FRANCHISE DISCLOSURE DOCUMENT

Fitness Factory Franchising, LLC
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™

Fitness Factory Franchising, LLC offers franchise for the operation of a facility that provides exercise equipment, training and similar services to its members under the brand Fitness Factory ("**Facility**").

The total investment necessary to begin the operation of a Facility ranges from $794,500 to $1,645,000. This includes $54,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of the first Fitness Factory Facility under the Multi-Unit Development Agreement for three Fitness Factory Facilities ranges from $844,000 to $1,694,500. This includes $104,000 that must be paid to the franchisor or its affiliates. Under a Multi-Unit Development Agreement, a franchisee pays a development fee equal to 100% of the initial franchise fee for the first Facility, plus $24,750 for each additional Facility scheduled to be opened under the Multi-Unit Development Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lindsey King at 125 River Road, Suite 102, Edgewater, NJ 07020, email Lindsey@fitnessfactorygym.com, telephone (201) 804-7744.

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

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

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

ISSUANCE DATE: October 8, 2022

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. The franchise agreement and multi-unit development agreement require you to resolve disputes with us only by Arbitration in Edgewater, New Jersey. Out-of-state arbitration or may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in Edgewater, New Jersey than in your own state or area.

2. The Franchise Agreement and Multi-Unit Agreement state that New Jersey law governs the agreements, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.

3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

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

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

To simplify the language in this Disclosure Document, "**we**" or "**us**" or "**Fitness Factory**" means Fitness Factory Franchising, LLC, the Franchisor. "**You**" means the person or the entity that buys the franchise. If the franchisee is a corporation, partnership, or entity, "**you**" may also mean its owners.

If you are a business entity, each of the following individuals must sign a Personal Guarantee: (i) each of your shareholders if you are a corporation; (ii) each of your partners if you are a general partnership; or (iii) each of your members and managers if you are a limited liability company. All of the provisions of our Franchise Agreement (a copy of which is attached as **Exhibit C** to this Disclosure Document) will apply to you and to each individual who signs the Personal Guarantee.

The Franchisor and Affiliates

We are a Delaware limited liability company that was formed on June 14, 2022 as Fitness Factory Franchising, LLC. Our principal place of business is 125 River Road, Suite 102, Edgewater, NJ 07020. We do have a parent. We do business under the name "Fitness Factory™". We have offered franchises in this line of business since October 10, 2022. We do own or operate businesses of the type being offered. We do not engage in any other business activities and have never offered franchises in any other line of business.

Our agents for service of process are listed in **Exhibit A** to this Disclosure Document.

We have a parent, Fitness Factory Management, LLC, a New Jersey limited liability company formed on January 4, 2019 ("**Parent**"). Our Parent's principal place of business is 125 River Road, Suite 102, Edgewater, NJ 07020. Our Parent has never offered or sold franchises in any other line of business.

Our affiliate, Fitness Factory IP, LLC ("**Fitness Factory IP**"), a Delaware limited liability company formed on August 4, 2022, owns, maintains, and licenses certain intellectual property, including the Marks to us. Fitness Factory IP's principal place of business is 125 River Road, Suite 102, Edgewater, NJ 07020. Fitness Factory IP has never offered franchises in this or any other line of business.

Our affiliate, Club Metro USA Franchising, LLC, a New Jersey limited liability company formed on January 13, 2007 ("**CMUSA**"), offered franchises under the name "Club Metro USA" in the same line of business since December 1, 2007. CMUSA does not current offer franchises, does not engage in any other business activity, and has never offered franchises in any other line of business. Our affiliate, Club Metro IP, LLC, a New Jersey limited liability company formed on February 22, 2010 ("**CM IP**"), owns certain rights to "Club Metro USA" trademarks. CM IP does not engage in any other business activity and has never offered franchises in any other line of business.

We have seven affiliates that own and operate Facilities under the "Fitness Factory" Marks (each an "**Affiliate**"). Fitness Factory Group, LLC, a New Jersey limited liability company formed on March 10, 1998, operates a Facility located at 15 Grand Ave. Palisades Park, NJ 07650. Fitness Factory Rockaway, LLC, a New Jersey limited liability company formed on November 15, 2005, operates a Facility located at 350 Route 46, Rockaway, NJ 07866. Fitness Factory Edgewater, LLC, a New Jersey limited liability company formed on May 31, 2011, operates a Facility at 521 River Road, Edgewater, NJ 07020. Fitness Factory New Providence, LLC, a New Jersey limited liability company formed on July 31, 2012, operates a Facility at 598B Central Ave, New Providence, NJ 07974. Fitness Factory Somerset, LLC, a New Jersey limited liability company formed on November 28, 2017, operates a Facility at 120 Cedar Grove Lane, Somerset, NJ 08873. Fitness Factory Yonkers, LLC, a New York limited liability company formed on June 15, 2018, operates a Facility at 30 Nepperhan St., Yonkers, NY 10701. Fitness Factory Bell Works, LLC, a New Jersey limited liability company, operates a Facility at 101 Crawfords Corner Rd., 1st Floor #3116, Holmdel, NJ 07733.

Description of Franchise

We grant you the right to operate one Fitness Factory Facility ("**Facility**") according to specifications, standards, marketing, and advertising techniques we develop, under a Franchise Agreement attached to this Disclosure Document as **Exhibit C**.

The Facility will operate under the mark "Fitness Factory™"" and associated marks and trademarks that we designate as part of the System ("**Marks**"). All Facilities operates under a unique business system ("**System**") that includes a proprietary method of interior design, layout, décor, color scheme, fixtures, and furnishings; materials and supplies; methods, uniform standards, specifications and procedures for operations; procedures for management; training and assistance; and merchandising, advertising, and promotional programs, all of which may be changed, improved or further developed by us over time. The System also includes proprietary products that we may develop to be offered for sale through the Facilities or alternative channels of distribution that may compete with your Facility.

We also offer qualified franchisees ("**Developers**") the right to develop and operate multiple Facilities within a protected territory ("**Development Territory**") under the terms of the Multi-Unit Development Agreement ("**Multi-Unit Development Agreement**") attached to this Disclosure Document as **Exhibit D**. If you sign a Multi-Unit Development Agreement, you will sign a separate, then-current form of Franchise Agreement for each Facility you agree to develop under your Multi-Unit Development Agreement according to the dates specified on the development schedule ("**Development Schedule**"). Each Franchise Agreement may be in a different form and may have materially different terms than the Franchise Agreement included in this offering.

Fitness Factory currently operates on a three-tiered system (i.e., Home Club, Club Access, and Club Access+) and depending on which tier you are required to operate your Facility in, all of your Facility members may have either a Home Club, Club Access or Club Access+ designation for using Facilities in a certain area or excluding them from using certain Facilities. The Home Club designation allows access to one specific Facility. The Club Access designation allows access to multiple Facilities, but does not allow access to Club Access+ Facilities. The Club Access+ Facilities could require a higher monthly fee than other locations, requiring any members of other locations to pay a fee at that higher level to use a Club Access+ Facility. We reserve the right to require you to operate your Facility in accordance with any one of these designations. We also reserve the right to add or remove tiers from our system and require franchisees to comply with any such changes.

The Market and Competition

The Facility is a health and fitness center providing affordable neighborhood fitness and wellness services. We offer franchises to operators who will operate a Facility at a new location. In addition, we may also offer our franchise to existing proprietors of exercise facilities who wish to convert their businesses to Facilities. Existing operators who convert their existing operations to Facilities might have a lower investment than those who construct a new Facility.

The market for health and fitness services is highly developed and competitive. Your Facility will compete with other exercise facilities that offer aerobic, group fitness and other similar services, including local, regional, and national chains and franchises that may operate more locations and may have greater financial and marketing resources. There are many business risk factors that include but are not limited to: changing market conditions, demand, competition, supply cost, equipment, labor, health and continuity of management, continuation of sources of supply, quality and availability of labor, availability of financing, recession or depression (locally or nationally), wars, strikes, national emergencies, natural disasters, liability and casualty losses, and your own efforts and skills as a business owner are necessary for the success of your Facility.

Regulations

Many states have laws regulating health spas, health and fitness clubs, health studios, childcare facilities and providers, or similar concepts that might apply to your Facility. These laws may require you to disclose certain information to consumers and/or post bonds or provide other financial guarantees to consumers, and might impose limitations on your membership offerings. Some state and local laws require health clubs and similar businesses to have automatic external defibrillators and other equipment on site for health emergencies. You or your Facility Manager and all of your staff must also obtain such personal fitness training certification and life safety programs (CPR) as we require in the Operations Manual. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Facility and you should consider both their effect and the cost of compliance. You may also be required to register your business location with a state agency.

You must obtain all required licenses and permits and ensure that your employees and others providing products and services to customers on behalf of your Facility have all required licenses and permits. The failure to maintain the proper licensing and permits is a material breach of the Franchise Agreement. You must also perform criminal background checks on all of your employees. We also require your compliance with all provisions of the USA Patriot Act and Executive Order 13224. See **Exhibit I** for a summary of industry-specific laws which may impact the operation of your Facility.

ITEM 2
BUSINESS EXPERIENCE

Managing Member: Dennis Cieri

Mr. Cieri is a co-founder of Fitness Factory Franchising, LLC, located in Edgewater, New Jersey, and has served as a Managing Member since April 2022. Mr. Cieri is a Managing Member of our Parent, Fitness Factory Management, LLC, located in Edgewater, New Jersey, and has served in that role since January 2019. Mr. Cieri is a Managing Member of our Affiliate, Fitness Factory Group, LLC, located in Edgewater, New Jersey, and has served in that role since March 1998. Mr. Cieri has served as the President and Managing Member of Eden Property Company LLC, located in Edgewater, New Jersey since January 2001. Mr. Cieri has also severed as the President and founder of SPP Inc., located in Edgewater, New Jersey since March 2010. From April 2007 until June 2018, Mr. Cieri served as the Chief Financial Officer and co-founder of Heartland Restaurant Group LLC, a franchisee of Dunkin Donuts, located it Pittsburg, Pennsylvania.

Managing Member: Richard Scarpati

Mr. Scarpati is a co-founder of Fitness Factory Franchising, LLC, located in Edgewater, New Jersey, and has served as a Managing Member since April 2022. Mr. Scarpati is a Managing Member of our Parent, Fitness Factory Management, LLC, located in Edgewater, New Jersey, and has served in that role since January 2019. Mr. Scarpati is a Managing Member of our Affiliate, Fitness Factory Group, LLC, located in Edgewater, New Jersey, and has served in that role since March 2001.

Director of Franchise Development: Lindsey King

Ms. King has served as our Director of Franchise Development since our formation in June 2022. Prior to this, Ms. King served as Director of Franchise Operations for Club Metro USA Franchising, LLC from

November 2021 until June 2022. Ms. King served as Vice President of Construction, Design & Equipment for Club Metro USA Franchising, LLC from 2009 to 2021.

Financial Officer: Dina Cieri

Ms. Cieri has served as our Financial Officer since August 2022. Ms. Cieri currently serves as a property manager at Eden Property Company LLC, located in Edgewater, New Jersey, and has served in various roles at Eden Property Company LLC since March 2008. Ms. Cieri also serves as an accountant and executive assistant at Fitness Factory Group, LLC, located in Palisades Park, New Jersey, and Fitness Factory Rockaway, LLC, located in Rockaway, New Jersey, and has served in these roles since March 2010.

Vice President of Operations: Robert Talty

Mr. Talty has served as our Vice President of Operations since August 2022. Mr. Talty also serves as the Vice President of Operations for our Parent and has served in this position since October 2019. Prior to this, Mr. Talty served as the District Manager of Fitness Factory New Providence, LLC, located in New Providence, New Jersey, and Fitness Factory Rockaway, LLC, located in Rockaway, New Jersey, from October 2018 until October 2019. From June 2014 until October 2018, Mr. Talty served as the General Manager of Fitness Factory Rockaway, LLC, located in Rockaway, New Jersey.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

If you sign a Franchise Agreement for a Facility, you must pay us an initial franchise fee (“**Initial Franchise Fee**”) of $49,500 for the rights to operate one Fitness Factory Facility. You must sign a separate Franchise Agreement and, other than as set forth below, pay the then-current Initial Franchise Fee prior to beginning development of any Fitness Factory Facility. The Initial Franchise Fee is fully earned upon your execution of the Franchise Agreement and is not refundable under any circumstances.

Multi-Unit Development Rights

We also offer to select qualified persons the opportunity to acquire the exclusive right to develop and operate multiple Facilities in a designated Development Territory by executing a Multi-Unit Development Agreement.

If we grant you the right to develop additional Facilities, you will be required to pay us a non-refundable, lump sum development fee (“**Development Fee**”) at the time you sign the Multi-Unit Development Agreement. The Development fee is currently $49,500 for the first Facility plus $24,750 for each additional Facility scheduled to be developed pursuant to the Multi-Unit Development Agreement. The Development Fee is fully earned at the time you sign the Multi-Unit Development Agreement even if you fail to open any of the subsequent Facilities. At the time you execute the Franchise Agreement for each subsequent

Facility (after the first Facility), you will be required to pay a nonrefundable reduced Initial Franchise Fee ("**Reduced Initial Franchise Fee**") of $24,750. The Reduced Initial Franchise Fee is paid in addition to the Development Fee and is fully earned by us upon your execution of each subsequent Franchise Agreement.

If we agree to grant you additional franchises, you must meet our then-current franchise qualification standards and sign our then-current form of Franchise Agreement prior to the time you begin developing each additional Facility. The grant of the additional Franchises is subject to our ability to comply with all applicable laws regarding the sale of the Franchises and the availability of acceptable locations in the Development Territory. We will use reasonable efforts to permit you to acquire additional Franchises. However, we do not guarantee that a Franchise will be granted to you or any other franchisee.

The Development Territory will be established based on the consumer demographics of the Development Territory, geographical area, city, county or other boundaries. If we grant you multi-unit development rights, the Multi-Unit Development Agreement you sign with us will grant to you a Development Territory within which you may establish, according to your Development Schedule, two or more Facilities. In all circumstances the Development Fee, Initial Franchise Fee, and Reduced Initial Franchise Fees are fully earned and nonrefundable once each applicable agreement is executed by you. If you form an entity to open any of the additional Facilities within the Development Territory, you must own at least 51% of the issued equity securities in each entity. You must provide us with necessary documentation to show your ownership interest.

We calculate the Development Fee uniformly for all franchisees, but the total amount you pay will depend on the number of Facilities you commit to develop.

Lease Review Fee and Construction Consulting Fee

Before opening your Facility, you must pay us a (i) lease review fee of $2,500 ("**Lease Review Fee**") for us or our designee to review your proposed lease or purchase agreement to ensure the lease or the purchase agreement comply with all requirements set forth in your Franchise Agreement, and (ii) a construction consulting fee of $2,500 ("**Construction Consulting Fee**") for us or our designee to review and provide consulting services to your general contractor relating to the design and build out of your Facility. Neither we nor our affiliates will provide any legal advice relating to your proposed lease or purchase agreement. As of the date of this Franchise Disclosure Document, neither we nor our affiliates act as the general contractor for the buildout of your Facility. However, we reserve the right to act, or permit our affiliates to act, as the general contractor for facility buildouts.

