manage the development of the Franchised Businesses hereunder for your account until such time as a transfer can be completed pursuant to Section 8.7.1. You further grant to us the right to receive a reasonable fee for such services and reimbursement for our expenses in connection with such services.

8.8. **No waiver.** Our consent to a transfer of any interest in this Agreement, in Developer, or in all or substantially all of the assets of you will not constitute a waiver of any claims we may have against the transferring party, nor will it be deemed a waiver of our right to demand full compliance with any of the terms of this Agreement by the transferor or transferee.

8.9. **Securities Offerings.** All materials required by federal or state law for the offering of securities or partnership interests in Developer must be submitted to us for review prior to filing with any government agency, and any materials to be used in any exempt offering, such as for example, certain private placements of securities, will be submitted to us for review prior to their use. No Developer offering may imply, by use of the Proprietary Marks or otherwise, that we are participating in an underwriting, issuance, or offering of securities of

either Developer or Franchisor, and our review of any offering will be limited solely to the subject of the relationship between you and us. You and other participants in the offering must fully indemnify us in connection with the offering. For each proposed offering you will pay to us a non-refundable fee of $10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. You will give us written notice at least 30 days prior to the date of commencement of any activity of any sort prior to such offering or other transaction covered by this Section 8.9. Notwithstanding anything to the contrary contained in this Section 8.9, the fee described in this Section 8.9 shall not be required in connection with any private offering to a member of your family or an individual employed by you in the Franchised Business that would result in the transfer of 25% or less (individually or in the aggregate) of the outstanding interest in you or the Area Development Agreement.

9. TERMINATION

9.1. **Termination without Notice.** You will be deemed to be in default under this Agreement, and all rights granted to you herein will automatically terminate without notice to you, if you become insolvent (either by virtue of your having an excess of liabilities over assets or your inability to meet your obligations as they become due as we determine), or make a general assignment for the benefit of creditors; if you file a petition in bankruptcy or such a petition is filed against and not opposed by you; if you are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of yours or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if Developer is dissolved; if execution is levied against Developer's business or property; if suit to foreclose any lien or mortgage against any real property of Developer's is instituted against Developer and not dismissed within 30 days; or if the real or personal property of Developer will be sold after levy thereupon by any sheriff, marshal, or constable.

9.2. **Compliance with Development Schedule.** Time is of the essence of this Agreement. You agree to strict compliance with the Development Schedule. Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you (in the manner provided under Section 16 hereof) if you miss a deadline set forth in the Development Schedule.

9.3. **Termination with Notice and No Opportunity to Cure.** Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon receipt of notice by you:

9.3.1. If you are convicted of a felony or a misdemeanor carrying a jail term (but not an infraction), a crime involving moral turpitude, or any other crime or offense that we

believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

9.3.2. If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business is made to any third party without our prior written consent, contrary to the terms of Section 8.4 hereof;

9.3.3. If an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 8.7 hereof;

9.3.4. If you fail to comply with the covenants in Sections 6 or 11 hereof or fail to obtain execution of the covenants required under Sections 6.2 or 11.5 hereof;

9.3.5. If, contrary to the terms of Section 6 hereof, you disclose or divulge the contents of the Manual or other Confidential Information provided to you by us;

9.3.6. If you knowingly maintain false books or records, knowingly submit any false reports to us or breach a representation or warranty contained herein; or

9.3.7. If you, upon receiving a notice of default under Section 9.4 hereof, fail to initiate immediately a remedy to cure such default.

9.4. **Termination with Notice and Opportunity to Cure.** Except as otherwise provided in Sections 9.1, 9.2 and 9.3 of this Agreement, you will have 30 days after your receipt from us of a written notice of default within which to remedy any default under this Agreement and to provide evidence thereof to us. You may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the thirty-day period, and by promptly providing proof thereof to us. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to you, effective immediately upon the expiration of the thirty-day period or such longer period as applicable law may require. You will be in default pursuant to this Section 9.4 for failure substantially to comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manual, or failure to carry out the terms of this Agreement in good faith.

10. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you will terminate immediately, and:

10.1. You will immediately cease to, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

10.2. You will promptly pay all sums owing to us and our affiliates. In the event of termination for any default of yours, such sums will include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default.

10.3. Except to the extent permitted under one or more Franchise Agreements between you and us, you will immediately deliver to us the Manual and all other records, correspondence, and instructions containing confidential information relating to the development and operation of the Franchised Businesses, all of which are acknowledged to be our property, and will retain no copy or record of any of the foregoing, with the exception of your copy of this Agreement, any correspondence between the parties, and any of the documents which you reasonably need for compliance with any provision of law.

11. COVENANTS

11.1. **Full Time and Best Efforts.** You covenant that, during the term of this Agreement, except as we otherwise approve in writing, you will have appointed a fully-trained manager or managers approved by us ("**Manager**") who will devote full time and best efforts to the development of the Franchised Businesses.

11.2. **Covenant Not to Compete.** You specifically acknowledge that, pursuant to this Agreement, you and your employees will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity:

11.2.1. Divert or attempt to divert any present or prospective business or customer of any Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

11.2.2. Employ or seek to employ any person who is at that time employed by us or by any other franchisee of ours, or otherwise directly or indirectly induce such person to leave his or her employment; or

11.2.3. Except for ownership by you of a less than 5% beneficial interest in the outstanding equity securities of any publicly held corporation or for any fitness center business you may own or operate at the time of execution of this Agreement (if you have provided us with a written notification of your interest in that existing fitness business), you will not without our express written consent, own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in (as owner or otherwise) any other fitness business.

11.3. **Scope of Covenants.** You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section 11, or any portion thereof, without your consent, and you agree that you will comply immediately with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 17 hereof.

11.4. **Developer Claims No Defense.** You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Section 11.

11.5. **Execution of Individual Covenants.** You will obtain and furnish to us executed covenants similar in substance to those set forth in Section 11.2 of this Agreement from the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of you, and of any corporation directly or indirectly controlling, controlled by, or under common control with you, if you are a corporation; (b) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of 1% or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership; and (c) all members and managers of you if you are a limited liability company. Every covenant required by this Section 11.5 will be substantially in the form provided as Exhibit D of this Agreement. In the event you cannot reasonably secure such covenants from any of your passive investors or partners, or outside directors, you will not be required to obtain the same, subject, however, to the limitation that such persons will not be entitled to receive any information characterized in this Agreement as confidential.

11.6. **Equitable Relief.** You acknowledge that any failure to comply with the requirements of this Section will cause us irreparable injury, for which no adequate remedy at law may be available. You also acknowledge that our ability to obtain equitable relief on a System-wide basis for breaches by franchisees of non-disclosure and non-competition covenants benefits you by enabling us to defend and protect the distinctiveness of the System. Accordingly, you consent to the issuance of an order of specific performance, temporary restraining order, or preliminary or permanent injunction against violation by you of the covenants.