The Lease Review Fee and the Construction Consulting Fee are non-refundable.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee[1]	The greater of $495 per month or 5% of Gross Revenues	Payable on the 15th day of each month	You will begin paying the Royalty Fee to us after your Facility has opened. You must provide complete monthly summaries of the Facility's Gross Revenues no later than the 10th day of each month, or such other day that we specify, in the manner we specify. You agree to pay all taxes as and when due. Each charge or sale upon installment or credit shall be treated as having been received in full by us at the time the charge or sale is made, regardless of when or if you receive payment.
National Advertising and Promotions Fund	Minimum of 2% of Gross Revenues	Payable on the 15th day of each month	Amounts payable to the National Advertising and Promotions Fund are due at the same time and in the same manner in which you pay the Royalty Fee. However, we have agreed to suspend the National Advertising and Promotions Fund payments until we have 30 Facilities open and operating anywhere in the world.
Facility Improvement Fee or Annual Fee	As determined by you	As determined by you	If you collect a Facility improvement fee, Facility enhancement fee, annual fee or other fee from your members which you specify or suggest in any way will be dedicated to updating and enhancing Facilities, you must maintain this fee in a separate account and use it only in the manner you have advised your Facility members.
Local Advertising and Promotion	Minimum of $3,000 per month or 3% of Gross Revenues per year, whichever is greater	As incurred	Payable directly to suppliers of advertising. Within 30 days of the end of each month, you must furnish to us, in a manner approved by us, an accurate accounting of your expenditures on local advertising and promotion for the preceding calendar month just ended. We will provide you with guidelines for local advertising and any deviation from those guidelines by you requires prior approval from us. See ITEM 11.

Type of Fee	Amount	Due Date	Remarks
Cooperative Advertising	As required by us but not to exceed $3,000 or 3% of Gross Revenues per year, less any Local Advertising and Promotion expenditures by you in that year	As incurred	You may be required to contribute a portion of your local advertising expenditures to cooperative advertising. We will decide how much is spent on cooperative advertising. Currently we do not have a cooperative advertising program. See ITEM 11.
Special Promotional Programs[2]	Cost of program	As incurred	We may, in our discretion, establish Special Promotional Programs applicable to the System as a whole or to specific advertising market areas. You are required to participate in these Special Promotional Programs.
Transfer Fee	2/3 of the then current Initial Franchise Fee	Prior to transfer, due by seller	See ITEM 17
Renewal Fee	$5,000	At time of execution of Franchise Agreement for successor term	Due only if you execute a Franchise Agreement for a successor term.
Audit[3]	The costs of our audit	Upon completion of inspection/audit	See Section 4.6, Franchise Agreement.
Collection Costs, Attorneys' Fees and Interest[4]	Interest on overdue amounts from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate, costs of collection, attorneys' fees and court costs	As incurred	See Section 4.5, Franchise Agreement.
Non-Compliance Fee	Varies based upon infraction	As incurred	We have the right to impose this fee for violations of our operating standards. We also have the right to cure any compliance defaults on your behalf and at your expense. See Operations Manual.
Initial Training	Our then-current tuition rate plus your personal expenses, including transportation, lodging, meals, and salaries. Currently our tuition rate is $200 per day per person.	As incurred	We will provide, or a third-party or consultant will provide on our behalf, tuition-free initial training for up to three people (including you or an equity owner, and your Facility Manager), before your Facility opens. See ITEM 7 and ITEM 11.

Type of Fee	Amount	Due Date	Remarks
On-site Training, Supplemental Training and Regional Training Course	Our then-current rates plus your personal expenses, including transportation, lodging, meals and salaries for your employees. Currently our tuition rate is $200 per person per day.	As incurred	We will charge our then current tuition rate for any refresher or supplemental training.
Indemnification	Amount of loss, damages or other fees (including administrative costs and legal fees) plus costs.	As incurred	You must defend, indemnify and hold us and our related parties harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees), arising from your ownership, operation, or occupation of your Facility, performance or breach of your obligations, breach of any representation or acts or omissions of you or your employees, and from fees and costs that we incur as the result of your conduct or default of the Franchise Agreement.
Bank Charges and Administrative Costs	Our then-current fees	Upon invoice	We may charge fees to cover bank charges and administration costs if an electronic funds transfer attempt is unsuccessful or if you close your operating account, or any check or other payment is returned not paid.
New Product or New Supplier Approval	Up to $1,000 per evaluation	Payable to Franchisor before evaluation begins	You may request approval of a new service to be offered, product or a supplier under our published procedures. See ITEM 8.
Additional Investment for Renovations, Modernizing, and Redecorating[5]	Approximately $25,000 - $200,000	As incurred	Not more than once every five years, we may require you to extensively renovate your Facility at your expense to conform to our then-current standards. See Section 6.3(g), Franchise Agreement.
De-Identification of Premises	Costs plus reasonable administrative fee	As incurred	If you do not de-identify your Facility premises following expiration or termination of the Franchise Agreement, we may re-enter the premises and do so at your expense and charge you a fee.
Insurance[6]	Cost of insurance plus our reasonable expenses	Annually	Paid to insurers. See ITEM 7. We may obtain the insurance if you fail to do so and you will pay the cost of the insurance premiums and a fee to us to cover our reasonable expenses.

Type of Fee	Amount	Due Date	Remarks
Website Hosting Fee	$150 per month	Monthly	You must pay to us any fee imposed by us or your pro rata share of any fee imposed by a third party service provider in connection with hosting the Website. See ITEM 11.
Mobile Application Service Fee	$129 per month	Monthly	This fee covers the cost of the Mobile application we had created for your use.
Website Maintenance Fee	$200 per month	Monthly	See ITEM 11.
My iclub fee	$71 per month	Monthly	This fee covers the electronic sign-up feature on the website for your Facility.
Third Party Commercial Billing Service	Approximately 4.3% of the amount collected on your behalf by such service	As incurred	You are required to use computer software required by us or our then current Approved Supplier of commercial billing services to process the enrollment of members and membership dues, payments, and activity fees. See ITEM 11.
Delayed Opening Fee	$100 per day	As incurred	If your Facility does not open within 12 months after you have signed the Franchise Agreement, you must pay us a fee of $100 per day for each day that the opening of your Facility is delayed.
Financial Report Late Fee	$25 per day	As incurred	If you fail to provide us with the required monthly financial reports, we may charge you a late fee of $25 per day for each day that the monthly financial reports are overdue.
Guarantee	Varies	Upon breach of the Franchise Agreement	You (or, if the franchisee is an entity, all individuals owning at least 10% of the franchisee) must personally guarantee and comply with all terms of the Franchise Agreement and will be liable for any breach of the Franchise Agreement.

Notes:

All fees are non-refundable and uniformly imposed by and are paid to us, unless otherwise specified. Interest shall begin to accrue upon the due date, the date of underpayment, or upon a date fixed by an arbitrator, if applicable, until the date of payment.

1) Royalty Fees. Upon the opening of the Facility, you must pay to Franchisor a royalty fee ("**Royalty Fee**") equal to the greater of $495 per month or 5% of the Facility's Gross Revenues from the prior month. In addition, you must pay to Franchisor by the 15th day of the first month of your operation equal to 5% of all pre-sale Gross Revenues collected by you prior to opening the Facility for business. The Gross Revenues collected during pre-sales for your Facility must be included in your first monthly summary provided to us. "**Gross Revenues**" includes all revenue derived from all business conducted at or from your Facility's premises or otherwise associated with the Marks (including pre-sales), including, without limitation, any and all revenue from subleases, licenses, or any other third party revenue derived out of your Facility's premises, but excluding the amount of any sales tax imposed by any federal, state, municipal or other

governmental authority. You will instruct and authorize the commercial billing service that Franchisor designates ("**Billing Service**") to collect monthly membership fees and to deduct from such membership fees the Royalty Fee and all other fees owed by you to Franchisor, per the Franchise Agreement. All fee collected by the Billing Service that Franchisor designates will be collected via electronic funds transfer ("**EFT**"). Franchisor can require an alternative payment method or payment frequency for any fees or amounts owed to Franchisor or Franchisor's affiliated under the Franchise Agreement. At Franchisor's sole discretion, or if for any reason, Franchisor is not able to collect any fees owed by you to Franchisor through the third party Billing Service, you authorize Franchisor to make drafts, when appropriate, from your bank account to pay the Royalty Fee and all other fees owed by you to Franchisor, per the Franchise Agreement. You are required to complete an EFT / ACH authorization form, in the form attached to this Franchise Disclosure Document as **Exhibit C**.

2) Special Promotional Programs. You must pay your share of the cost of developing and implementing the programs, including but not limited to the development, purchase, lease, installation, and/or erection of all materials necessary to the programs, including counter cards, posters, banners, signs, photography, and/or give-away items.

3) Audit. You must maintain accurate business records, reports, accounts, books and data relating to the operation of your Facility. Franchisor has the right to inspect and/or audit your business records during normal business hours. If any audit reveals that you have understated Gross Revenues by 2% or more, or if you have failed to submit complete reports and/or remittances for any two reporting periods within a 12 month period, or you do not make them available when requested, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys, together with amounts due for royalty and other fees as a result of the understated Gross Revenues, including interest at a rate of the lesser of either 18% per annum or the highest interest rate allowed by law, from the date when the Gross Revenues should have been reported.

4) Collection Costs, Attorneys' Fees and Interest. If Franchisor engages an attorney to collect any unpaid amounts (whether or not formal judicial proceedings are initiated) from you, you must pay all reasonable attorneys' fees, court costs and collection expenses incurred by Franchisor. If you are in breach or default of any non-monetary material obligation and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in the action is denied or the action is dismissed, Franchisor may recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the same.

5) Additional Investment for Renovations, Modernizing, and Redecorating. This extensive renovation may include structural changes, remodeling, and redecorating. You must also purchase any additional or replacement furniture, equipment, software, décor, wiring, fixtures, and signs that we specify.

6) Insurance. As outlined in Section 7.6 of the Franchise Agreement, you must obtain and keep in force insurance policies in such amounts and on such items at your expense, as prescribed by Franchisor in the Operations Manual, by an insurance company acceptable to us at all times during the term of the Franchise Agreement. You must obtain such policies prior to signing a lease for your Facility. Your failure to obtain insurance constitutes a material breach of the Franchise Agreement entitling Franchisor to terminate the Franchise Agreement or exercise any or a combination of the other default remedies set forth in the Franchise Agreement. You should also procure and pay for all other insurance required by state or federal law, including without limitation, workers' compensation and unemployment insurance. In the event that you do not provide Franchisor with confirmation of renewal of your insurance policy each year, Franchisor reserve the right to purchase insurance to cover your Facility and request the cost of insurance through the Billing Service until you confirm your insurance policy is active and in place.

All insurance policies must contain a separate endorsement naming Fitness Factory Franchising, LLC as an additional insured and must be written by an insurance carrier accepted in writing by us. No insurance policy may be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Fitness Factory.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A SINGLE UNIT FRANCHISE

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[1]	$49,500	$49,500	Lump Sum	When you sign the Franchise Agreement	Franchisor
Lease Review Fee	$2,500	$2,500	Lump Sum	Prior to review	Franchisor
Lease Deposit[2]	$10,000	$25,000	Lump Sum	When you sign the Lease	Landlord
Construction Consulting Fee	$2,500	$2,500	Lump Sum	Prior to commencing construction	Franchisor
Leasehold Improvements[3]	$600,000	$1,200,000	As Incurred	Prior to opening	Third Party Vendors
Equipment, Fixtures, and Furnishing, and Flooring[4]	$50,000	$150,000	As Incurred	Prior to opening	Approved Supplier
Pre-sales[5]	$25,000	$30,000	As Incurred	Prior to opening	Third Party Vendors
Permits and Licenses[6]	$1,000	$10,000	As Incurred	Prior to opening	Governmental Authorities
Signs[7]	$5,000	$30,000	As Agreed	Prior to opening	Approved Supplier
Prepaid Insurance Premium[8]	$6,000	$15,000	Lump Sum	Prior to opening	Insurance Carrier/Broker
Bond[9]	$0	$10,000	Lump Sum	Prior to opening	Insurance Carrier/Broker
Grand Opening Advertising	$8,000	$13,000	Lump Sum	30 days before through 90 days after your Facility opens	Approved Suppliers
Training[10]	$1,000	$2,500	As Incurred	Prior to opening	Third Party Vendors
Computer System[11]	$3,000	$4,000	Lump Sum	Prior to opening	Approved Suppliers
Utility Costs and Deposits[12]	$1,000	$11,000	As Agreed	As Agreed	Utility and Telephone Companies

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds – (Three months)[13]	$30,000	$90,000	As Incurred	As Incurred	Your Employees, Approved Suppliers, Third Party Vendors, and Creditors
Total	**$794,500**	**$1,645,000**			

Notes:

All fees and payments listed in this ITEM 7 are non-refundable and may not be financed, unless otherwise stated or permitted by the payee. In preparing these estimates, we relied upon our principals' experience in operating a Facility business similar to the Facility that you will operate. These figures are estimates only and most costs are not within our control and may change frequently depending on market conditions. We cannot guarantee that your costs will fall within the stated ranges or that you will not have additional expenses starting your Facility. Your actual costs will depend on factors such as how well you follow the System; your management skills, experience, and business acumen; local economic conditions; the local market for the services and products offered by your Facility; prevailing wage rates; and the level of competition. You should review these numbers carefully with a business advisor such as a lawyer or accountant before making any decision to purchase a franchise.

1) Initial Franchise Fee. See ITEM 5 for information about the Initial Franchise Fee, which is non-refundable.

2) Lease Deposit. Facilities typically occupy approximately 12,000 to 20,000 square feet of commercial space. Monthly rental for leased premises will vary depending upon the location of the Facility and then-current, local real estate rental market conditions. Estimates of rental costs may be obtained by contacting local commercial realtors. The range in the chart reflects an estimated lease deposit equal to first and last months' rent, based on $10.00-$30.00 per rentable square foot.

3) Leasehold Improvements. The range in the chart reflects your estimated construction and build-out costs, and includes the cost of hiring a general contractor to supervise construction. Your initial investment for leasehold improvements will vary depending upon the size of your Facility and its geographic location. Construction costs in some areas of the country may exceed these estimates.

4) Equipment, Fixtures, and Furnishings and Flooring. Your costs could vary if you decide to lease rather than purchase your equipment. If purchased, franchisees typically obtain third-party financing for the purchase of these items. The low end of the range in the chart reflects the estimated initial cost of leasing these items and the high end of the range reflects the estimated down payment you may be required to make to a third-party financing institution if you elect to purchase the equipment, which represents approximately 20% of the total cost for the equipment, fixtures, and furnishings and the flooring. If you elect to finance or lease these items, you will incur a monthly expense in lieu of the expenses for the purchase for the items described in the chart. Such expenses will vary, depending on the type of lease or length of financing. If you purchase all of your equipment, fixtures, and furnishings and the flooring, we estimate your costs to be between $650,000 and $750,000. Franchisees typically do not purchase the equipment, fixtures, and furnishings and the flooring without the aid of third-party financing prior to opening.

5) Pre-Sales. After signing the lease at which your Facility will be located, obtaining the proper permits and licenses to sell memberships to your Facility, and securing a bond, if necessary, you are required

to assemble and operate a Pre-Sales Office for nine hours per day, six days per week prior to the opening of your Facility in accordance with the Operations Manual. These costs include, but are not limited to, payroll, advertising, signage, office supplies and computer equipment, telephones, and a trailer and are based on a four-month period. As part of this expenditure, you must also purchase a package of pre-sale materials required by us. We have the right to change the contents of this pre-sale package at any time.

6) Permits and Licenses. The cost of permits and licenses will depend upon the state, county, local municipality, or other geographic location within which the Facility is located.

7) Signs. The range in the chart reflects the estimate for one exterior and several interior signs. The actual cost of your signs will depend upon the size and location of your Facility, the particular requirements of the landlord, local and state ordinances, and local zoning requirements.

8) Prepaid Insurance Premium. The cost of the business insurance coverage required by the Franchise Agreement will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate, and national or local market conditions.