11.7. **Freedom to Contract.** You represent and warrant that neither you nor any of your principals are, at the time of signing this Agreement, subject to any non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement which would restrict or limit your or such principal's ability to participate in the ownership, development or operation of the Franchised Businesses. You further represent and warrant that neither you nor any of your principals will be in breach of any such non-compete, non-disclosure, non-circumvent, non-solicitation, confidentiality or other agreement as a result of entering into this Agreement or participating in the ownership, development or operation of the Franchised Businesses.

12. CORPORATE, PARTNERSHIP, OR LIMITED LIABILITY COMPANY DEVELOPER

12.1. **Corporate Developer.** If you are a corporation, you will comply with the following requirements:

12.1.1. Your Articles of Incorporation or Charter Bylaws, Minutes and other governing instruments and materials as appropriate, and any amendments thereto, will at all times authorize the operation of the Franchised Business;

12.1.2. Copies of Your Articles of Incorporation, Charter or Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, will be promptly furnished to us;

12.1.3. You will maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of you will have conspicuously endorsed upon its face a statement in a form satisfactory to us that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement, but the requirements of this Section 12.1.3 will not apply to a publicly-held corporation, except as required by or under applicable securities laws; and

12.1.4. You will maintain a current list of all owners of record and all beneficial owners of any class of voting securities of you and will furnish the list to us upon request.

12.2. **Partnership Developer.** If you are a partnership, you will comply with the following requirements:

12.2.1. You will furnish us with a copy of its partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto, which will state that its activities include operating the Franchised Business; and

12.2.2. You will prepare and furnish to us, upon request, a list of all general and limited partners in you.

12.3. **Limited Liability Company Developer.** If you are a limited liability company, you will comply with the following requirements:

12.3.1. Copies of your Articles of Organization, Operating Agreement, and other governing documents, and any amendments thereto, including the resolution of the members and/or managers authorizing entry into this Agreement, will be promptly furnished to us. These documents will at all times authorize the you to operate the Franchised Business; and

12.3.2. You will maintain a current list of all members and/or managers of you and will furnish the list to us upon request.

13. TAXES, PERMITS, AND INDEBTEDNESS

13.1. **Payment of Taxes.** You will promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the development of the Franchised Businesses.

13.2. **Tax Disputes.** In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority, or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against your assets.

13.3. **Compliance with Laws.** You will comply in all material respects with all federal, state, and local laws, rules, and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed under this Agreement, including, without limitation, licenses to do business, fictitious name

registrations, sales tax permits, building permits and all requisite trade, business, occupational or professional licenses.

13.4. **Notification of Suits.** You will immediately notify us in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1. **Independent Contractor.** It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that you will be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner, employer, employee, or servant of the other for any purpose whatsoever.

14.2. **Communication of Status to Consumers.** During the term of this Agreement, you will hold yourself out to the public as an independent contractor operating the Franchised Business pursuant to a Area Development Agreement from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact, the content and location of which we reserve the right to specify.

14.3. **Losses and Expenses.** As used in this Section 14, the phrase **"losses and expenses"** will include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

14.4. **Indemnification.** You will, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our corporate affiliates, successors and assigns and the respective directors, officers, employees, agents and representatives of each (collectively, the **"Indemnitees"**) from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

14.4.1. Your (or your principals') violation, breach, liability or asserted violation of breach of or liability under any contract, federal, state or local law, regulation, rule, order, standard or directive, or of any industry standard;

14.4.2. Libel, slander or any other form of defamation by you;

14.4.3. Your violation or breach of any warranty, representation, or other term or provision of this Agreement; and

14.4.4. Acts, errors or omissions of yours or any of your agents, servants, employees, contractors, partners, affiliates or representatives.

14.5. **Notification of Claims.** You will promptly notify us of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 14.4. If any Indemnitees are or may be named as a party in any such action, we may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such undertaking by us will, in any manner or form, diminish your obligation to indemnify the Indemnitees and to hold each of them harmless.

14.6. **Resolution of Claims.** With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, we may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of us or others, order, consent or agree to any settlement or take any remedial or corrective action as we deem expedient, if, in our sole judgment, there are reasonable grounds to believe that:

14.6.1. Any of the acts or circumstances enumerated in Section 14.4 have occurred; or

14.6.2. Any act, error, or omission of yours may result directly or indirectly in damage, injury or harm to any person or any property.

14.7. **Payment.** All losses and expenses incurred under this Section 14 will be chargeable to and paid by you pursuant to your obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity or defense.

14.8. **No Obligation to Recover from Third Parties.** Under no circumstances will the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against you. You agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from you.

14.9. **No Assumption of Liability.** The Indemnitees assume no liability whatsoever for any acts, errors, or omissions of any persons with whom you may contract, regardless of the purpose. You will hold harmless and indemnify the Indemnitees and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom you may contract.

15. APPROVALS AND WAIVERS

15.1. **Approvals.** Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefor. Such approval or consent must be obtained in a writing signed by an authorized officer of ours.

15.2. **No Warranties.** We makes no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or

denial of any request therefor. Nothing in this Section 15.2 will be deemed to disclaim, or to waive your reliance on, any statements made in the disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising."

15.3. **No Waiver.** No failure of ours to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with respect to any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to demand exact compliance with any of the terms hereof. Waiver by us of any particular default of yours will not affect or impair our rights with respect to any subsequent default of the same, similar, or different nature, nor will any delay, forbearance, or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor will such constitute a waiver by us of any right under this Agreement, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by us of any payments due to us under this Agreement will not be deemed a waiver by us of any preceding breach by you of any terms, covenants, or conditions of this Agreement.

16. NOTICES

Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by registered or certified mail, or sent by overnight courier (such as UPS, FedEx or other similar service) which affords the sender evidence of delivery or attempted delivery, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Fitness Evolution Franchising, LLC
2144 Industrial Parkway
Silver Spring, MD 20904
Attn: Jeff Mayerson

with a copy to:

Patrick Maslyn, Esq.
Maslyn Law PLC
6430 Arwen Mews
Moseley, VA 23120

Notices to Franchisee:

as described on Declarations Page.

Any notice by a means which affords the sender evidence of delivery or attempted delivery will be deemed to have been given and received at the date and time of receipt or attempted delivery.

17. ENTIRE AGREEMENT

This Agreement, the Declarations Page, the attachments hereto, and the documents referred to herein constitute the entire Agreement between us and you concerning the subject matter hereof, and supersede any prior agreements, no other representations, warranties, or promises having induced you to execute this Agreement, but that nothing in this Section 17 will be deemed to disclaim, or to waive your reliance on, any statements made in the disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising." Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18. SEVERABILITY AND CONSTRUCTION

18.1. **Severability.** If, for any reason, any section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, by a court of competent jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants will be deemed not to be a part of this Agreement.

18.2. **Survival.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement (whether termination is by us or you, and regardless of cause) will survive such expiration or termination, including, but not limited to, Sections 6, 10, 14, and 19.

18.3. **No Third Party Beneficiary.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, shareholders, agents and employees, and such of our successors and assigns as may be contemplated by Section 8 hereof, any rights or remedies under or by reason of this Agreement.

18.4. **Reduction of Covenants.** You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions a court of competent jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

18.5. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, but such counterparts together will constitute one and the same instrument.

19. APPLICABLE LAW; DISPUTE RESOLUTION

19.1. **Applicable Law.** This Agreement is accepted by us in the State of Maryland. This Agreement will be governed by, construed and enforced in accordance with the laws of the State of Maryland except to the extent governed by the United States Trademark Act of 1946 (Lanham Act). Nothing in this Section 19.1 is intended by the parties to subject this Agreement to any franchise, business opportunity or similar statute, rule, or regulation of the State of Maryland to which it would not otherwise be subject. You and we acknowledge and agree that each party's agreement regarding applicable state law set forth in this Section 19 provides each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. You and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit, and that each party's agreement regarding applicable state law has been negotiated in good faith and is part of the benefit of the bargain reflected by this Agreement.

19.2. **Limitations of Claims.** You and we each hereby waive, to the fullest extent permitted by law, any right or claim for any punitive, incidental, consequential, or exemplary damages against the other and agree that if there is a dispute with the other that each party will be limited to the recovery of actual damages sustained by it. You and we also agree that any claim or action brought by you relating to this Agreement must be brought within 1 year of the occurrence of the circumstances giving rise to such claim or action, whether known or unknown, or such claim or action will be barred.

19.3. **No Class Actions.** You and we agree that all litigation will be conducted on an individual, not a class-wide, basis.

19.4. **Allocation of Costs.** In any litigation, all costs and expenses, including court costs and fees, and reasonable attorneys' fees incurred by the prevailing party in such litigation will be borne by the losing party.

19.5 **Venue.** All disputes, controversies, claims, or causes or action arising out of or relating to this Agreement or the breach thereof or the transaction embodied therein or the relationship evidenced hereby, arising between you and us will be finally resolved by litigation in, and you hereby irrevocably submit yourself to the exclusive jurisdiction of either the Maryland District Court for Montgomery County, Maryland (without prejudice to the right of any party to remove to the United States District Court for the District of Maryland), or the United States District Court for the District of Maryland, for purpose of any suit, action, or other proceeding arising out of or relating to this Agreement, or of any of the transactions contemplated hereby or thereby, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such State of Maryland court, or to the fullest extent permitted by applicable law, in such federal court. By execution and delivery of this Agreement, you hereby irrevocably waive, to the fullest extent you may effectively do so, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action, or

proceeding, any claim that you are not personally subject to the jurisdiction of the above-named courts for any reason whatsoever. We and you agree that a final judgment (as to which all appeals have been exhausted or the time within which such appeals may be made has expired) in any such action or proceeding will be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

20. ACKNOWLEDGMENTS

20.1. You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson. We expressly disclaim the making of, and you acknowledge that you have not received from us, any indication, promise, warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

20.2. You acknowledge that you received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, at least 7 days prior to the date on which this Agreement was executed. You further acknowledge that you received a disclosure document required or authorized by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to the date on which this Agreement was executed or as otherwise required by applicable state law.

20.3. You acknowledge that you have read and understood this Agreement, the attachments hereto, and agreements relating thereto, as well as the aforesaid disclosure document and that we have afforded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement and that, in fact, you have so consulted with professional advisors about such subject matter.

20.4. You acknowledge and agree that we may delegate any right or obligation of ours under this Agreement to such third party as we may designate. You further acknowledge that: (i) the term **"Franchisor"** as used in this Agreement will refer only to Fitness Evolution Franchising, LLC and not our parent or affiliates; (ii) we are not authorized to contract for or on behalf of our parent or any of our affiliates; and (iii) this Agreement will not be deemed to bind or otherwise restrict our parent or any of our affiliates.

EXHIBIT A
TO THE FITNESS EVOLUTION AREA DEVELOPMENT AGREEMENT

FORM OF FRANCHISE AGREEMENT

The form of Franchise Agreement currently offered by us is attached.

EXHIBIT B
TO THE FITNESS EVOLUTION AREA DEVELOPMENT AGREEMENT

PRINCIPALS OF DEVELOPER

Name and Address	Type of Interest (i.e., limited partner, general partner, member, or shareholder)	Percentage of Total Ownership Interest (Total Must be 100%)

Developer's "Principal Operator" is _____.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
DEVELOPER

By: _____
Name: _____
Title: _____

EXHIBIT C
TO THE FITNESS EVOLUTION AREA DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT

IN CONSIDERATION of my employment or other relationship with _____ _____, an area developer of Fitness Evolution Franchising, LLC (**"Franchisor"**) with its principal place of business at _____, (**"Developer"**) I hereby agree with Franchisor as follows:

I recognize that through my employment or other relationship with Developer I will have close contact with confidential information of Franchisor. While I am employed by or otherwise have a relationship with Developer or at any time thereafter, I promise not to communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, business processes, trade secrets, knowledge, know-how, including but not limited to the Franchisor's Operations Manual, or patents applied for concerning the methods of operation of a FITNESS EVOLUTION Franchised Business which may be communicated to me or of which I may be apprised by virtue of my affiliation with Developer. I understand that any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

I understand that notwithstanding any Maryland choice or conflict of laws rules to the contrary, this Covenant will be interpreted and enforced in accordance with the substantive laws of the State of Maryland. For the purpose of any suit, action, or proceeding arising out of this Covenant, I submit to the jurisdiction of the state and federal courts in the jurisdiction in which Franchisor maintains its principal place of business and waive any objections or defenses I may have based on improper venue, lack of personal jurisdiction, inconvenience of forum or any similar matter.

Accepted this __ day of _____, 20__.