9) Bond. This amount is highly dependent on your credit. If you have bad credit, it could significantly increase your cost of obtaining a bond, which could be as high as $20,000.

10) Training. The range in the chart reflects the estimated cost of lodging and dining expenses for three persons attending the initial training program. This estimate does not include estimated travel costs, which will vary greatly depending upon your proximity to the training site.

11) Computer System. You are required to use the computer hardware and software required by us or our Approved Supplier of commercial billing services to process the enrollment of members and membership dues, payments, and activity fees.

12) Utility Costs and Deposits. These utility deposits and the method of payment will depend upon the location of the Facility and your creditworthiness. Deposits are typically refundable if you are current on all payments at the time of the request for refund.

13) Additional Funds. This is an estimate only of the range of initial start-up expenses for three months. These expenses include employee salaries, rent, and miscellaneous costs and inventory during the first three months your Facility is in operation. These expenses also include legal and accounting expenses for negotiating your Franchise Agreement, your lease, or other legal contracts, and business entity organization expenses during the business entity formation period. The amount of additional funds that you may need will vary depending upon the location of the Facility, your individual needs, and the sales level reached during this period. This estimate does not include royalty or advertising contributions or any allowance for an owner’s draw. We cannot estimate the operating results of your Facility. The estimate of additional funds for three months shown in the above chart is not an estimate of working capital you will need, but relates only to certain expenses for the time period stated.

YOUR ESTIMATED INITIAL INVESTMENT FOR A MULTI-UNIT FRANCHISE
(three Facilities) [1]

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Investment to Open Initial Facility[2]	**$794,500**	**$1,645000**	See Estimated Initial Investment for a Single Unit Franchise chart about in this Item 7.		
Development Fee[3]	$49,500	$49,500	Lump Sum	When you sign the Multi-Unit Development Agreement	Franchisor
Total	**$844,000**	**$1,694,500**			

Notes:

1) General Notes. See ITEM 5 for information about the fees currently charged for each Multi-Unit Development Agreement you sign, and for the Reduced Initial Franchise Fee for the second and subsequent Franchise Agreements you sign. You must sign a separate Franchise Agreement for each Facility you operate and pay the corresponding Reduced Initial Franchise Fee when the Franchise Agreement is signed. All fees and payments listed in this ITEM 7 are non-refundable and may not be financed, unless otherwise stated or permitted by the payee. This multi-unit chart is only applicable when you sign a Multi-Unit Development Agreement with us.

2) Initial Investment to Open Initial Facility. This figure represents the total estimated initial investment required to open your initial Facility under the Multi-Unit Development Agreement. You will be required to enter into our then-current form of Franchise Agreement for the initial Facility you open under your Multi-Unit Development Agreement. The range includes all of the items identified in the first chart in this ITEM 7. It does not include any of the costs that you will incur in opening any additional Facilities that you are granted the right to open and operate under your Multi-Unit Development Agreement.

3) Development Fee. See ITEM 5 for information about the Development Fee. The Development Fee is fully earned at the time you sign the Multi-Unit Development Agreement even if you fail to open any of the subsequent Facilities and is non-refundable. The amount listed in the chart corresponds to the Development Fee that you must pay if you commit to developing two additional Facilities.

4) Reduced Initial Franchise Fee. See ITEM 5 for information about the Reduced Initial Franchise Fee. At the time you sign the Franchise Agreement for each additional Facility under the Multi-Unit Development Agreement, you will pay us the applicable Reduced Initial Franchise Fee, which is fully earned at the time you sign the applicable Franchise Agreement and is non-refundable.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

To ensure a uniform image and quality of products and services throughout the System, you must operate your Facility in strict conformity with the methods, standards, and specifications we list in our proprietary and confidential specifications/operations manual (“**Operations Manual**”). You must not: (i) deviate from these methods, standards, and specifications without our prior written consent, or (ii) otherwise operate in any manner which reflects adversely on our Marks or the System. Our Operations Manual states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Facility.

We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Operations Manual or through written communication (including electronic communication). You must purchase, install, maintain in sufficient supply, and use only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Operations Manual or otherwise in writing. You must not use, offer, or sell any products or services in connection with your Facility that do not meet our System standards and specifications, or that we have discontinued or otherwise notified you that you are no longer able to use or offer in connection with your Facility. If you wish to offer any product or service in your Facility other than our approved products and services or use any item in connection with your Facility that does not meet our System standards and specifications, you must obtain our prior written approval as described more fully in this Item.

Designated and Approved Supplies and Designated and Approved Suppliers

As part of the Operations Manual or other written material provided by us, we will give you a list, as developed, of designated or approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies, and other items or services necessary to operate the Facility ("**Approved Supplies List**"). As part of the Operations Manual or other written material provided by us, we will also give you a list, as developed of designated or approved manufacturers, suppliers, and distributors authorized for the Facility ("**Approved Suppliers List**"). We reserve the right to revise the Approved Supplies List and the Approved Suppliers List from time to time. We also reserve the right to designate Fitness Factory or any of our Affiliates as the only designated or approved supplier of any approved or required supplies. As of the Issuance Date of this Franchise Disclosure Document, SSP Nutrition Inc., a supplement supplier, is an Approved Supplier and its products are Approved Supplies. Our Managing Member, Dennis Cieri, owns an interest in, and is the President and founder of, SSP Nutrition Inc. As of the Issuance Date of this Franchise Disclosure Document, Blue Star Construction LLC, a construction company, is an Approved Supplier for general contractor services relating to facility buildouts. Our Director of Franchise Development, Lindsey King, owns an interest in Blue Star Construction LLC. We do not issue our standards and specifications to designated or approved suppliers.

You must only use the approved brands and models as specified on the Approved Supplies List. You may not contract for alternate supplies or with alternate suppliers directly. We may negotiate purchase arrangements with some of our suppliers (including price terms and product allocations) for the benefit of our franchisees, but we are under no obligation to do so. There are currently no purchasing or distribution cooperatives related to our franchises. You may benefit from price terms, product allocation reservations, and other purchase arrangements that we may negotiate, but we do not provide material benefits to franchisees, such as renewal rights or ability to purchase additional franchises, based on your use of approved or designated sources or your purchase of particular products or services.

We and/or our Affiliates may derive income or revenue from franchisee purchases and leases to the extent franchisees purchase and lease goods and services directly from them. We and our Affiliates may negotiate rebate arrangements with some of our Approved Suppliers. As stated in Item 1, we were formed in June 2022 and therefore did not derive revenue from the sale or lease of required products or services by franchisees prior to June 2022. We estimate that 75% of your purchases and leases in establishing your Facility and approximately 50% of your total purchases and leases in operating your Facility will be from Approved Suppliers.

Approval of New Suppliers

If you desire to offer for sale or use any alternate product or supply or to have a non-approved supplier of a product or service designated as an approved supplier, you must submit samples of the supplier's products, supplies or services to us, along with a written statement describing why such items, services or suppliers should be approved for use in the System. We reserve the right to charge a fee to evaluate the proposed supplier or proposed supply of up to $1,000 per evaluation, regardless of whether we approve or deny the proposed supplier or proposed supply (See ITEM 6). We do not make our supplier specifications and/or standards generally available to franchisees or suppliers. Although we are not contractually bound to evaluate any supply or supplier within a definite time period, we will make a good faith effort to evaluate the supplier or item and to notify you of approval or disapproval within 60 days from the date we received your written request. Our written approval must be received before you use products not purchased from an Approved Supplier. We may revoke our approval at any time if we determine, in our discretion, that the supplier no longer meets our standards. When you receive written notice of a revocation, you must stop selling any disapproved products, and stop purchasing from any disapproved supplier.

Private Label Items

To the extent that we or any of our Affiliates develop proprietary private label items, you must offer and sell the private label items. An example of private label items would be our supplements or possibly the protein powder used at the juice bar. You may be required to purchase these and other private label items from us, our Affiliates, or a limited number of Approved Suppliers**.** We and our Affiliates reserve the right to derive income or revenue from franchisee purchases and leases to the extent franchisees purchase and lease goods directly from either us or our Affiliates.

Insurance

You must obtain and keep in force insurance policies in such amounts and on such items at your expense, as we prescribe in the Operations Manual or otherwise, by an insurance company acceptable to us at all times during the term of the Franchise Agreement.

Upon request, you must provide us with a currently issued certificate of insurance evidencing coverage in conformity with its requirements. We may increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to you, and you must comply with any modification.

Computer Hardware, Software, and Records

You are required to use computer software designated by us or our Approved Supplier of commercial billing services to process the enrollment of members and membership dues, payments, and activity fees. You must keep true, complete, and correct records of each transaction of any activity affecting revenues, purchasing, sales, and other related data as we require of the Facility. You must retain for a period of three years following the end of each fiscal year, all books and records related to the Facility including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers. You will utilize computer systems and programs that are fully compatible with our business system or other programs, without the necessity of us altering any of its programs or equipment, and as we prescribe. We will have full access to all of your computer systems and related data and information by means of direct access whether in person or by telephone/modem. See ITEM 11 of this Franchise Disclosure Document for more information concerning the computer system requirements.

Business Records

You acknowledge and agree that we own all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Facility including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records that will be created and maintained by you. You further acknowledge and agree that, at all times during and after the termination, expiration or cancellation of the Franchise Agreement, we may access such Business Records, and may utilize, transfer, share with other franchisees or prospective franchisees, or analyze such Business Records as we determine to be in the best interest of the System, in our sole discretion.

Pre-Sales

After signing the lease at which your Facility will be located, obtaining the proper permits and licenses to sell memberships to your Facility, and securing a bond, if necessary, you are required to assemble and operate a pre-sales office ("**Pre-Sales Office**") for nine hours per day, six days per week prior to the opening of your Facility in accordance with the Operations Manual. You will incur costs related to, but not limited to, payroll, advertising, office supplies and computer equipment, telephones, and a trailer (See ITEM 7).

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.

Franchise Agreement

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	2, 5.1, 6	ITEMS 6 and 11
b. Pre-opening purchases/leases	2.2, 2.3, 5.4	ITEMS 7 and 8
c. Site development and other pre-opening requirements	5.1, 5.2	ITEMS 6, 7 and 11
d. Initial and ongoing training	5.3	ITEMS 6, 7 and 11
e. Opening	6.1	ITEM 11
f. Fees	4, 5.3, 6.2, 6.3(g), 6.3.2.(g), 10.1(h), 11.3	ITEMS 5, 6 and 7
g. Compliance with standards and policies/operating manual	5.6, 6.2, 6.3, 6.8, 6.9, 6.10	ITEMS 8 and 11
h. Trademarks and proprietary information	6.5, 6.6, 6.8, 6.12	ITEMS 13 and 14
i. Restrictions on products/services offered	6.9	ITEMS 8 and 16
j. Warranty and customer service requirements	6.3, 6.9(g)	ITEM 11
k. Territorial development and sales quotas	Not Applicable	ITEM 12
l. Ongoing product/service purchases	6.2, 6.10	ITEM 8
m. Maintenance, appearance, and remodeling requirements	3.2(c), 5.2, 6.2, 6.3(g), 6.8, 6.9(d), 6.9(e)	ITEMS 6 and 11
n. Insurance	7.6	ITEMS 6, 7 and 8
o. Advertising	4.4, 6.6(c)	ITEMS 6, 7 and 11
p. Indemnification	7.2, 11.2	ITEM 6
q. Owner's participation/management/staffing	6.3(c), 6.3(d), 6.3(f)	ITEMS 11 and 15
r. Records and reports	4.6, 4.7	ITEM 6
s. Inspections and audits	4.6, 6.7	ITEMS 6 and 11
t. Transfer	8	ITEM 17
u. Renewal	3.2	ITEM 17

Obligation	Section in Agreement	Disclosure Document Item
v. Post-termination obligations	7.4, 10	ITEM 17
w. Non-competition covenants	7.4, 10	ITEM 17
x. Dispute resolution	13	ITEM 17
y. Other: Guarantee of Franchisee Obligations[1]	14, Attachment B	ITEMS 1 and 15

Notes:

1) Guarantee of Franchisee Obligations. If you are a corporation, partnership, or limited liability company, or if you become or assign your interests to a corporation, partnership or limited liability company as may be permitted under the Franchise Agreement, all shareholders with a 10% or greater ownership interest in the corporation, all partners, or all members and managers, respectively, are obligated to guarantee all of your monetary obligations under the Franchise Agreement.

Multi-Unit Development Agreement

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	None	ITEMS 7 and 11
b. Pre-opening purchases/leases	None	ITEM 8
c. Site development and other pre-opening requirements	None	ITEMS 6, 7 and 11
d. Initial and ongoing training	None	ITEMS 6, 7 and 11
e. Opening	4	ITEM 11
f. Fees	3	ITEMS 5, 6 and 7
g.Compliance with standards and policies/operating manual	5	ITEMS 8 and 11
h. Trademarks and proprietary information	None	ITEMS 13 and 14
i. Restrictions on products/services offered	None	ITEMS 8 and 16
j. Warranty and customer service requirements	None	ITEM 11
k. Territorial development and sales quotas	1	ITEM 12
l. Ongoing product/service purchases	None	ITEM 8
m. Maintenance, appearance and remodeling requirements	None	ITEMS 6 and 11
n. Insurance	None	ITEMS 6, 7 and 8
o. Advertising	None	ITEMS 6, 7 and 11
p. Indemnification	None	ITEM 6
q. Owner's participation/management/staffing	None	ITEMS 11 and 15
r. Records and reports	None	ITEM 6
s. Inspections/audits	None	ITEMS 6 and 11
t. Transfer	7	ITEM 17
u. Renewal	None	ITEM 17
v. Post-termination obligations	6	ITEM 17
w. Non-competition covenants	None	ITEM 17
x. Dispute resolution	10	ITEM 17

ITEM 10
FINANCING

We do not offer direct or indirect financing to you. We do not guarantee your note, lease, or other obligations.

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

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

Our Obligations Before the Facility Opens. Before you open your Facility, we or our designee will:

1. Review and approve or disapprove proposed sites for the location of your Facility, and review the proposed lease or purchase agreement for the premises to ensure the lease or the purchase agreement comply with all requirements set forth in your Franchise Agreement. (See Section 5.1 of the Franchise Agreement). You must identify a site for your Facility within 180 days of the execution of your Franchise Agreement. This period may be extended by us for an additional 90 days, provided that you have made, in our sole discretion, diligent efforts to identify a site during the initial 180-day period. If you and we cannot agree on a site prior to the expiration of the 180-day period (or the 90-day extension, if granted), we may immediately terminate the Franchise Agreement (See Franchise Agreement, Section 9.2). When evaluating a potential site, we will consider factors such as, but not limited to, the neighborhood, distance from any other Facilities, proximity to major roads, residential areas and commercial businesses, traffic patterns, lease terms, and demographic characteristics of the area. Upon the selection of a site that meets our standards and qualifications, we or our designee will review your proposed lease or purchase agreement for the premises to ensure the lease or the purchase agreement comply with all requirements set forth in your Franchise Agreement. You must open your Facility for business within 270 days from the date you sign the Franchise Agreement. (See Section 6.1 of the Franchise Agreement). If you do not open the Facility for business within the applicable time period, we have the right to terminate the Franchise Agreement.

2. Provide you with a prototype or sample plans and specifications for one or more existing Facilities to guide you in furnishing and equipping your Facility. After you tailor the plans and specifications for your individual use, at your own expense, and submit the customized plans and specifications to us, we will review your plans and specifications and provide written approval if they comply with our then-current approved specifications and standards. (See Section 5.2 of the Franchise Agreement).