_____	_____
Witness Signature	Signature
_____	_____
Witness Name	Name

EXHIBIT D
TO THE FITNESS EVOLUTION AREA DEVELOPMENT AGREEMENT

IN-TERM COVENANT NOT TO COMPETE

IN CONSIDERATION of my employment or other relationship with _____ _____, an area developer of Fitness Evolution Franchising, LLC (**"Franchisor"**), with its principal place of business at _____, (**"Developer"**) I hereby agree with Franchisor as follows:

I recognize that through my employment or other relationship with Developer I will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and its Franchise System. I covenant that during the term of my employment or other relationship with Developer, except as otherwise approved in writing by Franchisor, I must not, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person or legal entity:

(a) Divert or attempt to divert any present or prospective business or customer of any franchisee or developer of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and its Franchise System;

(b) Employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

(c) Except for my ownership of a less than 5% beneficial interest in the outstanding equity securities of any publicly held corporation or for any fitness center business I own or operate at the time of execution of this Agreement (if I have provided Franchisor with a written notification of my interest in that existing fitness business), I must not own, maintain, operate, provide any assistance to, or have any interest in (as owner or otherwise) any fitness business.

I understand and acknowledge that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion hereof, without Developer's or my consent, and I agree to comply immediately with any covenant as so modified.

I further agree that if a court of competent jurisdiction finally determines this Covenant to be invalid, illegal or unenforceable, the Covenant will be deemed restricted in application to the extent required to render it valid under applicable law.

I acknowledge that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, for which no adequate remedy at law may be available. I also acknowledge that Franchisor's ability to obtain equitable relief for breaches of the Covenants contained in this Agreement, if any, by myself and other of Developer's employees and other individuals similarly situated benefits Developer, other developers and franchisees and their respective employees by enabling Franchisor to defend and protect the distinctiveness of

Franchisor's Franchise System.

I understand that notwithstanding any Maryland choice or conflict of laws rules to the contrary, this Covenant will be interpreted and enforced in accordance with the substantive laws of the State of Maryland. For the purpose of any suit, action, or proceeding arising out of this Covenant, I submit to the jurisdiction of the state and federal courts in the jurisdiction in which Franchisor maintains its principal place of business and waive any objections or defenses I may have based on improper venue, lack of personal jurisdiction, inconvenience of forum or any similar matter.

Accepted this __ day of _____, 20__.

_____	_____
Witness Signature	Signature
_____	_____
Witness Name	Name

EXHIBIT E
TO THE FITNESS EVOLUTION AREA DEVELOPMENT AGREEMENT

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Fitness Evolution Franchising, LLC (referred to in this Agreement as **"we," "us," "our"** or **"Franchisor"**) to execute the Area Development Agreement between Franchisor and _____, a _____ (referred to in this Agreement as **"you," "your"** or **"Developer"**) dated _____, 20__ (the **"Agreement"**), the undersigned, jointly and severally, hereby unconditionally guarantee to us and our successors and assigns that all of your obligations under the Agreement and any extensions, renewals, amendments, and modifications thereof, will be punctually paid and performed.

Upon our demand, the undersigned will immediately make each payment and perform each obligation required of you under the Agreement. The undersigned hereby waive any right to require us to: (a) proceed against you for any payment required under the Agreement; (b) proceed against or exhaust any security from you; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against you. All choices relating to the enforcement of the Agreement will be made in our unfettered discretion. Without affecting the obligations of the undersigned under this Guarantee, we may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of yours, or settle, adjust, or compromise any claims against you. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by you, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agree to defend, indemnify, and hold us harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, accountants' fees, fees for other required professional, expert or specialized services, reasonable costs of investigation, court costs, and mediation or arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to pay or perform any of your obligations under the Agreement, any amendment thereto, or any other agreement you executed referred to therein, as well as enforcement of this Guarantee. The undersigned agrees to provide us with such financial statements and other information as we may request, all of which the undersigned represent and warrant will be true, correct, and complete

This Guarantee, Indemnification, and Acknowledgment will terminate upon the termination or expiration of the Agreement, or any extensions, renewals, amendments, and modifications thereof, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination will remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement will remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee, Indemnification, and Acknowledgment, will be interpreted and construed

under the laws of the State of Maryland, notwithstanding any Maryland choice of law rule to the contrary. If, however, any provision of this Agreement would not be enforceable under the laws of the State of Maryland, and if the Developer's business is located outside of the State of Maryland and such provision would be enforceable under the laws of the state in which the Developer's business is located, then such provision will be interpreted and construed under the laws of that state. Nothing in this Guarantee, Indemnification, and Acknowledgment is intended by the parties to subject this Agreement to any franchise, business opportunity, or similar statute, rule, or regulation of the State of Maryland to which it would not otherwise be subject.

Any and all notices required or permitted under this Guarantee must be in writing and must be personally delivered, sent by certified mail, or sent by any other means (including, without limitation, overnight courier service such as UPS, FedEx or a similar service), which affords the sender evidence of delivery or attempted delivery to the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:
Fitness Evolution Franchising, LLC
2144 Industrial Parkway
Silver Spring, MD 20904
Attn: Jeff Mayerson

with a copy to:
Patrick Maslyn, Esq.
Maslyn Law PLC
6430 Arwen Mews
Moseley, VA 23120

Notices to Guarantor(s):
_____
_____
_____
Attn: _____

Any notice by a method which affords the sender evidence of delivery or attempted delivery will be deemed to have been given at the date and time of receipt or attempted delivery.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTORS

_____
_____
_____
_____
_____

EXHIBIT D
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

RELEASE

This **RELEASE**, dated as of the last date set forth on the signature page hereof (**"Release"**), is by and between Fitness Evolution Franchising, LLC, a limited liability company with its principal place of business located at 2144 Industrial Parkway, Silver Spring, MD 20904 (**"Franchisor"**) and the undersigned person or entity (**"Franchisee"**).

Background

A. Franchisor and Franchisee have previously entered into a Franchise Agreement dated _____ for a business located at _____ and relating to the territory including _____ (collectively, the **"Agreement"**).

B. The Agreement requires that Franchisee execute a general release in favor of Franchisor as a condition for Franchisor's approval of a proposed [renewal] [transfer] of the Agreement and/or Franchisee's rights under the Agreement.

NOW THEREFORE, incorporating the foregoing Background herein by reference and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Release

(a) Franchisee, to the fullest extent permitted by law, hereby forever releases and discharges Franchisor and waives any and all rights or Claims it has, may have, had, or may have had against Franchisor, its affiliates and each of their officers, directors or employees from the beginning of time until the date of this Release, of any kind, whether known or unknown, including but not limited to any Claims arising under or related to the Agreement.

(b) Franchisor, to the fullest extent permitted by law, hereby forever releases and discharges Franchisee and waives any and all rights or Claims it has, may have, had, or may have had against Franchisee from the beginning of time until the date of this Release, of any kind, whether known or unknown, including but not limited to any Claims arising under or related to the Agreement; provided, however that Franchisor does not release any claims to any payments or other monetary obligations required to be made by Franchisee in the normal course of business under the Agreement which have not yet been paid.