3. Provide initial tuition-free training for up to three people including you and your Facility Manager. (See Section 5.3(a) of the Franchise Agreement). We will also provide you with continuing consultation and advice as we deem advisable with respect to the business of your Facility before you open your Facility, including assistance in connection with your Pre-Sales Office and the grand opening of your Facility. (See Section 5.5 of the Franchise Agreement).

4. Provide you with an Approved Supplies List and Approved Suppliers List, consult with you about the initial equipment and products that you must acquire as part of your initial inventory, and advise you regarding the merchandising needs of your Facility. (See Section 5.4 of the Franchise Agreement).

5. Loan you, or otherwise provide you with access to, the Operations Manual, which may consist of a number of individual manuals, containing mandatory and suggested standards, operating procedures and rules which we prescribe, as well as information relating to your other obligations under the Franchise Agreement. We have the right to add to and otherwise modify the Operations Manual as we deem necessary and reasonable; however, no change to the Operations Manual will materially alter your fundamental rights under the Franchise Agreement. We may provide the Operations Manual solely through our website(s)

and/or intranets or other electronic means without any need to provide you with a paper copy or other physical format. (See Section 5.6 of the Franchise Agreement). Attached as **Exhibit B** is a copy of the table of contents of our Operations Manual. If printed, the Operations Manual would have approximately 377 pages.

Typical Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the opening of the Facility is approximately 180 to 270 days. The actual length of time it will take you to open your Facility will depend upon certain critical factors such as: (i) your ability to obtain a mutually acceptable site and the lease for the site; (ii) your ability to obtain acceptable financing; (iii) your ability to timely obtain required permits and licenses; (iv) the scheduling of the training program; (v) the timely completion of leasehold improvements; and (vi) the amount of time necessary to train personnel and to obtain necessary inventory, equipment and supplies. See ITEM 12 and ITEM 17.

Our Obligations During the Operation of the Facility. Following the opening of your Facility and during its operations, we or our designee will:

1. Provide up to eight hours on-site initial opening assistance at your Facility, or a Facility that we designate, within the 90-day period following the opening of your Facility, and assistance on the day designated as your Facility's grand opening day. We reserve the right to provide such assistance through a designee whom we select. We will then provide periodic assistance that we deem appropriate and advisable. Subject to availability of personnel and at your request, we will make personnel available to provide additional on-site assistance at your Facility beyond the on-site initial opening assistance. (See Section 5.3(b) of the Franchise Agreement). For any Facility that is more than four hours driving distance from our headquarters, you will be responsible for our or our designee's travel expenses, including airfare, car rental charges, hotel and meal expenses.

2. Provide you with continuing consultation and advice as we deem advisable regarding the services you will offer, merchandising, inventory, sales techniques, personnel development and other business, operational, and advertising matters that directly relate to the operation of the Facility. (See Section 5.5 of the Franchise Agreement).

3. Administer contributions to the National Advertising and Promotion Fund. (See Section 5.3(e) of the Franchise Agreement).

4. In our discretion, we may host annual or special meetings where your presence will be mandatory, provided you are given at least 60 days advance notice, in writing with the time and place of the meeting. (See Section 5.6 of the Franchise Agreement).

Our Obligations During the Multi-Unit Development Agreement

A Developer signs the Franchise Agreement for the first Facility to be developed in the Development Schedule at the time the Multi-Unit Development Agreement is signed. Our obligations under the Franchise Agreement apply to a Developer. Each time a developer signs another Franchise Agreement, our obligations are activated for the new Facility to be established. We do not have separate obligations under the Multi-Unit Development Agreement.

Advertising Program

National Advertising and Promotion Fund. We have established and have the right to administer a fund for national and/or regional and local advertising and promotion ("**National Advertising and Promotion Fund**") that is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System. You must contribute a minimum of 2% of your Gross Revenues to the National Advertising and Promotion Fund at the same time, and in the same manner as, and in addition to, your Royalty Fee payments. However, we have agreed to suspend National Advertising and Promotions Fund payments until we have 30 Facilities open and operating anywhere in the world. Once we have reached the 30 Facility threshold, we will have the right to use National Advertising and Promotion Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and conducting radio, television, electronic, and print advertising campaigns in any local, regional or national medium; utilizing networking media sites, such as, but not limited to, Facebook, Twitter, LinkedIn, and on-line blogs and forums; developing, maintaining, and updating a World Wide Web or Internet site for us; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s); and providing promotional and other marketing materials and services to the businesses operating under the System. Advertising to be used by the National Advertising and Promotion Fund may be produced in-house or through an outside agency. Our decisions in all aspects related to the National Advertising and Promotion Fund will be final and binding. We are not required to spend any amount of National Advertising and Promotion Fund contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from these expenditures. We may use any part of the National Advertising and Promotion Fund contributions to defray reasonable costs and overhead, if any, that we incur in activities reasonably related to the creation and implementation of the National Advertising and Promotion Fund and the advertising and marketing programs for franchisees. These costs and overhead include the proportionate compensation of our employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund.

We do not anticipate that any part of your contributions to the National Advertising and Promotion Fund will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. Although we anticipate that all advertising contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over for use during the next fiscal year. While there is no requirement that the National Advertising and Promotion Fund be audited, we will provide you with unaudited fiscal year-end financial statements and accountings of National Advertising and Promotion Fund expenditures upon your written request.

Neither we nor Affiliate-owned Facilities are contractually required to contribute to the National Advertising and Promotion Fund. We have the sole right to determine contributions and expenditures from the National Advertising and Promotion Fund, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs.

As stated in Item 1, we were formed in June 2022 and therefore have not collected fees for the National Advertising and Promotion Fund We make no guarantee to you or to any other franchisee that advertising expenditures from the National Advertising and Promotion Fund will benefit you or any other franchisee directly or in proportion to your contribution. We assume no other obligation to you regarding collecting amounts due to any National Advertising and Promotion Fund or maintaining, directing or administering any National Advertising and Promotion Fund.

Advisory Council. We, at our discretion, may form a Fitness Factory franchisee advisory council ("**Advisory Council**") before or after your first Facility opens. All franchisees will participate in all Advisory Council programs that we approve. The purpose of the Advisory Council includes exchanging ideas and problem-solving methods, advising us on expenditures by the National Advertising and Promotion Fund, and coordinating System franchisee efforts. Ultimately, we have final decision making power on such expenditures and coordinating System franchisee efforts. We may also dissolve the Advisory Council at any time.

Local Advertising and Promotion. You are required to spend a minimum of $3,000 per month or 3% of Gross Revenues from the immediately preceding month, whichever is greater ("**Minimum Advertising and Promotion Expenditure**") on local advertising and promotion. Within 30 days of the end of each month, you must furnish to us, in a manner approved by us, an accurate accounting of your expenditures on local advertising and promotion for the preceding calendar month just ended. We will provide you with guidelines for local advertising and any deviation from those guidelines by you requires prior approval from us. You may use your own advertising materials, or those produced by an outside agency, so long as you have received prior written permission from us and such advertising materials include our website address and the Marks in the form, color, and manner that we prescribe. If you propose to use any advertising materials which we have not previously approved, we have the right to condition approval of your proposed advertising upon your agreement to provide other Fitness Factory franchisees, whose Facilities are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in the advertising. You must provide any proposed advertising materials to us at least 14 days before you propose to use those materials. We are not contractually obligated to approve or reject any advertising materials submitted to us within those 14 days, but we will attempt to do so. You may not use the advertising material unless we give you approval in writing. (See Franchise Agreement, Section 4.4(a)). You may not establish a website using or displaying any of the Marks, and you may not advertise your Facility or the sale of services or products offered by your Facility on the Internet except as we permit. We may host and give you access to a separate web page for your Facility on our website(s), as specified below. Any website or electronic materials you propose to use must be approved in advance by us before publication to the site. (See Franchise Agreement, Section 4.4). You may not advertise or use in advertising or any other form of promotion, our Copyrighted Works, trademarks, service marks, or commercial symbols without the appropriate © or ® registration marks or the designation TM where applicable.

Cooperative Advertising. We reserve the right, in the future, to designate a local or regional advertising coverage area ("**ACA**") in which your Facility and at least one other Facility is located for the purpose of developing a cooperative local, regional, or national advertising or promotional program ("**Cooperative**"). Currently we do not have a cooperative advertising program. An ACA is defined as an area covered by the particular advertising medium (television, radio, Internet, print media or other medium) as recognized in the industry. As required by us, you may have to contribute up to 3% of your monthly Gross Revenues, or up to $3,000 per month, whichever is greater, to the Cooperative, not to exceed your Minimum Advertising and Promotions Expenditure, less any local advertising expenses that you have incurred. We or our designee will be responsible for administering the Cooperative. However, we reserve the right to form a regional advisory council to administer the Cooperative ("**Regional Advisory Council**"). If formed, the Regional Advisory Council will be comprised of us and franchisees in the ACA and we will submit a list to you of all operating Facilities within the ACA. The Cooperative will operate from written governing documents we or our designee prepare which will be made available to you upon reasonable request. We will prepare an accounting of the operation of the Cooperative annually, at the expense of the Cooperative, and we will make it available to you upon reasonable request. We reserve the right, at our option, to require and select an independent certified public accountant to prepare, at the expense of the Cooperative, an audit for the annual accounting of the operation of the Cooperative. We, in our sole discretion, will have the right to change, merge or dissolve the Cooperative. The Cooperative will not be dissolved until all of the money in the Cooperative has been spent for advertising and promotional purposes. We will decide how much of the local and cooperative advertising is spent locally and how much is spent cooperatively.

Special Promotional Programs. We may also establish special promotional programs ("**Special Promotional Programs**"). You are required to participate in such Special Promotional Programs and you must pay to us your share of the cost of developing and implementing the programs, including but not limited to the development, purchase, lease, installation, and/or erection of all materials necessary to the programs, including but not limited to counter cards, posters, banners, signs, photography, or give-away items.

Telephone Directory Advertising. We reserve the right to require you to advertise solely at your expense in any telephone directory advertising, including any Internet-based advertising, serving the geographic area in which your Facility is located by placing an advertisement in the form, of the type, and under the heading designated by us. You may advertise either as a single franchisee or, if more than one Facility is established in the general area served by a telephone directory, as a pro rata participant in a common group advertisement with other Facilities. The pro rata cost of any common or group advertisement shall be allocated to participating franchisees based on the number of Facilities that each franchisee operates within the area.

Grand Opening. Before you open your Facility, you must conduct a grand opening advertising and promotion program ("**Grand Opening Advertising**") that we approve in advance. You must provide us with your proposed Grand Opening Advertising plan, and obtain our approval of the plan, at least 60 days prior to the opening of your Facility. During the period of time beginning 30 days before until 90 days following the opening of your Facility, you must spend at least $8,000 for advertising and promotions regarding the grand opening of your Facility. Although $8,000 is the minimum, we recommend you spend up to $13,000 for your Grand Opening Advertising. We may require you to provide proof that these funds were spent. If you fail to spend the minimum required amount on your Grand Opening Advertising, we have the right to collect from you the difference between what you should have spent and what you actually spend. Your Grand Opening Advertising expenditures are in addition to and will not be credited toward your obligation to contribute to the National Advertising and Promotion Fund or toward your Minimum Advertising and Promotion Expenditure. We may require you to work with one or more vendors that we designate to execute your Grand Opening Advertising, and we may require you to purchase certain digital media, print media, branded promotional products, printed materials, signage, and similar items, from us or other vendors that we designate. (See Franchise Agreement, Sections 4.4(b), 4.4(e) and 4.4(f)).

Website. We have established and maintain a website ("**Website**"), which promotes the Marks, System and/or Facilities operating under the System. (See Franchise Agreement, Section 4.4(i).) You must pay to us any fee imposed by us or your pro rata share of any fee imposed by a third party service provider ("**Website Hosting Fee**"), as applicable, in connection with hosting the Website. You must also pay to us a monthly website maintenance fee ("**Website Maintenance Fee**") for the right to use our Website. You must also pay to us a monthly fee to cover the electronic sign-up feature on the website for your Facility ("**My iclub Fee**"). We will have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operating of the Website at any time without notice to you. Except as we approve in advance in writing, you may not establish or maintain a separate website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Facility. If we grant approval, you must establish and operate your website in accordance with our standards and policies provided to you in the Operating Manual or otherwise in writing.

Mobile Application. We have established and maintain a mobile smartphone application ("**Mobile App**"), which promotes the Marks, System and/or Facilities operating under the System. (See Franchise Agreement, Section 4.4(i).) You must pay to us any fee imposed by us or your pro rata share of any fee imposed by a third party service provider ("**Mobile Application Service Fee**"), as applicable, in connection with the Mobile App. We will have the sole right to control all aspects of the Mobile App, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operating of the Mobile App at any time without notice to you. Except as we approve in advance in writing, you may not establish or maintain a separate mobile application. If we grant approval, you must establish and operate your mobile application in accordance with our standards and policies provided to you in the Operating Manual or otherwise in writing.

Computer System

We require you to purchase computer hardware and software ("**Computer System**") in accordance with the requirements set forth in the Operations Manual. We reserve the right to modify these requirements from time to time. We currently estimate that the Computer System will cost between $3,000 to $4,000. The hardware for the Computer System currently consists of two personal computers. You are also required to use all computer software required by us as designed in the Operations Manual, including computer software provided by our Approved Supplier of commercial billing services to process the enrollment of members and membership dues, payments, and activity fees. The cost of such software is included in the estimated amount charged to you by our Approved Supplier of commercial billing services (See ITEM 6), but is subject to change if additional computer software is required by us. You will use the Computer System to generate or store business records, reports, accounts, billing information, and other data relating to the operation of your Facility. You will also be required to maintain the Computer System through a maintenance agreement with the Approved Supplier that provides software (or as otherwise approved by us) to you. The cost of such a maintenance agreement is included in the estimated amount charged to you by our Approved Supplier of commercial billing services (See ITEM 6). We have the right to independently access the information generated and stored in your Computer System and to use such data and information from your Computer System that we deem necessary or desirable.

You will upgrade your Computer System as we require at any time during the term of the Franchise Agreement to be compatible with the then-current computer hardware and software we require. There are no contractual limitations on the frequency and cost of your obligation to upgrade or update any hardware component or software program during the term of the Franchise Agreement, and estimate your cost to do so will range from $0 to $10,000, depending on your equipment and market area.

At this time, we have not yet developed proprietary software to use in conjunction with the operation of your Facility. However, we anticipate that we may develop proprietary software in the future and we reserve the right to require franchisees to purchase such proprietary software and the hardware required to operate it. (See Franchise Agreement Sections 4.7 and 6.9(e)).

Training Program

Before your Facility opens, we will provide an approximately two-week training program ("**Training Program**") at a location we designate, online, or at your Fitness Factory, free of charge for three trainees. However, you must pay for any associated travel and living expenses of trainees. We require you and the Facility Manager to attend. If more than three trainees attend, we will impose additional training fees per person.

Training Program

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	4	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Site Selection and Facility Design	4	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Sales and Marketing	8	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Recruiting and Hiring Procedures	2	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Presales Staff Training	8	8	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Operations Manager Training	8	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Employee Orientation and Operations Training	8	8	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Business Tools and Systems Training	8	16	Our headquarters in Edgewater, NJ, online or a Facility designated by us
Member Retention and Recruitment Training	8	0	Our headquarters in Edgewater, NJ, online or a Facility designated by us
TOTAL	58	32	

The initial training program is designed to provide training in the operation and management of a Facility. The initial training program will be held at our headquarters in Edgewater, NJ, online or a Facility designated by us, or at another place designated by us. The initial training program will be provided under the supervision and Lindsey King. Ms. King serves as our Director of Franchise Development, a position she has held since June 2022. Ms. King has 10+ year of experience in the health and fitness industry. The initial training includes instruction as outlined in the chart above. Other members of our training staff at our discretion may conduct

training as necessary, and we may delegate our duties and share our training responsibilities. The nature of the instruction may include PowerPoint presentations, discussions regarding sections of the Operations Manual, role-playing exercises involving customer service and sales, demonstrations of the Computer System, and hands-on training.