(c) As used in this paragraph, **"Claims"** means any and all manner of actions, causes of action, suits, debts, dues, sums of money, account reckonings, bonds, bills, specialties, covenants, contracts, controversies, sanctions, costs, attorneys' fees, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, of whatever kind or nature, whether absolute or contingent, known or unknown, matured or unmatured, at law, in equity, or in any other proceeding.

2. **Representations and Warranties.** Franchisee represents and warrants to the Franchisor as follows:

(a) The execution and delivery of this Release does not violate (i) any law applicable to Franchisee; (ii) Franchisee's organizational documents; or (iii) any other agreement binding upon Franchisee.

(b) Franchisee has the power and authority to execute and deliver this Release and has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Release.

3. **Miscellaneous.**

(a) This Release shall be construed in accordance with and governed by the law of Maryland, without regard to the conflict of laws rules of Maryland.

(b) This Release constitutes the sole agreement of the parties with respect to the subject matter hereof and thereof and supersedes all oral negotiations and prior writings with respect to the subject matter hereof and thereof. No amendment of this Release, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto.

(c) This Release (i) shall be binding upon the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns, and (ii) shall inure to the benefit of the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF, the parties have caused this Release to be signed by their duly authorized representatives as of the dates indicated below.

FITNESS EVOLUTION FRANCHISING, LLC	_____
	FRANCHISEE
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT E
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Department of Business Oversight 1515 K Street Suite 200 Sacramento, CA 95814 (866) 275-2677
HAWAII	State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 205 Honolulu, HI 96813 (808) 586-2744
ILLINOIS	Office of the Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465
INDIANA	Indiana Securities Division Securities Commissioner Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-7044
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (651) 296-4026

STATE	STATE ADMINISTRATOR
NEW YORK	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway 23rd Floor New York, NY 10271 (212) 416-8222
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5th Floor Bismarck, ND 58505-0510 (701) 328-2910
RHODE ISLAND	Department of Business Registration Securities Division 1511 Pontiac Avenue John O. Pastore Center Building 69-1 Cranston, RI 02920 (401) 277-3048
SOUTH DAKOTA	State of South Dakota Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823
VIRGINIA	State Corporation Commission Department of Securities and Retail Franchising 1300 E. Main Street Ninth Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504 (360) 902-8700
WISCONSIN	Commissioner of Securities 345 West Washington Avenue Madison, WI 53703 (608) 266-1365

EXHIBIT F
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS

STATE	AGENT FOR SEVICE OF PROCESS
CALIFORNIA	Commissioner of Business Oversight 1515 K Street Suite 200 Sacramento, CA 95814
HAWAII	Commissioner of Securities 335 Merchant Street Room 205 Honolulu, HI 96813
ILLINOIS	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202 and Jeff Mayerson Member Fitness Evolution Franchising, LLC 2144 Industrial Parkway Silver Spring, MD 20904
MICHIGAN	Michigan Department of Commerce Corporations and Securities Bureau 670 Law Building Lansing, MI 48913
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101
NEW YORK	Secretary of State of New York 41 State Street Albany, NY 12231-0001
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5th Floor Bismarck, ND 58505-0510

STATE	AGENT FOR SEVICE OF PROCESS
RHODE ISLAND	Director of Department of Business Registration 1511 Pontiac Avenue John O. Pastore Center Building 69-1 Cranston, RI 02920
SOUTH DAKOTA	Director of South Dakota Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street First Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501
WISCONSIN	Wisconsin Commissioner of Securities 201 West Washington Avenue Madison, WI 53703

EXHIBIT G-1
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES AND LICENSEES

* Indicates units operating under a license agreement, as described in Item 1.

CALIFORNIA

Pleasanton Fitness LLC*
Sanjiv Chopra
1300 Verne Roberts Circle
Antioch, CA 94509
(925) 778-7070

Pleasanton Fitness LLC*
Sanjiv Chopra
1295 East Shaw Avenue
Clovis, CA 93612
(559) 297-9385

Pleasanton Fitness LLC*
Sanjiv Chopra
3517 Clayton Road
Concord, CA 94519
(925) 682-3488

Pleasanton Fitness LLC*
Sanjiv Chopra
6370 N. Figarden Drive
Fresno, CA 93722
(559) 369-2466

Pleasanton Fitness LLC*
Sanjiv Chopra
2490 Sand Creek Road
Brentwood, CA 94513
(925) 230-0966

Pleasanton Fitness LLC*
Sanjiv Chopra
6635 Alhambra Avenue
Martinez, CA 94553
(925) 401-7385

Pleasanton Fitness LLC*
Sanjiv Chopra
190 S. 1st Street
San Jose, CA 95113
(408) 684-0745

Pleasanton Fitness LLC*
Sanjiv Chopra
1570 Hamilton Avenue
San Jose, CA 95125
(408) 267-1900

Pleasanton Fitness LLC*
Sanjiv Chopra
196 N. Third Street
San Jose, CA95112
(408) 292-1141

Pleasanton Fitness LLC*
Sanjiv Chopra
6001 Fair Oaks
Carmichael, CA 95608
(916) 485-0714

Pleasanton Fitness LLC*
Sanjiv Chopra
780 Garden View Court
Encintas, CA 92024
(760) 942-3000

Pleasanton Fitness LLC*
Sanjiv Chopra
8540 Church Street
Gilroy, CA 95020
(408) 848-1234

Pleasanton Fitness LLC*
Sanjiv Chopra
6735 N. First Street
Fresno, CA 93170
(559) 500-1344

Pleasanton Fitness LLC*
Sanjiv Chopra
2012 McHenry Avenue
Modesto, CA 95350
(209) 577-1060

Pleasanton Fitness LLC*
Sanjiv Chopra
3360 California 59
Merced, CA 95348
(209) 691-0334

Pleasanton Fitness LLC*
Sanjiv Chopra
3055 Meridian Avenue
San Jose, CA 95124
(408) 827-3324

Pleasanton Fitness LLC*
Sanjiv Chopra
2565 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150
(530) 544-9111

Pleasanton Fitness LLC*
Sanjiv Chopra
834 Kettleman Lane
Lodi, CA 95240
(209) 294-0430

Pleasanton Fitness LLC*
Sanjiv Chopra
180 E. Cross
Tulare, CA 93274
(559) 556-0460

OM Fitness LLC*
Sanjiv Chopra
8121 Madison Avenue
Fair Oaks, CA 95628
(916) 967-3481

OM Fitness LLC*
Sanjiv Chopra
4965 Ashlan Avenue
Fresno, CA 93726
(559) 322-8625

OM Fitness LLC*
Sanjiv Chopra
2210 Patterson Road
Riverbank, CA 95367
(209) 869-0348

OM Fitness LLC*
Sanjiv Chopra
1822 E. Hammer Lane
Stockton, CA 95210
(209) 474-0348

OM Fitness LLC*
Sanjiv Chopra
4950 Claremont Avenue
Stockton, CA 95207
(209) 473-4880

Monterey Fitness LLC*
Sanjiv Chopra
2000 Garden Road
Monterey, CA 93940
(831) 646-0550

Zeus Fitness LLC*
Sanjiv Chopra
4120 Dale Road, Suite G
Modesto, CA 95356
(209) 545-9055

Zeus Fitness LLC*
Sanjiv Chopra
1275 East F Street
Oakdale, CA 95361
(209) 848-0348

Pleasanton Fitness LLC*
Sanjiv Chopra
4774 N. Blackstone Avenue
Fresno, CA 93726
(559) 226-2600

Pleasanton Fitness LLC*
Sanjiv Chopra
318 N. Main Street
Ripon, CA 95366
(209) 284-4610

Pleasanton Fitness LLC*
Sanjiv Chopra
1900 Del Paso Road
Sacramento, CA 95834
(916) 330-4840

Pleasanton Fitness LLC*
Sanjiv Chopra
25 Penny Lane
Watsonville, CA 95076
(831) 325-0278

Pleasanton Fitness LLC*
Sanjiv Chopra
2406 South Broadway
Santa Maria, CA 93454
(805) 310-4701

Pleasanton Fitness LLC*
Sanjiv Chopra
120 Main Street
Woodland, CA 95695
(530) 927-5895

Pleasanton Fitness LLC*
Sanjiv Chopra
1335 Gateway Blvd.
Fairfield, CA 94533
(707) 867-1313

Pleasanton Fitness LLC*
Sanjiv Chopra
991 Alamo Drive
Vacaville, CA 95687
(707) 450-1930

Pleasanton Fitness LLC*
Sanjiv Chopra
1717 Oakdale Road #L2
Modesto, CA 95355
(209) 284-4800

Pleasanton Fitness LLC*
Sanjiv Chopra
7870 Florin Road
Sacramento, CA 95828
(916) 262-7367

Pleasanton Fitness LLC*
Sanjiv Chopra
2810 Zinfandel Drive
Rancho Cordova, CA 95670
(916) 330-4220

MINNESOTA

Palmetto Fitness of Zimmerman LLC*
Janel Swanson
26275 Fremont Drive
Zimmerman, MN 55398
(763) 856-4200

Palmetto Fitness of Buffalo LLC*
Janel Swanson
101 14th Street NE
Buffalo, MN 55313
(763) 682-4300

Palmetto Fitness of Monticello LLC*
Janel Swanson
133 Sandberg Drive
Monticello, MN 55362
(763) 295-3002

Vertical Fitness North LLC*
Brad Kloss
805 County Highway #120
Sartell, MN 56377
(320) 654-9090

Vertical Fitness North LLC*
Brad Kloss
3123 Roosevelt Drive
St. Cloud, MN 65301
(320) 654-1101

WestFit LLC*
Brad Kloss
3960 US-52
Rochester, MN 55901
(507) 206-6344

VIRGINIA

FR Gyms, Inc.
Casey Cope
485 South Street
Front Royal, VA 22630
(540) 636-3400

WASHINGTON

Tristin Corporation*
Tamara McClellan
1504 Iowa Street
Bellingham, WA 98229
(360) 671-4653

EXHIBIT G-2
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

LIST OF FORMER FRANCHISEES AND LICENSEES

* Indicates units operating under a license agreement, as described in Item 1.

California

Sanjiv Chopra*
San Francisco, CA
(209) 527-3041

EXHIBIT I
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

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Operations Manual
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EXHIBIT J
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA AND AMENDMENTS

ADDENDUM TO THE FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

In recognition of the requirements of California's Franchise Investment Law and the California Franchise Relations Act, the Fitness Evolution Franchising, LLC Franchise Disclosure Document shall be supplemented as follows:

1. California Corporations Code, Section 31125, requires Franchisor to give Franchisee a disclosure document, approved by the Department of Business Oversight, before a solicitation of a proposed material modification of an existing franchise.

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

3. Item 3 of the Franchise Disclosure Document is modified by adding the following paragraph to the end thereof:

   Neither Fitness Evolution Franchising, LLC nor any person listed in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

4. Item 5 of the Franchise Disclosure Document is modified by adding the following to the end of Item 5:

   Payment of all initial fees is postponed until after all of our initial obligations are complete and you are open for business.

5. Item 17 of the Franchise Disclosure Document is modified by adding the following paragraphs to the end of Item 17:

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

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

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 and Area Development Agreement require application of the laws of the State of Maryland. This provision may not be enforceable under California law.

The Franchise Agreement and Area Development Agreement require that you waive punitive damages. This provision may not be enforceable under California law.

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

6. We maintain an Internet website at http://fitnessevolution.com/franchise/. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

AMENDMENT TO THE FITNESS EVOLUTION FRANCHISING, LLC FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

This Amendment to the Fitness Evolution Franchising, LLC Franchise Agreement dated _____, _____ ("Franchise Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Franchisee," "you," or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. The following is added to the end of Paragraph 5 on the Declarations Page and Section 4.1 of the Franchise Agreement:

> The California Department of Business Oversight requires us to defer payment of the Initial Franchise Fee and other payments owed by franchisees to the franchisor until after the franchisor has completed its pre-opening obligations under the Franchise Agreement. Accordingly, notwithstanding the foregoing, in the State of California, we will defer the payment of the Initial Franchise Fee until the Franchised Business opens for business. Upon the opening of the Franchised Business, you must pay to us the Initial Franchise Fee. Your failure to pay the Initial Franchise Fee when due shall be a breach of this Agreement.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Franchise Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

ADDENDUM TO THE FITNESS EVOLUTION FRANCHISING, LLC FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA

1. Trademarks. The following statement is added to Item 13:

We will indemnify you against liability to a third party resulting from claims that your use of a Proprietary Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Proprietary Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

2. Notice of Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred and eighty (180) days' notice for non-renewal of the franchise agreement.

3. Choice of Forum and Law. The following statement is added to the State Cover Page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements 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.

4. General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Amendment to the Fitness Evolution Franchising, LLC Franchise Agreement dated _____, _____ ("Franchise Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Franchisee," "you," or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of Minnesota; (B) you are a resident of the State of Minnesota; and/or (C) the Franchised Business will be located and/or operated, and/or all or part of the Territory will be located, in the State of Minnesota.