You and your management staff, including your Facility Manager, must attend and complete the initial training program to our satisfaction or we may require you to undergo additional training at your expense or we may cancel the Franchise Agreement. This initial training program is tuition-free for you and two other people associated with your Facility (See ITEM 6); however, you are responsible for all training-related expenses, including transportation to and from the training site, lodging, and dining expenses. In addition, if your Facility Manager(s) will receive a salary during training, you are solely responsible for paying their salary. We will also provide eight additional hours of tuition-free on-site training and support at your Facility, or such Facility designated by us, within 90 days after the opening of your Facility.

If you designate new or additional Facility Managers after the initial training program, we will provide training, at a location that we designate, to these Facility Managers at the then-current standard rate as set forth in the Operations Manual, which is currently $100 per person per day (See ITEM 6). You will pay all costs that your Facility Managers incur in attending the training program.

In our sole discretion, we may require that previously-trained and experienced franchisees and their Facility Managers or employees attend and successfully complete refresher training programs or seminars to be conducted at a location that we designate. Attendance at the refresher training programs or seminars will be at your sole expense, including our then-current tuition rate for refresher courses, which is currently $200 per person per day.

In addition to the above, upon your request and subject to availability of personnel, we will also provide on-site assistance at your Facility for which we may charge you a reasonable fee and related travel expenses. Facilities that are more than two hours (driving distance) from our corporate headquarters will be responsible for the payment of our employee or designee's airfare, rental car charges, hotel and meal expenses. You are solely responsible for your expenses and your Facility Managers and/or employees' expenses which are incurred during training.

ITEM 12
TERRITORY

The Franchise Agreement grants you the right to operate one Facility at the specific location ("**Authorized Location**") identified in the Franchise Agreement or subsequently identified and mutually acceptable to both you and us. If an Authorized Location is not designated by you and approved by us within 180 days from the date of the Franchise Agreement, we have the right to declare the Franchise Agreement null and void without the return of any Initial Franchise Fee or other amounts paid to us.

In order for us to approve any designation of the Authorized Location at the time of execution of the Franchise Agreement, you must have supplied us with all required information and copies of proposed agreements prior to the execution of the Franchise Agreement. You shall not sign any lease or purchase agreement for the Authorized Location until the Franchise Agreement is fully executed by both parties and we have authorized the agreement in writing. We will not authorize any lease for the proposed location unless it contains certain provisions, including (i) a limitation that the premises shall be used only for a Facility; (ii) a prohibition against assignment or subletting by you without our prior written approval; (iii) permission for us to enter the premises and make changes to protect the Marks; (iv) provide for concurrent written notice to us of any default under the lease; (v) provide us with the right, but not obligation to cure such default; (vi) provide that we have the right, but not the obligation to assume said lease upon termination or expiration of the Franchise Agreement without the lessor's consent; and (vii) provide that the lease may not be modified without our consent. You must open and operate the Facility by the required open date ("**Required Open Date**") as specified in **Attachment A** to the Franchise Agreement. You must provide us with a fully executed copy of your lease once executed.

You will be granted a territory ("**Territory**") in which to operate your Facility. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our Affiliates own, or from other channels of distribution or competitive brands that we control. The Territory is intended only to provide you with a certain degree of geographic protection from company-owned operations or other Fitness Factory franchisees. You do not have any exclusive right to advertise to, solicit or service customers residing or working in the Territory. The Territory may overlap with the Territory boundaries provided to one or more other franchisees so long as we do not permit any franchisee to open a Facility inside of the boundaries of the Territory granted to you.

The criteria used for determining the boundaries of the Territory include: population base, density of population, growth trends of population, the density of residential and business entities, traffic generators, driving times and other topographical features which clearly define contiguous areas like rivers, mountains, major freeways and underdeveloped land areas. Generally, a Territory will have a general trade area with a population base of approximately 50,000 to 75,000 people and will be delineated by zip codes.

The Territory will be based on United States Census Bureau information, maps, and other demographic information that exist on the date that your Facility location is authorized. We have the exclusive right to determine the boundaries of your Territory in our sole discretion. Other than the boundaries set by the territorial protection we grant to you, you will not receive an exclusive territory.

You are unrestricted as to the geographic area from which you may obtain business for your Facility; however, you may make sales and provide services only from the premises of your Facility. You do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory. Customers residing in or working in your Territory may purchase services and products from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution, and a customer is permitted to use any Facility in the Fitness Factory System regardless of the location of his or her residence or the primary location of his or her business.

You do not need to satisfy any sales quota or market penetration to maintain your rights to your Territory. You do not receive the right to acquire additional franchises within your area. You will maintain rights to your Territory even though the population in the Territory may increase or decrease, and once your Territory is established we will not change or modify it. You will not be entitled to an expansion of your geographic boundaries if the population decreases or the demographics change in your Territory. There are no other restrictions on us regarding granting franchised outlets for similar or competitive business within a defined territory.

We reserve the right, among others:

1. to own, franchise, or operate Facilities at any location outside of the Territory, regardless of the proximity to the boundaries of your Territory. We will not establish within your Territory another franchisee or company-owned outlet which may also use the Marks;

2. to use the Marks and the System to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other Facilities, gyms, health clubs, hotels, resorts, spas, retail locations, and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve alternative channels of distribution, including but not limited to, the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for us. You may not independently use alternative channels of distribution to make sales within or outside your Territory;

3. to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business, at any location, including within the Territory, which may be similar to or different from the business operated by you;

4. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Facility, wherever located;

5. to acquire and convert to the System any businesses that are the same as or similar to the Facility, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and

6. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

If the lease term for your Facility is shorter than the term of the Franchise Agreement and the lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the premises of the Facility, you must relocate your Facility to a site mutually acceptable to you and us in order to complete the balance of the term of the Franchise Agreement (See Sections 2.1 and 2.2, Franchise Agreement). You must give us notice of your intent to relocate 60 days prior to closing your Facility at the original Authorized Location.

You must procure a site acceptable to us within 60 days after closing the prior Facility, and you must open the new Facility for business within 180 days of closing the previous Facility. We may or may not agree to such relocation based upon area demographics, estimated market demand, proximity to other Facilities, and other factors. Any relocation will be at your expense and we will have the right to charge you for reasonable costs that we incur in approving the new site. If you fail to comply with relocation requirements, we may terminate the Franchise Agreement.

If you enter into a Multi-Unit Development Agreement with us, you will be assigned an exclusive territory known as your "**Development Territory**". In order for you to maintain the exclusivity rights to your Development Territory, you are required (at a minimum) to adhere to the Required Open Date for each of the Franchised Facilities granted to you under the Multi-Unit Development Agreement. If you fail to have your Facility open and in operation by the Required Open Date, we have the right to terminate the Franchise Agreement that corresponds to that Facility and the Multi-Unit Development Agreement.

You must permit members of other Facilities to use your Facility in accordance with our then current policy, as set forth in the Operations Manual, and as amended from time to time by us.

As described in Item 1, our affiliate, CMUSA, offered franchises for health and fitness centers under the trade name "Club Metro USA." Operators of Club Metro USA locations are not restricted from soliciting or accepting customers within any Fitness Factory franchisee's territory. We are not obligated to resolve potential conflicts between franchisees and operators of Club Metro locations.

ITEM 13
TRADEMARKS

You will have the right to use the Marks we designate for use in connection with the operation of your Facility. Our Affiliate, Fitness Factory IP, owns all rights to Marks and has granted us a nonexclusive license to use the Marks and to sublicense the use of the Marks to System franchisees pursuant to a trademark license agreement ("**Trademark License Agreement**"). The Trademark License Agreement extends for 10 years, commencing on October 1, 2022, and automatically renews for successive 10-year periods, provided that we are not in default or the Trademark License Agreement is not terminated by one of the parties. If the Trademark License Agreement is terminated, you may have to change to an alternative trademark, which may increase your expenses.

Fitness Factory IP claims common law rights in the following Marks, which have not been registered with the United States Patent and Trademark Office (USPTO) or any individual state:

Common Law Mark	Registration Number	Registration Date	Register
Fitness Factory™	Common Law	Common Law	Common Law
Fitness Factory Health Club™	Common Law	Common Law	Common Law
FITNESS FACTORY ™	Common Law	Common Law	Common Law

Common Law Mark	Registration Number	Registration Date	Register
FITNESS FACTORY HEALTH CLUB ™	Common Law	Common Law	Common Law

We do not have a federal registration for the Marks in the table above. Therefore, these trademarks do not have many legal benefits and rights as federally registered trademarks. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court. There are currently no effective agreements that significantly limit our rights to use or license any of the trademarks used by our franchises. All required affidavits have been filed.

You must follow our rules when you use our Marks. You may use the Marks only in the manner we authorize and only for operating your Facility at the location specified in the Franchise Agreement. You may not use any of the Marks alone or with modifying words, designs, or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags, or search techniques, except as we license to you. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us. We and our agents will have the right to enter and inspect your Facility to ensure that you are complying with our standards.

Your usage of the Marks and any goodwill established from their use will exclusively benefit us. You do not receive any interest in the Marks. You may not at any time contest the validity or ownership of the Marks or assist any other person in contesting the validity or ownership of the Marks including any Marks we authorize to you after you sign the Franchise Agreement.

There are no agreements currently in effect that significantly limit our right to use or license the use of the Marks in any manner material to the franchise other than the Trademark License Agreement. There are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition, or cancellation proceedings, or any pending material litigation involving any of our Marks which are relevant to the use of these Marks. There are no infringing or prior superior uses actually known to us that could materially affect your use of the Marks in this state or any other state in which the Facility is to be located.

In the event of any infringement of, or challenge to, your use of any of the Marks, you must immediately notify us, and we will have sole discretion to take such action as deemed appropriate. We are not obligated to defend you against any infringement, unfair competition or other claim respecting your use of or right to use the Marks, nor to take affirmative action against any infringement. We have the sole right to control any administrative or legal proceedings concerning the Marks.

However, we are obligated to indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from your use of the Marks in accordance with the Franchise Agreement or as otherwise set forth by us in writing, if you have notified us promptly of the claim.

You must modify or discontinue using any Mark upon direction to do so from us within a reasonable time after receiving notice from us. We reserve the right to substitute different Marks for use in identifying the System and the businesses operating under the System if the current Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different Marks will be beneficial to the System. If we substitute any of the Marks, you must bear the cost and expense of all substitutions at your Facility. The Franchise Agreement does not provide you with any specific rights if we require you to modify or discontinue the use of any Marks.

The Multi-Unit Development Agreement does not grant you any right to use the Marks. We grant you rights to use the Marks only under the Franchise Agreement you sign with us.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in this Disclosure Document. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products and services, as well as any other writings, recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manual, the Marks, the advertising materials, the content and format of our products and services, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("**Copyrighted Works**") in connection with your operation of your Facility, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of Facilities, formulations for and packaging of products, and training techniques used to provide services sold at Facilities, information concerning product and service sales, operating results, financial performance and other financial data of Facilities and other related materials are proprietary and confidential ("**Confidential Information**") and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your Facility during the initial training program and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners (and their respective spouses), if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Facilities during the term of the Franchise Agreement.

You must notify us within three days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to any of our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have discretion to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign, and must cause all required individuals sign, any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. The Confidentiality Agreement attached as **Attachment C** to the Franchise Agreement is currently considered a satisfactory form.

No patents are material to us at this time. We do not have any pending patent applications that are material to the franchise.

We own and have the right to inspect, copy, and use all records with respect to the customers, suppliers, and other service providers of, and related in any way to your Facility. This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes, as we deem appropriate, in our sole discretion.

You must disclose to us all ideas, techniques and products concerning the development and operation of the Facility you, your Facility Manager or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners, Facility Manager or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of the Facility that you, your Facility Manager or your employees conceive or develop during the term of the Franchise Agreement in all Facilities that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

You will not attempt to decipher, decompile, disassemble, or reverse engineer any proprietary computer software and you will sign a license agreement for the proprietary computer software if we request.

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

You must participate in the day-to-day operation of your Facility. If the franchisee is a corporation, partnership, or limited liability company, the Facility must be operated by a designated manager ("**Facility Manager**") who has satisfactorily completed our initial training program. Your Facility Manager need not have any equity ownership in your Facility but must furnish full-time attention and best efforts to the management of your Facility. You may not change the Facility Manager of your Facility without our prior approval. We may, at any time, require reasonable and necessary training for Facility Managers we designate.

If your Facility Manager's employment with you is terminated, you must designate a new Facility Manager who must successfully complete our initial training program within 90 days after the termination of the initial Facility Manager, unless we do not hold an initial training program during that 90-day period, in which case the replacement Facility Manager must attend and successfully complete the first available initial training program held by us.

You covenant in the Franchise Agreement that during the term of the Franchise Agreement, except as otherwise approved in writing by us, you (if you are an individual), the single biggest shareholder of the securities of your entity (if you are a corporation), a general partner of your entity (if you are a partnership), the managing member of your entity (if you are a limited liability company), or your designated Facility Manager will devote full-time energy and best efforts to the management and operation of the Facility.

You will disclose to your Facility Manager only the information needed to operate the Facility and the Facility Manager will be advised that any confidential information is a Trade Secret of ours. Your Facility Manager must also sign a Confidentiality Agreement in a form satisfactory to us. The Confidentiality Agreement attached as **Attachment C** to the Franchise Agreement is currently considered a satisfactory form.

If you are a corporation, general partnership or limited liability company, all shareholders with a 10% or greater ownership interest in the corporation, all general partners or all members and managers, must personally and unconditionally guarantee the payment of all of your monetary obligations under the Franchise Agreement by signing the personal guarantee in the form of **Attachment B** to the Franchise Agreement.

In signing the Franchise Agreement, you acknowledge that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone. The success or failure of the Facility as a business enterprise is dependent on your efforts. The purchase of this Facility should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must refrain from using or permitting the use of your Facility for any other purpose or activity at any time without first obtaining our written consent.

You must sell or offer for sale only such items, products that we expressly approve for sale in writing; and you must sell or offer for sale all types of items, products, and services which we specify. You must follow our policies, procedures, methods, and techniques, and you may not deviate from our standards or specifications without our prior written consent. You are unrestricted as to the geographic area from which you may obtain business as a System franchisee; however, you may not make any sales or provide services from a location other than the Authorized Location of your Facility. You must discontinue selling and offering for sale any unapproved items, products or services, or any items, products, or services which we may, in our discretion, disapprove in writing at any time. The Franchise Agreement does not limit our right to make changes to the types of approved items, products, or services. We have the right to add additional approved items, products, or services. We have the right to add additional approved items, products, or services that you must offer.

All new services and other developments, whether they be of our original design or variations of existing services or techniques, will be deemed works made for hire and we will own all rights in them. If they do not qualify as works made for hire, you assign ownership to us under the Franchise Agreement. You will not receive any payment or adjustment in connection with any new services or developments.

You must, at your expense, redecorate, repair and replace furniture, equipment, software, décor, wiring, fixtures and signs as necessary to maintain the Facility and any parking lot in first class condition and repair and operational performance and as we may direct. Not more than once every five years, we may require you to extensively renovate the Facility at your expense to conform to our then-current System standards and specifications. This extensive renovation may include structural changes, remodeling, and redecorating. You must also purchase any additional or replacement furniture, equipment, software, décor, wiring, fixtures and signs that we specify.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	3.1	The earlier of (i) 10 years after the opening of the Facility, (ii) 10 years after the Required Open Date, or (iii) the expiration of the initial term of the lease for the Facility.
b. Renewal or extension of the Term	3.2	If all conditions are met, you have the right to one successor term that will continue until the earlier of (i) 10 years after the start of the Successor Term, or (ii) the expiration of the then current term of the lease for the Facility, inclusive of any option to renew such lease.
c. Requirements for you to renew or extend	3.2	You have the right to one successor term if you: (i) have notified us of your election to renew; (ii) have the right to lease the premises for an additional 10 years (or have secured substitute premises); (iii) have completed all maintenance and refurbishing required by us; (iv) are in good standing and are not in default of any agreement between you and us or our Affiliates and have substantially complied with all agreements during their term; (v) have satisfied all monetary obligations owed to us and/or our Affiliates; (vi) have executed our then-current form of Franchise Agreement; (vii) have satisfied our then-current training requirements for new franchisees; (viii) are not involved in any legal action involving us, and have not sent us, and do not plan on sending

Provision	Section in Franchise Agreement	Summary
		us, a demand letter alleging any claim for damages or injunctive relief against us; (ix) have executed a general release of any and all claims against us and our Affiliates, and their shareholders, officers, directors, agents, employees, attorneys and accountants arising out of or related to the Franchise Agreement or any related agreement; and (xi) have paid the $5,000 Renewal Fee. Our current form of General Release is attached to the Franchise Agreement as **Attachment D.** If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by you	9.1	You have no right to terminate the Franchise Agreement.
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	9.2	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, we do not have to provide you an opportunity to cure. See ITEM 17(g) and (h) for further description.
g. "Cause" defined - curable defaults	9.2(a)	We have the right to terminate the Franchise Agreement, (i) after a 7 day cure period if your failure to comply with the Franchise Agreement relates to the Marks or confidential information; (ii) after a 15-day cure period upon your failure to pay any sums owed to us; or (iii) after a 30 day cure period upon your failure to pay any sums owed to a third party other than we or our affiliates or upon your failure to comply with any other provision not listed above or listed below as a non-curable default, except if the breach is not susceptible to cure within the applicable cure period, but you take action within the cure period to begin curing the breach and act diligently to complete the corrective action within a reasonable time, you will be deemed to have timely cured the breach.
h. "Cause" defined - non curable defaults	9.2(b)	We have the right to terminate the Franchise Agreement without providing you an opportunity to cure if: (i) you commit any criminal acts; (ii) you file for bankruptcy or are adjudicated a bankrupt; (iii) if insolvency proceedings are

Provision	Section in Franchise Agreement	Summary
		commenced against you; (iv) if you are the subject of a lien; (v) you become insolvent; (vi) we send you 2 or more written notices to cure within one 12-month period; (vii) you misrepresent yourself in any way in connection with your franchise application; (viii) you or your principals materially breach any other agreements with us or our Affiliates; (ix) you commit fraud in the operation of your Facility; (x) you intentionally underreport or misstate any information required to be reported to us; or (xi) you otherwise voluntarily or otherwise abandon the franchise.
i. Your obligations on termination/non- renewal	10.1	You must cease operation of the Facility, pay all unpaid fees, discontinue using the Marks and the proprietary computer software, return the Operations Manual and all other confidential information to us, transfer your business telephone numbers to us or our designee, surrender all stationery, printed matter, signs, advertising materials and other items containing the Marks and all items which are part of the System trade dress, sell to us any furnishings, equipment, seating, tables, signs or fixtures which we elect to purchase, and, at our option, assign to us any interest you have in the lease or sublease for the Facility premises or, in the event we do not elect to exercise our option to acquire the lease, modify or alter the Facility premises as may be necessary to distinguish it from a Facility under the System.
j. Assignment of contract by us	8.6	We have the unrestricted right to sell, transfer, assign, and/or encumber all or any part of our interest in the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you – defined	8.3	A sale, transfer or assignment is deemed to occur if: (i) you are a corporation, upon any assignment, sale, pledge or transfer or increase of 20% or more of your voting stock which results in a change of ownership of 20% or more of your total voting stock, or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of your voting stock; (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of 20% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the partnership interest; or (iii) you are a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company.
l. Our approval of transfer by you	8.1	You may not sell, transfer, assign or encumber your interest in the Facility without our prior written consent.
m. Condition for our approval of transfer	8.3(b)	Approval to sell or transfer your franchise may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our Affiliates, or suppliers; (ii) the timely cure of all existing defaults under the Franchise Agreement; (iii) execution of a general release; and (iv) providing us with a copy of the executed purchase agreement relating to the proposed transfer. Our current form of general release is attached to the Franchise Agreement as **Attachment D**. The proposed transferee must have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, has the aptitude to operate the Facility and has adequate financial resources to conduct the business. The transferee must have executed our then-current Franchise Agreement, you, the seller, has paid to us the Transfer Fee, and the transferee and its Facility Manager must have completed our initial training program.
n. Our right of first refusal to acquire your business	8.3(a)	If you propose to transfer or assign 20% or more of your interest in the Facility to a third party, you must first offer us the option to purchase your franchise upon the same terms as those offered by the third party.

Provision	Section in Franchise Agreement	Summary
o. Our option to purchase your business	10.1(g)	If the Franchise Agreement is terminated, we have the limited right to purchase usable inventory at the lesser of cost or its then-current value.
p. Your death or disability	8.2	If you die or become disabled or incapacitated, your executor, heir, or legal representative must obtain approval to continue as the franchisee within 180 days from the date of your death, disability, or incapacity.
q. Non-competition covenants during the term of the franchise	7.4(a)	Neither you nor your partners, shareholders, members or managers, nor immediate family members may have any interest in any other business which offers health or fitness services or products.
r. Non-competition covenants after the franchise is terminated or expires	7.4(b)	The Franchise Agreement limits your right and the rights of your partners, shareholders, members, managers and immediate family members for two years following the date of the expiration and non-renewal, transfer, or termination of the Franchise Agreement: (i) to own, engage in, be employed or have any interest in any business which offers health or fitness services or products within 25 miles of any Facility; (ii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing with us.
s. Modification of this agreement	12.1	The Franchise Agreement may only be modified by written amendment signed by both parties.
t. Integration/ merger clauses	12.1	The Franchise Agreement is the entire agreement between the parties. Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	12.3	Except for certain claims by us for immediate relief, all disputes must be submitted to arbitration in Bergen County, New Jersey.
v. Choice of forum	12.3	Dispute resolution must be in Bergen County, New Jersey, except for certain equitable relief (except as provided in a state specific Addendum).

Provision	Section in Franchise Agreement	Summary
w. Choice of law	12.2	New Jersey law, U.S. Federal Arbitration Act, and U.S. Federal Trademark Act (Lanham Act) applies; provided, however, that the New Jersey Franchise Practices Act will only apply if your Facility is to be established in New Jersey and all other statutory requirements are met (except as provided in a state specific Addendum).

This table lists certain important provisions of the Multi-Unit Development Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

MULTI-UNIT DEVELOPMENT AGREEMENT

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the franchise term	2	Until anniversary of Agreement corresponding to the final year of the Development Schedule.
b. Renewal or extension	Not applicable	
c. Requirements for you to renew or extend	Not applicable	
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	5	We have the right to terminate the Multi-Unit Development Agreement if you default.
g. “Cause” defined - curable defaults	5	We have the right to terminate the Multi-Unit Development Agreement upon your failure to comply with the Development Schedule, and upon your failure to comply with any provisions in the Multi-Unit Development Agreement.
h. “Cause” defined – non-curable defaults	5	We have the right to terminate the Multi-Unit Development Agreement if any franchise agreement or any other agreement between you and us is terminated for any reason.
i. Your obligations on termination/non- renewal	6	Payments of all amounts due to us; continue to operate existing, non-defaulting facilities pursuant to signed Franchise Agreement.
j. Assignment of contract by us	7	No restrictions.
k. “Transfer” by you – defined	7	Requires our prior written approval.
l. Our approval of transfer by you	7	Based on our evaluation of proposed transferee and prior written approval.
m. Condition for our approval of transfer	7	Based on our evaluation of proposed transferee and prior written approval.

Provision	Section in Multi-Unit Development Agreement	Summary
n. Our right of first refusal to acquire your business	Not applicable	
o. Our option to purchase your business	Not applicable	
p. Your death or disability	7	No automatic assignment. Heirs must be approved by us.
q. Non-competition covenants during the term of the franchise	Not applicable	
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	
s. Modification of this agreement	9	The Agreement may only be modified by written amendment signed by both parties.
t. Integration/ merger clauses	9	Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the Franchise Disclosure Document and Multi-Unit Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	10	Except for certain claims for immediate relief, all disputes must be submitted to arbitration in Bergen County, New Jersey.
v. Choice of forum	10	Dispute resolution must be in Bergen County, New Jersey, except for certain equitable relief (except as provided in a state specific Addendum).
w. Choice of law	10	New Jersey law, U.S. Federal Arbitration Act, and U.S. Federal Trademark Act (Lanham Act) applies; provided, however, that the New Jersey Franchise Practices Act will only apply if your Facility is to be established in New Jersey and all other statutory requirements are met (except as provided in a state specific Addendum).

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

Table 1 below summarizes the financial performance of the six Facilities owned and operated by our Affiliates that have been open and operating for at least one year ending September 30, 2022. Specifically, the information in Table 1 below represents the revenue, expenses, number of memberships, and monthly membership fees experienced by each of the six Facilities for the month of September 2022.

To reflect additional operating expenses that will be incurred by a franchisee, Table 2 includes (i) Imputed Royalty Fees, (ii) Imputed Local Advertising Expenses, and (iii) Imputed Service Fees. The figures in Table 2 represent the adjusted pre-tax profit based on the Imputed Royalty Fees, Imputed Local Advertising Expenses, and Imputed Service Fees that would have been incurred by Affiliate-owned Facilities during the month of September 2022 if those Facilities were franchised Facilities.

TABLE 1
September 2022 Performance

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 5	Facility 6
Gross Revenues	$184,998.00	$102,832.00	$112,968.00	$114,856.00	$76,434.00	$109,013.00
Rent	($52,574.00)	($15,884.00)	($35,834.00)	($30,468.00)	($21,019.00)	($19,587.00)
Labor	($31,135.00)	($15,074.00)	($34,509.00)	($35,758.00)	($25,200.00)	($35,402.00)
Other Expenses	($22,827.00)	($25,636.00)	($25,478.00)	($19,430.00)	($18,145.00)	($18,707.00)
Pre-Tax Profit	**$78,462.00**	**$46,238.00**	**$17,147.00**	**$29,200.00**	**$12,070.00**	**$35,317.00**
Pre-Tax Profit %	**42.41%**	**44.96%**	**15.18%**	**25.42%**	**15.79%**	**32.40%**
Number of Members	2954	3139	4240	2002	2087	1602
Membership Fees	$39.00 - $49.00	$24.99 - $29.99	$24.99 - $29.99	$39.00 - $49.00	$24.99 - $29.99	$39.00 - $49.00

TABLE 2
September 2022 Adjusted Performance

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 5	Facility 6
Pre-Tax Profit	$78,462.00	$46,238.00	$17,147.00	$29,200.00	$12,070.00	$35,317.00
Pre-Tax Profit %	42.41%	44.96%	15.18%	25.42%	15.79%	32.40%
Imputed Royalty Fee	($9,249.90)	($5,141.60)	($5,648.40)	($5,742.80)	($3,821.70)	($5,450.65)
Imputed Local Advertising Expenses	($5,549.94)	($3,084.96)	($3,389.04)	($3,445.68)	($2,293.02)	($3,270.39)
Imputed Services Fees	($219.33)	($346.00)	($346.00)	($325.00)	($445.00)	($550.00)
Adjusted Pre-Tax Profit	**$63,442.83**	**$37,665.44**	**$7,763.56**	**$19,686.52**	**$5,510.28**	**$26,045.96**

Adjusted Pre-Tax Profit %	**34.12%**	**36.43%**	**6.69%**	**16.94%**	**7.07%**	**23.89%**

Notes

(1) Other Expenses. Other Expenses include expenses relating to insurance, phone, cable, internet, utilities, cleaning services, marketing, website and application, accounting services, administrative expenses such as office supplies, credit card fees, routine maintenance and repairs, and janitorial supplies.

(2) Imputed Royalty Fee. Franchisees will be required to pay a Royalty Fee of five percent (5%) per month of Gross Revenues. The Imputed Royalty Fee in Table 2 is calculated based on the Gross Revenues generated for each Facility in Table 1.

(3) Imputed Local Advertising Expenses. Franchisees will be required to spend a minimum of three percent (3%) of Gross Revenues on local advertising and promotion per year. The Imputed Local Advertising Expenses is calculated based on the Gross Revenues generated for each Facility in Table 1.

(4) Imputed Service Fees. Franchisees will be required to pay us the following fees as described in Item 6 and Item 7: Web Hosting Fee of $150, Mobile Application Service Fee of $129, Website Maintenance Fee of $200, and My iClub Fee of $71 (collectively, the "**Service Fees**"), each of which franchisees will incur on a monthly basis. The Imputed Fees in Table 2 reflect the difference between the fees each Facility owned and operated by our Affiliates paid and the total Services Fees a franchisee will be required to pay.

General Notes:

(1) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

(2) The information used to prepare the Tables above was prepared from the profit and loss statements generated by our Affiliates' internal accounting systems. We do not know of any instance, nor do we have reason to believe that our Affiliates would overstate or understate revenues or expenses. However, these revenue and expense numbers have not been audited.

(3) individual results may differ. There is no assurance that you will earn as much.

Other than the preceding financial performance representation, Fitness Factory Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lindsey King at 125 River Road, Suite 102, Edgewater, NJ 07020, telephone (732) 644-8321, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1: Systemwide Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	5	5	0
	2021	5	6	+1
	2022	6	7	+1
Total Outlets	**2020**	**5**	**5**	**0**
	2021	**5**	**6**	**+1**
	2022	**6**	**7**	**+1**

TABLE NO. 2: Transfers of Outlets From Franchisees to New Owners (other than the Franchisor)
For Years 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	**2020**	**0**
	2021	**0**
	2022	**0**

TABLE NO. 3: Status of Franchised Outlets
For Years 2020 to 2022

State	Year	Outlets at the Start of the Year	Outlets opened	Termin -ations	Non-renewals	Reacquired by franchisor	Ceased operations - other reason	Outlets at end of the year
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
All Other States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2021	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**

TABLE NO. 4: Status of Company-Owned Outlets
For Years 2020 to 2022

State	Year	Outlets at the start of the year	Outlets opened	Outlets reacquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at end of year
New Jersey	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	1	0	0	0	6
New York	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Total	**2020**	**5**	**0**	**0**	**0**	**0**	**5**
	2021	**5**	**1**	**0**	**0**	**0**	**6**
	2022	**6**	**1**	**0**	**0**	**0**	**7**

TABLE NO. 5: Projected Openings as of September 30, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
New Jersey	0	0	1
New York	0	0	0
TOTAL	0	0	1

The name, addresses, and telephone numbers of our Franchisees and Multi-Unit Developers and their respective Facilities are listed in **Exhibit F.** The name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of every Fitness Factory franchisee who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the previous fiscal year, or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document are listed in **Exhibit G**. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Fitness Factory franchise. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you. No trademark-specific franchisee organization exists that is associated with the franchise system being offered.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit E** are our unaudited financial statements as of December 31, 2022, as well as our audited financial statements as of October 3, 2022. We have not been in business for three years or more and cannot include all financial statements required in accordance with Section (u)(2)(iv) Item 21, Financial Statements of the NASAA Amended and Restated Guidelines.