2. The following sentence is added to the end of Sections 2.2.6 and 13.3.3:

   Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section 7.2.9:

   We will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

4. The following sentence is added to the end of Section 14:

   With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred and eighty (180) days' notice for non-renewal of franchise agreements.

5. The third sentence of Section 16.7 is deleted and replaced with the following:

   Accordingly, we will be entitled to seek the issuance of an order of specific performance, temporary restraining order, or preliminary or permanent injunction against violation by you of the covenants.

6. The following sentences are added to the end of Section 24.5:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in our disclosure document or agreements 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.

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

8. This Amendment will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the Minnesota Franchise Act, without considering this Amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Franchise Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF MINNESOTA

This Amendment to the Fitness Evolution Franchising, LLC Area Development Agreement dated _____, _____ ("Area Development Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Developer," "you," or "your") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Area Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of Minnesota; (B) you are a resident of the State of Minnesota; and/or (C) the Franchised Businesses will be located and/or operated, and/or all or part of the Development will be located, in the State of Minnesota.

2. The following sentence is added to the end of Section 8.4.4:

   Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section 9:

   With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred and eighty (180) days' notice for non-renewal of franchise agreements.

5. The third sentence of Section 11.6 is deleted and replaced with the following:

   Accordingly, we will be entitled to seek the issuance of an order of specific performance, temporary restraining order, or preliminary or permanent injunction against violation by you of the covenants.

6. The following sentences are added to the end of Section 19.5:

   Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in our disclosure document or agreements 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.

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Area Development Agreement.

8. This Amendment will have effect only if the Area Development Agreement and/or the relationship between Franchisor and Developer satisfy all of the jurisdictional requirements of the Minnesota Franchise Act, without considering this Amendment. Except as expressly modified by this Amendment, the Area Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Area Development Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
DEVELOPER

By: _____
Name: _____
Title: _____

ADDENDUM TO THE FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

1. State Cover Page, Additional Risk Factors:

   We may, if we choose, negotiate with you about items covered in the Franchise Disclosure Document. However, we may not use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this prospectus.

2. Item 3, Additional Disclosure. Item 3 is amended with addition of the following:

   Excepted as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

   Excepted as described above, either we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded *nolo contendere* to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded *nolo contendere* to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

   Excepted as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public

agency or department, including, without limitation, actions affecting a Franchise as a real estate broker or sales agent.

3. Item 4, Bankruptcy. Item 4 is deleted and replaced with the following:

Neither we nor any of our affiliates, predecessors, officers or general partners, during the 10-year period immediately before the date of this disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of ours held this position in the company or partnership.

4. Item 17, Additional Disclosures. The following statements are added to Item 17:

We will not assign our rights under the Franchise Agreement and the Area Development Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under the Franchise Agreement and Area Development Agreement.

The New York Franchises Law requires that New York law govern any cause of action that arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695, may supersede any provision of the Franchise Agreement or Area Development Agreement inconsistent with that law.

You must sign a general release upon renewal of the Franchise Agreement and in connection with any transfer under the Franchise Agreement or Area Development Agreement. These provisions may not be enforceable under New York law.

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to this Addendum.

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

This Amendment to the Fitness Evolution Franchising, LLC Franchise Agreement dated _____, _____ ("Franchise Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Franchisee," "you," or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of New York; (B) you are a resident of the State of New York; and/or (C) the Franchised Business will be located and/or operated, and/or all or part of the Territory will be located, in the State of New York.

2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

3. The following sentence is added to the end of Sections 2.2.6 and 13.3.3:

> Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

4. The following sentence is added to Section 13.1:

> We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

5. The following sentence is added to the end of Section 16.7:

> Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. The following sentence is added to the end of Section 24.1:

> Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

8. This Amendment will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, without considering this Amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Franchise Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK

This Amendment to the Fitness Evolution Franchising, LLC Area Development Agreement dated _____, _____ ("Area Development Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Developer," "you," or "your") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Area Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of New York; (B) you are a resident of the State of New York; and/or (C) the Franchised Businesses will be located and/or operated, and/or all or part of the Development Area will be located, in the State of New York.

2. Any provision in the Area Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

3. The following sentence is added to Section 8.1:

> We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

4. The following sentence is added to the end of Section 8.4.4:

> Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

5. The following sentence is added to the end of Section 11.6:

> Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. The following sentence is added to the end of Section 19.1:

> Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Area Development Agreement.

8. This Amendment will have effect only if the Area Development Agreement and/or the relationship between Franchisor and Developer satisfy all of the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, without considering this Amendment. Except as expressly modified by this Amendment, the Area Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Area Development Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
DEVELOPER

By: _____
Name: _____
Title: _____

ADDENDUM TO THE FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

1. Item 17 of the disclosure document is hereby modified by adding the following paragraphs to the end of provision entitled "h. 'Cause' defined – non-curable defaults":

Under 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 Franchise Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

This Amendment to the Fitness Evolution Franchising, LLC Franchise Agreement dated _____, _____ ("Franchise Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Franchisee," "you," or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of Washington; (B) you are a resident of the State of Washington; and/or (C) part or all of the Territory is located in the State of Washington.

2. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 ("Act"), which may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. Specifically, RCW 19.100.180(2)(j) requires the franchisor to purchase a franchisee's inventory and supplies at fair market value upon termination.

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

4. In the event of a conflict of laws, the provisions of the Act shall prevail.

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

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

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

8. This Amendment will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the Act, without considering this Amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Franchise Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
FRANCHISEE

By: _____
Name: _____
Title: _____

AMENDMENT TO FITNESS EVOLUTION FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF WASHINGTON

This Amendment to the Fitness Evolution Franchising, LLC Area Development Agreement dated _____, _____ ("Area Development Agreement") between Fitness Evolution Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us," or "our") and _____ ("Area Developer," "you," or "your") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Area Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to you was made in the State of Washington; (B) you are a resident of the State of Washington; and/or (C) part or all of the Development Area is located in the State of Washington.

2. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 ("Act"), which may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. Specifically, RCW 19.100.180(2)(j) requires the franchisor to purchase a franchisee's inventory and supplies at fair market value upon termination.

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

4. In the event of a conflict of laws, the provisions of the Act shall prevail.

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

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

7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Area Development Agreement.

8. This Amendment will have effect only if the Area Development Agreement and/or the relationship between Franchisor and Developer satisfy all of the jurisdictional requirements of

the Act, without considering this Amendment. Except as expressly modified by this Amendment, the Area Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, on the date first above written, we and you agree to be bound by the terms of this Amendment and the Fitness Evolution Franchising, LLC Area Development Agreement.