Our fiscal year end is September 30.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C – Form of Franchise Agreement
Attachment B – Personal Guarantee
Attachment C – Confidentiality Agreement
Attachment D – Form of General Release
Attachment E – Addendum to the Franchise Agreement for the State of Maryland

Exhibit D – Form of Multi-Unit Development Agreement
Attachment C – Addendum to the Multi-Unit Development Agreement for the State of Maryland

Exhibit H – State Specific Addendum

ITEM 23
RECEIPT

The last page of this Disclosure Document, **Exhibit J**, is a detachable Receipt to be signed by you, dated, and delivered to us. A copy of the Receipt for your records is also included in **Exhibit J**.

EXHIBIT A

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We intend to register this Franchise Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	California Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House – Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8000	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Insurance, Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051

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

EXHIBIT B

Fitness Factory Franchising, LLC

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OF OPERATIONS MANUAL

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EXHIBIT C

Fitness Factory Franchising, LLC

FORM OF FRANCHISE AGREEMENT

™

FITNESS FACTORY FRANCHISING, LLC

FRANCHISE AGREEMENT

Franchise #: ________________________________

Franchisee: ________________________________

Date: ________________________________

Territory:________________________________

____

FITNESS FACTORY FRANCHISING, LLC
FRANCHISE AGREEMENT

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ATTACHMENTS

FITNESS FACTORY FRANCHISING, LLC
FRANCHISE AGREEMENT

This Franchise Agreement ("**Agreement**") is made effective as of __________________________, by and between Fitness Factory Franchising, LLC, a Delaware limited liability company, having its principal business address at 125 River Road, Suite 102, Edgewater, NJ 07020 ("**Franchisor**") and ____, a __________________________________ having its principal place of business at ____ ("**Franchisee**").

BACKGROUND

A. Franchisor and/or its predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a business system ("**System**") for the establishment, development and operation of Fitness Factory fitness centers ("**Facilities**") providing affordable neighborhood aerobic and fitness services.

The System includes proprietary marks, recognized designs, decor and color schemes, distinctive specifications for furniture, fixtures, equipment, and wall, ceiling and display designs; know-how and trade secrets; uniform specifications of products and services; sales techniques, and merchandising, marketing, advertising, and inventory management systems; quality control procedures; proprietary computer software; and procedures for operation and management of Facilities pursuant to the Operations Manual (as defined in Section 5.6) provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

B. The System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the service mark "Fitness Factory™" and other identifying marks and symbols that Franchisor uses now or may later use as part of the System (the "**Marks**"). The rights to all the Marks shall be owned exclusively by Franchisor or its affiliate. Franchisor intends to further develop and use the Marks to identify to the public the source of the products and services marketed under the Marks and Franchisor's standards of quality and service.

C. Franchisor is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate Facilities.

D. Franchisee has applied to Franchisor for a franchise to operate a Facility using the System and Marks and to receive the training, confidential information and other assistance Franchisor provides. Franchisor has approved Franchisee's application in reliance upon all of the representations made in the application.

E. By executing this Agreement, Franchisee acknowledges the importance of Franchisor's quality and service standards and agrees to operate Franchisee's business in accordance with those standards and as described in the System. Franchisee also acknowledges that adhering to the terms of this Agreement and implementing the System as Franchisor directs are essential to the operation of Franchisee's business, to the System, and to all Franchisor's franchisees.

In consideration of the mutual promises and commitments contained in this Agreement, together with other valuable consideration, the receipt and sufficiency of which is acknowledged, Franchisor and Franchisee agree as follows:

1. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE

Franchisee covenants, represents and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations and warranties in making its decision to enter into this Agreement.

1.1 Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, and all related agreements with Franchisor. Franchisee acknowledges that Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Facility, Franchisor and this Agreement.

1.2 Franchisee has, or has made firm arrangements to acquire funds to commence, open and operate the Facility and it is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

1.3 All statements made by Franchisee in writing in connection with its application for this franchise were, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement.

1.4 There are no material financial obligations of Franchisee, whether actual or contingent, which are outstanding as of the date of this Agreement other than those disclosed to Franchisor by Franchisee in writing.

1.5 Franchisee is not a party to nor subject to any court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

1.6 Franchisee is not a party to any litigation or legal proceedings other than those which have been disclosed to Franchisor by Franchisee in writing.

1.7 Franchisee represents that it is not a party to nor subject to agreements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements during the Term or any Successor Terms.

1.8 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral thereto, made by Franchisor, its officers, directors, agents, employees or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to Franchisor in Franchisee's application for a Franchise.

1.9 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(a) Franchisee and its owners certify that none of them, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (which can be accessed at *http://www.treasury.gov/offices/enforcement/ofac/legal/eo/13224.pdf).* Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(c) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 1.9.

(d) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of Franchisor's affiliates.

(e) "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

2. GRANT OF LICENSE

2.1 Authorized Location. Franchisor grants to Franchisee the right and license to establish and operate a Facility as Franchisor may direct, to be located at the site ("**Authorized Location**") specified in **Attachment A**, which must be designated within six months from the date of this Agreement. If the Authorized Location is not identified in **Exhibit A** when the parties execute this Agreement, Franchisee shall find a location and submit it to Franchisor for approval as required in Section 3.2. Franchisee is unrestricted as to the geographic area from which it may obtain business as a System franchisee; however, Franchisee may not make any sales or provide services from a location other than the Authorized Location. Franchisee shall not conduct any mail order, catalog or Internet business. Franchisee acknowledges and agrees that Franchisor's approval of a site for Franchisee's Facility does not constitute a warranty of any kind, express or implied, as to the suitability of the site for Franchisee's Facility. Franchisee also acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of a Facility at an Authorized Location is based on Franchisee's independent investigation. If an Authorized Location is not designated by Franchisee and approved by Franchisor within six months from the date of the Franchise Agreement, Franchisor has the right to declare the Franchise Agreement null and void without the return of any Initial Franchise Fee or other amounts paid to Franchisor. Franchisee accepts the license and undertakes the obligation to operate the Facility at the Authorized Location using the Marks and the System in compliance with the terms and conditions of this Agreement.

2.2 Site Search; Purchase or Lease of Premises. Franchisee is responsible for finding a site for the Facility. Franchisee shall use its best efforts to find a suitable location subject to Franchisor's procedures and guidelines; and must notify Franchisor of such site within 180 days of executing this Agreement. Franchisor may extend this deadline for an additional 90 days, provided that that Franchisee has made, in the sole opinion of Franchisor, diligent efforts to identify a site during the initial 180-day period. Franchisor must grant written authorization before Franchisee may proceed with any proposed location. Franchisee shall provide Franchisor with any information Franchisor requests and a copy of the proposed lease or purchase agreement in connection with Franchisor's review. In order for Franchisor to approve any designation of the Authorized Location in **Attachment A** at the time of execution of this Agreement, Franchisee must have supplied Franchisor with all required information and copies of proposed agreements prior to the execution of this Agreement. Franchisee shall not sign any lease or purchase agreement for the Authorized Location until this Agreement is fully executed by both parties and Franchisor has granted approval of the agreement in writing. Franchisee shall provide Franchisor with a copy of the fully executed lease upon Franchisor's request.

2.3 Facility Lease or Purchase. Franchisor shall not approve any lease for the proposed location unless it contains certain provisions, including (i) a limitation that the premises shall be used only for a Facility; (ii) a prohibition against assignment or subletting by Franchisee without Franchisor's prior written approval; (iii) permission for Franchisor to enter the premises and make changes to protect the Marks; (iv) provide for concurrent written notice to Franchisor of any default under the lease; (v) provide Franchisor with the right, but not obligation to cure such default; (vi) provide that Franchisor has the right, but not the obligation to assume said lease upon termination or expiration of this Agreement without the lessor's consent; and (vii) provide that the lease may not be modified without Franchisor's consent. Franchisor's review of the lease for the premises and its acceptance of the site selected by Franchisee does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the selected location, nor an expression of Franchisor's opinion regarding the terms of the lease or the viability of the location.

2.4 Relocation. If the lease term for Franchisee's Facility is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Authorized Location, Franchisee must relocate the Facility to a site mutually acceptable to Franchisee and Franchisor in accordance with Franchisor's specifications and subject to Section 3.1 and Section 3.2, in order to complete the balance of the term of this Agreement. Franchisee shall give Franchisor notice of Franchisee's intent to relocate 60 days prior to closing Franchisee's Facility at the original Authorized Location. Franchisor may or may not agree to such relocation based upon area demographics, estimated market demand, proximity to other Facilities, and other factors. Franchisee must complete all steps to either enter into a lease or sublease or an agreement to purchase the site within 60 days after closing the Facility at the original location. Franchisee must open the Facility for business at the new location within 180 days of closing the original location. Any relocation will be at Franchisee's expense and Franchisor will have the right to charge Franchisee for reasonable costs that Franchisor incurs in approving the new site. If Franchisee fails to comply with the terms of this Section 2.4, Franchisor may terminate this Agreement.

2.5 Territory. Franchisee must locate and operate the Facility at an Authorized Location within the area identified in **Attachment A** (the "**Territory**"). The criteria used for determining the boundaries of the Territory include: population base, density of population, growth trends of population, the density of residential and business entities, traffic generators, driving times and other topographical features which clearly define contiguous areas like rivers, mountains, major freeways and underdeveloped land areas. Generally, a Territory will have a general trade area with a population base of approximately 50,000 to 75,000 people and will be delineated by zip codes. The Territory will be based on United States Census Bureau information, maps, and other demographic information that exist on the date that Franchisee's Facility location is authorized. Franchisor has the exclusive right to determine the boundaries of Franchisee's Territory in Franchisor's sole discretion. Other than the boundaries set by the territorial protection Franchisor grants to Franchisee, Franchisee will not receive an exclusive territory. Franchisee may face competition from other franchisees, from outlets that Franchisor owns, or from other channels of distribution or competitive brands that Franchisor controls. Franchisee further acknowledges, understands and agrees that (1) the sole purpose for the territorial boundary is to provide Franchisee with a certain degree of geographic protection from company-owned operations or other Fitness Factory franchisees, (2) Franchisee does not have any exclusive right to advertise to, solicit or service customers residing or working in the Territory, and (3) Franchisee's Territory boundaries may overlap with the Territory boundaries provided to one or more other franchisees so long as Franchisor does not permit any franchisee to open a Fitness Factory Facility inside of the boundaries of Franchisee's Territory.

Franchisee is unrestricted as to the geographic area from which Franchisee may obtain business for Franchisee's Facility; however, Franchisee may make sales and provide services only from the premises of Franchisee's Facility. Franchisee does not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of Franchisee's Territory. Customers from Franchisee's Territory may purchase services and products from Franchisor and Franchisor's Affiliates or designees over the Internet, or in other reserved channels of distribution, and may use any Facility in the Fitness Factory System. Franchisee does not need to satisfy any sales quota or market penetration to maintain Franchisee's rights to Franchisee's Territory. Franchisee does not receive the right to acquire additional franchises within Franchisee's area. Franchisee will maintain rights to Franchisee's Territory even though the population in the Territory may increase or decrease, and once the Territory is established Franchisor cannot change or modify it under any circumstances. Franchisee will not be entitled to an expansion of Franchisee's geographic boundaries if the population decreases or the demographics change in Franchisee's Territory. There are no other restrictions on Franchisor regarding granting franchised outlets for similar or competitive business within a defined territory. Franchisee must permit members of other Facilities to use Franchisee's Facility in accordance with Franchisor's then current policy, as set forth in the Operations Manual, and as amended from time to time by Franchisor. Franchisor and Franchisor's affiliates will not locate and operate or grant to anyone else a franchise to locate and operate within the Territory so long as this Agreement is in effect, except as provided in Section 2.8. Franchisee does not have any right to sublicense or subfranchise within or outside of the Territory and does not have the right to operate more than one Facility within the Territory.

2.6 Opening. Franchisee agrees that the Facility will be open and operating by the required open date ("**Required Open Date**"). If Franchisee is entering into this Agreement pursuant to a Multi-Unit Development Agreement executed between Franchisee and Franchisor, the Required Open Date is defined in the Development Schedule. If Franchisee is not entering this Agreement pursuant to a Multi-Unit Development Agreement, Franchisee and Franchisor agree that the Required Open Date is as specified in **Attachment A**. If Franchisee fails to have Franchisee's Facility open and in operation according to the provisions of this Section 2.6, Franchisee must pay Franchisor a delayed opening fee ("**Delayed Opening Fee**") of $100 per day for each day that the opening of the Facility is delayed. If the Facility is by the Required Open Date, Franchisor reserves the right to terminate this Agreement without opportunity to cure pursuant to Section 9.2(b), or to require Franchisee to continue paying the Delayed Opening Fee until the Facility has opened. The Delayed Opening Fee is fully earned and non-refundable once paid.

2.7 Nonexclusivity; Franchisor's Reservation of Rights. The license is limited to the right to develop and operate one Facility at the Authorized Location located in the Territory. During the Term and for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to Franchisor's reservation of rights as set forth in Section 2.8 below, neither Franchisor nor any Affiliate will establish or license another person or entity to establish a Facility using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment A**, attached hereto and incorporated herein by reference. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict Franchisor or its Affiliates and does not grant rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Facility.

2.8 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that Franchisor and its Affiliates retain the exclusive right, among others:

(a) to own, franchise, or operate Facilities any location outside of the Territory, regardless of the proximity to the boundaries of Franchisee's Territory. Franchisor will not establish within Franchisee's Territory another franchisee or company-owned outlet which may also use the Marks;

(b) to use the Marks and the System to sell any products or services similar to those which Franchisee will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other Facilities, gyms, health Facilities, hotels, resorts, spas, retail locations, and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. Franchisor exclusively reserves alternative channels of distribution, including but not limited to, the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for Franchisor. Franchisee may not independently use alternative channels of distribution to make sales within or outside Franchisee's Territory;

(c) to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business, at any location, including within the Territory, which may be similar to or different from the business operated by Franchisee;

(d) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with Franchisee's Facility, wherever located;

(e) to acquire and convert to the System any businesses that are the same as or similar to the Facility, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and

(f) to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor also reserves the right to issue mandatory policies to coordinate these multi-area marketing programs.

3. TERM AND RENEWAL

3.1 Term. This Agreement and the License granted shall become effective and binding on the date this Agreement is executed by Franchisor and shall continue until the earlier of (i) 10 years after the opening of the Facility, (ii) 10 years after the Required Open Date, or (iii) the expiration of the initial term of the lease for the Facility, notwithstanding your right to renew or extend such lease, ("**Term**"), subject, however, to termination in accordance with the provisions of this Agreement.

3.2 Successor Term. When the initial Term expires, Franchisee shall have the right to extend Franchisee's rights to operate the Facility for one additional term ("**Successor Term**") that will continue until the earlier of (i) 10 years from the start of the Successor Term, or (ii) the expiration of the then current term of the lease for the Facility, notwithstanding your right to renew or extend such lease, so long as the following conditions have been met:

(i) Franchisee has given Franchisor written notice of its election to renew the franchise not less than 6 months nor more than 12 months prior to the expiration of the current term;

(ii) Franchisee owns or has the right under a lease to occupy the premises of the Facility for an additional five years and has presented evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Facility for the duration of the Successor Term; or, in the event Franchisee is unable to maintain possession of the premises of the Facility, Franchisee has secured substitute premises approved by Franchisor and has furnished, stocked and equipped those premises to bring the Facility at its substituted premises into full compliance with Franchisor's then-current specifications and standards by the expiration date of this Agreement;

(iii) Franchisee has completed, no later than 30 days prior to the expiration of the then-current term and to Franchisor's satisfaction, all maintenance, refurbishing, renovating and remodeling of the premises of the Facility and all of the equipment, fixtures, furnishings, interior and exterior signs as Franchisor shall reasonably require so that the premises reflect the then-current image of a Facility.