FITNESS EVOLUTION FRANCHISING, LLC

By: _____
Name: _____
Title: _____

_____
DEVELOPER

By: _____
Name: _____
Title: _____

EXHIBIT K
TO THE FITNESS EVOLUTION FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE COMPLIANCE QUESTIONNAIRE

As you know, you and we are preparing to enter into a Franchise Agreement and/or Area Development Agreement for the operation and/or development of a Fitness Evolution franchise(s). The purpose of this Franchise Compliance Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement, or (b) if you are a resident of Iowa, New York, Oklahoma or Rhode Island, at the earlier or the first personal meeting or 10 business days before the execution of the franchise or other agreement or payment of any consideration, or (c) if you are a resident of Michigan, Oregon, Washington or Wisconsin, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration?
Check one: ☐ **Yes.** ☐ **No.**

2. Have you studied and reviewed carefully our Franchise Disclosure Document, Franchise Agreement and Area Development Agreement?
Check one: ☐ **Yes.** ☐ **No.**

3. Is the name, address and phone number of any broker and each of our employees or representatives who was involved in offering you this franchise listed on the Franchise Disclosure Document receipt you signed (or on any updated receipt we provided to you)?
Check one: ☐ **Yes.** ☐ **No.**

4. Do you understand that the Franchise Agreement and Area Development Agreement (respectively) contain the entire agreement between you and us concerning the franchise and/or the development of franchises -- meaning that any prior oral or written statements not included in the Franchise Agreement and Area Development Agreement (respectively) or our Franchise Disclosure Document will not be binding?
Check one: ☐ **Yes.** ☐ **No.**

5. Do you understand that the success or failure of your business will depend in large part on your skills and experience, your business acumen, your location, the local market for products, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors?
Check one: ☐ **Yes.** ☐ **No.**

6. Do you understand that that the franchise granted is for the right to operate a Fitness Evolution Franchised Business only in the territory described on the Franchise Agreement Declarations Page, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, near your territory?
Check one: ☐ Yes. ☐ No.

7. Do you understand that you are bound by the non-compete covenants listed in Section 16.3 of the Franchise Agreement and Section 11.2 of the Area Development Agreement and that an injunction is an appropriate remedy to protect the interests of the Fitness Evolution system if you violate the covenant(s)? Also, do you understand that any actions in violation of the covenants may result in an injunction, default and termination of the Franchise Agreement and Area Development Agreement?
Check one: ☐ Yes. ☐ No.

8. Do you understand that economic financial conditions could have a negative impact on the fitness industry, the Fitness Evolution franchise system and your business? Do you also understand that the economic situation may worsen?
Check one: ☐ Yes. ☐ No.

9. Do you understand that if we elect to review a business model that you prepare, any comments we make regarding the business model are not intended to be and may not be construed as financial performance representations?
Check one: ☐ Yes. ☐ No.

If you answered "No" to questions 1-9, please explain (attached additional sheets if necessary):

_____

_____

_____

_____

10. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document?
Check one: ☐ Yes. ☐ No.

11. Was any oral, written or visual claim or representation made to you which stated, suggested, predicted or projected your sales, income or profit levels which was contrary to or inconsistent with the disclosures in the Franchise Disclosure Document?
Check one: ☐ Yes. ☐ No.

12. Did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Franchise

Disclosure Document or that is contrary to or different from the information in the Franchise Disclosure Document?
Check one: ☐ Yes. ☐ No.

If you answered "Yes" to questions 10-12, please explain in detail the claim, representation or statement (attached additional sheets if necessary):

_____

_____

_____

_____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

_____
FRANCHISEE/APPLICANT

Date:_____

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Fitness Evolution 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.

Iowa, New York, Oklahoma and Rhode Island require that Fitness Evolution give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Wisconsin require that Fitness Evolution give you this disclosure document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Fitness Evolution 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 state agencies listed in Exhibit E.

Our agents authorized to receive service of process for us are listed in Exhibit F.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

Chris Maddox	Chris Finch	_____
Fitness Evolution Franchising, LLC	Fitness Evolution Franchising, LLC	_____
312 E. Main Street	118 N. 80th Street	_____
Middletown, MD 21769	Shoreline, WA 98133	_____
(240) 315-8484	(206) 388-9520	_____

Issuance Date: May 25, 2016

I received a disclosure document dated _____, ____ that included the following Exhibits:

EXHIBIT A	DEPOSIT AGREEMENT & LETTER OF INTENT
EXHIBIT B	FRANCHISE AGREEMENT
EXHIBIT C	AREA DEVELOPMENT AGREEMENT
EXHIBIT D	RELEASE
EXHIBIT E	LIST OF STATE ADMINISTRATORS
EXHIBIT F	AGENTS FOR SERVICE OF PROCESS
EXHIBIT G-1	LIST OF CURRENT FRANCHISEES
EXHIBIT G-2	LIST OF FORMER FRANCHISEES
EXHIBIT H	FINANCIAL STATEMENTS
EXHIBIT I	TABLE OF CONTENTS OF MANUAL
EXHIBIT J	STATE ADDENDA AND AMENDMENTS
EXHIBIT K	FRANCHISE COMPLIANCE QUESTIONNAIRE

_____	_____	_____
Date	Signature	Printed name
_____	_____	_____
Date	Signature	Printed name

FRANCHISOR'S COPY: Please sign this copy of the receipt, date your signature, and return it to: Jeff Mayerson, Fitness Evolution Franchising, LLC, 2144 Industrial Parkway, Silver Spring, MD 20904.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Fitness Evolution 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.

Iowa, New York, Oklahoma and Rhode Island require that Fitness Evolution give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Wisconsin require that Fitness Evolution give you this disclosure document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Fitness Evolution 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 state agencies listed in Exhibit E.

Our agents authorized to receive service of process for us are listed in Exhibit F.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

Chris Maddox
Fitness Evolution Franchising, LLC
312 E. Main Street
Middletown, MD 21769
(240) 315-8484

Chris Finch
Fitness Evolution Franchising, LLC
118 N. 80th Street
Shoreline, WA 98133
(206) 388-9520

_____
_____
_____
_____
_____

Issuance Date: May 25, 2016

I received a disclosure document dated _____, ____ that included the following Exhibits:

EXHIBIT A	DEPOSIT AGREEMENT & LETTER OF INTENT
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EXHIBIT J	STATE ADDENDA AND AMENDMENTS
EXHIBIT K	FRANCHISE COMPLIANCE QUESTIONNAIRE

Date	Signature	Printed name
Date	Signature	Printed name

PROSPETIVE FRANCHISEE'S COPY: Please sign this copy of the receipt, date your signature and keep it for your records.