(iv) Franchisee is in good standing and is not in default of any provision of this Agreement or any other related agreement between Franchisee and Franchisor or its affiliates, either at the time Franchisee gives notice of its intent to renew or at any time after through the last day of the then current term, and Franchisee has substantially complied with all these agreements during their respective terms;

(v) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and/or its affiliates or otherwise pursuant to the Franchise Agreement;

(vi) Franchisee has executed, at the time of the commencement of the Successor Term, Franchisor's then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, higher royalty and advertising fees. The successor franchise agreement, when executed, shall supersede this Agreement in all respects;

(vii) Franchisee at its expense has satisfied Franchisor's then-current training requirements for new franchisees as of the date of the renewal;

(viii) Franchisee is not currently involved in a legal action involving Franchisor and has not sent to Franchisor, nor is preparing to send to Franchisor, a demand letter alleging any claim for damages or injunctive relief against Franchisor; and

(ix) Franchisee has executed a release of any and all claims against Franchisor and its affiliates, and their equity owners, officers, directors, agents, employees, attorneys and accountants arising out of or related to this Agreement or any related agreement. The release shall contain language and be of the form chosen by Franchisor, except the release shall not release any liability specifically provided for by any applicable state statute regulating franchising.

(x) Franchisee has paid Franchisor a renewal fee ("**Renewal Fee**") equal to $5,000.

4. FEES AND COSTS

4.1 Initial Franchise Fee and Reduced Initial Franchise Fee. Franchisee shall pay Franchisor in cash or by certified check, at the time of execution of this Agreement, an initial franchise fee ("**Initial Franchise Fee**") of $49,500. The Initial Franchise Fee is deemed fully earned by Franchisor upon execution of this Agreement and is nonrefundable for any reason. If Franchisee has committed to developing more than one Facilities in accordance with the terms of a fully executed Multi-Unit Development Agreement with Franchisor, and this Agreement is being signed for the second or any subsequent Facility, Franchisee shall pay a reduced Initial Franchise Fee ("**Reduced Initial Franchise Fee**") equal to $24,750. The Reduced Initial Franchise Fee is deemed fully earned by Franchisor upon execution of this Agreement and is nonrefundable for any reason.

4.2 Lease Review Fee and Construction Consulting Fee. Franchisee shall pay Franchisor a lease review fee of $2,500 ("**Lease Review Fee**") in advance of Franchisor's review of the lease for the proposed site of the Facility. Upon receipt of the Lease Review Fee, Franchisor will review the proposed lease (or purchase agreement) to ensure such proposed lease (or purchase agreement) complies with the terms of this Agreement. Franchisee shall pay Franchisor a construction consulting fee of $2,500 ("**Construction Consulting Fee**") in advance of Franchisor providing consulting services to Franchisee's general contractor relating to the design and buildout of the Facility. The Construction Consulting Fee will be payable to Franchisor prior to Franchisee commencing construction of the Facility.

4.3 Royalty Fee. Upon the opening of the Facility, Franchisee shall pay to Franchisor, a royalty fee ("**Royalty Fee**") equal to the greater of $495 per month or 5% of the Facility's gross revenues ("**Gross Revenues**") for the prior month, payable on the 15th day of each month. In addition, Franchisee shall pay to Franchisor by the 15th day of the month of Franchisee's first operation equal to 5% of all pre-sale Gross Revenues collected by Franchisee prior to opening the Facility for business. Gross Revenues includes all revenue derived from all business conducted at or from Franchisee's Facility's premises or otherwise associated with the Marks (including pre-sales), including, without limitation, any and all revenue from subleases, licenses, or any other third party revenue derived out of Franchisee's Facility's premises, but excluding the amount of any sales tax imposed by any federal, state, municipal or other governmental authority. Franchisee agrees to instruct and authorize the commercial billing service Franchisor designates to collect monthly membership fees and to deduct from such membership fees the Royalty Fee and all other fees owed by Franchisee to Franchisor, per this agreement. At the sole discretion of Franchisor, or if for any reason, Franchisor is not able to collect any fees owed by Franchisee to Franchisor through the commercial billing service, Franchisee authorizes Franchisor to make drafts, when appropriate, from Franchisee's bank account to pay the Royalty Fee and all other fees owed by Franchisee to Franchisor.

(i) Reporting. Franchisee must provide complete monthly summaries showing results of the Facility's Gross Revenues no later than the 10th day of each month, or such other day Franchisor specifies, in the manner Franchisor specifies. The Gross Revenues collected during pre-sales for Franchisee's Facility must be included in Franchisee's first monthly summary provided to Franchisor. Franchisee agrees to pay all taxes as and when due. Each charge or sale upon installment or credit shall be treated as having been received in full by Franchisee at the time the charge or sale is made, regardless of when or if Franchisee receives payment.

(b) Single Operating Account; Electronic Funds Transfer. Franchisee shall make suitable arrangements for on time delivery of payments due to or collected by Franchisor under this Agreement. If Franchisor directs in the Operations Manual or otherwise, Franchisee shall designate an account at a commercial bank of its choice (the "**Account**") for the payment of continuing periodic royalty, advertising contributions to the Advertising Fund (defined in Section 3.3(c)) and any other amounts due Franchisor in connection with this Agreement and the Facility. Franchisee shall furnish the bank with authorizations necessary to permit Franchisor to make withdrawals from the Account by electronic funds transfer in the form attached hereto as **Attachment H**. If Franchisor directs in the Operations Manual or otherwise, Franchisee must instruct and authorize the commercial billing service ("**Billing Service**") designated by Franchisor to collect any amounts due to Franchisor in connection with this Agreement and the Facility. Franchisee shall bear any expense associated with these authorizations and electronic funds transfers. Franchisor or the Billing Service may institute fees in Franchisor's discretion to cover bank charges and administration costs if the electronic funds transfer attempt is unsuccessful in whole or in part, or rejected, or if Franchisee closes the operating account, or any check or other means of payment used is returned not paid.

4.4 Advertising. Franchisee agrees to actively promote the Facility and to abide by all of Franchisor's advertising requirements. Franchisee shall comply with each of its advertising obligations provided in this Agreement notwithstanding the payment by other Fitness Factory franchisees of greater or lesser advertising obligations or default of these obligations by any other franchisees.

(a) Generally. With regard to advertising generally for the Facility, Franchisee shall place or display at the Facility premises (interior and exterior) only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. All advertising, marketing and promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. All advertising, marketing, and promotional material, and other items Franchisor designates, must bear the Marks in the form, color, location, and manner Franchisor prescribed. Franchisee shall submit to Franchisor or its designee, at least 14 days prior to their use, samples of all sales promotional materials and advertising desired to be used by Franchisee including, without limitation, newspaper, radio and television advertising, specialty and novelty items, signs, boxes, bags and other packaging which have not been previously approved by Franchisor or which were approved by Franchisor more than 12 months before the proposed use. Franchisor has the right to condition its approval of any proposed advertising upon Franchisee's agreement to provide other System franchisees, whose franchised businesses are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in such advertising. Franchisee shall not use any advertising or promotional materials which Franchisor has not approved in writing and Franchisee shall promptly discontinue use of any advertising or promotional materials previously approved, upon notice from Franchisor.

(b) Grand Opening Advertising. During the period beginning 60 days before through 90 days after the opening of the Facility, Franchisee shall expend at least $8,000 on grand opening advertising and promotions in and/or for Franchisee's market area. Franchisor shall make such expenditure in accordance with Franchisor's written requirements and specifications. Franchisee has the right, but is not required, to spend additional sums with respect to grand opening advertising. Franchisee shall keep detailed records of all expenditures and provide these records to Franchisor within 15 days if Franchisor requests them. These expenditures are in addition to and will not be credited toward Franchisee's obligation to contribute to the National Brand Development and Marketing Fund or toward Franchisee's Minimum Advertising and Promotion Expenditure. Franchisor has the right to require Franchisee to work with one or more designated Approved Suppliers to execute Franchisee's grand opening advertising and promotions plan and may require Franchisee to purchase certain promotional materials to use in the grand opening advertising and promotions.

(c) Local Advertising and Promotion. Each week during the term of this Agreement, Franchisee is required to spend a minimum of 3% of Gross Revenues, or $3,000 per year, whichever is greater ("**Minimum Advertising and Promotion Expenditure**") on local advertising and promotion. Within 30 days of the end of each month, Franchisee must furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's expenditures on local advertising and promotion for the preceding calendar month just ended. Franchisor will provide Franchisee with guidelines for local advertising and any deviation from those guidelines by Franchisee requires prior approval from Franchisor. Franchisee may use its own advertising materials, or those produced by an outside agency, so long as Franchisee has received prior written permission from Franchisor and such advertising materials include Franchisor's website address and the Marks in the form, color, and manner that Franchisor prescribes. If Franchisee proposes to use any advertising materials which Franchisor has not previously approved, Franchisor has the right to condition approval of Franchisee's proposed advertising upon Franchisee's agreement to provide other Fitness Factory franchisees, whose Facilities are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in the advertising. Franchisee must provide any proposed advertising materials to Franchisor at least 14 days before Franchisee proposes to use those materials. Franchisor is not contractually obligated to approve or reject any advertising materials submitted to Franchisor within those 14 days, but Franchisor will attempt to do so. Franchisee may not use the advertising material unless Franchisor gives Franchisee approval in writing. Franchisee may not establish a website using or displaying any of the Marks, and Franchisee may not advertise its Facility or the sale of services or products offered by its Facility on the Internet except as Franchisor permits. Franchisor may host and give Franchisee access to a separate web page for Franchisee's Facility on Franchisor's website(s), as specified below. Any website or electronic materials Franchisee proposes to use must be approved in advance by Franchisor before publication to the site.

(d) Cooperative Advertising. Franchisor reserves the right, in the future, to designate a local or regional advertising coverage area ("**ACA**") in which Franchisee's Facility and at least one other Facility is located for the purpose of developing a cooperative local, regional, or national advertising or promotional program ("**Cooperative**"). An ACA is defined as an area covered by the particular advertising medium (television, radio, Internet, print media or other medium) as recognized in the industry. As required by Franchisor, Franchisee may have to contribute up to 3% of Franchisee's weekly Gross Revenues, or up to $3,000 per year, whichever is greater, to the Cooperative, not to exceed Franchisee's Minimum Advertising and Promotions Expenditure, less any local advertising expenses that Franchisee has incurred. Franchisor or its designee will be responsible for administering the Cooperative. However, Franchisor reserves the right to form a regional advisory council to administer the Cooperative ("**Regional Advisory Council"**). If formed, the Regional Advisory Council will be comprised of Franchisor and franchisees in the ACA and Franchisor will submit a list to Franchisee of all operating Facilities within the ACA. The Cooperative will operate from written governing documents Franchisor or its designee prepares which will be made available to Franchisee upon reasonable request. Franchisor will prepare an accounting of the operation of the Cooperative annually, at the expense of the Cooperative, and Franchisor will make it available to Franchisee upon reasonable request. Franchisor reserves the right, at its option, to require and select an independent certified public accountant to prepare, at the expense of the Cooperative, an audit for the annual accounting of the operation of the Cooperative. Franchisor, in its sole discretion, will have the right to change, merge or dissolve the Cooperative. The Cooperative will not be dissolved until all of the money in the Cooperative has been spent for advertising and promotional purposes. Franchisor will decide how much of the local and cooperative advertising is spent locally and how much is spent cooperatively.

(e) National Brand Development and Marketing Fund. Franchisee agrees to contribute a minimum of 2% of Franchisee's Gross Revenues to a fund established, developed, managed, maintained, and administered by Franchisor for national and/or regional and local marketing, advertising, promotion, and brand development ("**National Brand Development and Marketing Fund**") that is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System. Franchisee's contribution to the National Brand Development and Marketing Fund shall be made at the same time, and in the same manner as, and in addition to, Franchisee's Royalty Fees or as otherwise directed by Franchisor. Franchisor has the right to use National Brand Development and Marketing Fund contributions, at Franchisor's discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including the costs of preparing and conducting radio, television, electronic, and print advertising campaigns in any local, regional or national medium; utilizing networking media sites, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums; developing, maintaining, and updating a World Wide Web or Internet site for Franchisor; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s); and providing promotional and other marketing materials and services to the businesses operating under the System. Advertising to be used by the National Brand Development and Marketing Fund may be produced in-house or through an outside agency. Franchisor's decisions in all aspects related to the National Brand Development and Marketing Fund will be final and binding. Franchisor is not required to spend any amount of National Brand Development and Marketing Fund contributions in Franchisee's Territory and not all System franchisees will benefit directly or on a pro rata basis from these expenditures. Franchisor may use any part of the National Brand Development and Marketing Fund contributions to defray reasonable costs and overhead, if any, that Franchisor incurs in activities reasonably related to the creation and implementation of the National Brand Development and Marketing Fund and the advertising and marketing programs for franchisees. These costs and overhead include the proportionate compensation of Franchisor's employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund. Franchisor does not anticipate that any part of Franchisee's contributions to the National Brand Development and Marketing Fund will be used for advertising that is principally a solicitation for the sale of additional franchises, but Franchisor reserves the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. Although Franchisor anticipates that all advertising contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over for use during the next fiscal year. While there is no requirement that the National Brand Development and Marketing Fund be audited, Franchisor will provide Franchisee with unaudited fiscal year-end financial statements and accountings of National Brand Development and Marketing Fund expenditures upon Franchisee's written request. Neither Franchisor nor any affiliate-owned Facilities are contractually required to contribute to the National Brand Development and Marketing Fund. Franchisor has the sole right to determine contributions and expenditures from the National Brand Development and Marketing Fund, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs.

(f) Advisory Council. Franchisor, reserves the right to form a franchisee advisory council ("**Advisory Council**") before, or after Franchisee's first Facility opens. Franchisee will participate in all Advisory Council programs that Franchisor approves. The purpose of the Advisory Council includes exchanging ideas and problem-solving methods, advising Franchisor on expenditures by the National Brand Development and Marketing Fund, and coordinating System franchisee efforts.

(g) Telephone Directory Advertising. Franchisor reserves the right to require Franchisee to advertise solely at Franchisee's expense in any telephone directory advertising, including any Internet based advertising, serving the geographic area in which the Facility is located by placing an advertisement in the form, of the type and under the heading designated by Franchisor. Franchisee may advertise either as a single franchisee or, if more than one Facility is established in the general area served by a telephone directory, as a pro rata participant in a common group advertisement with other Facilities. The pro rata cost of any common or group advertisement shall be allocated to participating franchisees based on the number of Facilities that each franchisee operates within the area.

(h) Special Promotional Programs. From time to time, Franchisor may, in its sole discretion, establish special promotional campaigns ("**Special Promotional Programs**") applicable to the System as a whole or to specific advertising market areas. Franchisee is required by Franchisor to participate in such Special Promotional Programs, Franchisee shall be required to pay to Franchisor Franchisee's share of the cost of developing and implementing the programs, including but not limited to the development, purchase, lease, installation and/or erection of all materials necessary to the programs, including but not limited to counter cards, posters, banners, signs, photography or give-away items.

(i) Website Requirements. Franchisor has established and maintains a website ("**Website**"), which promotes the Marks, System and/or Facilities operating under the System. Franchisee must pay to Franchisor any fee imposed by Franchisor or Franchisee's pro rata share of any fee imposed by a third party service provider ("**Website Hosting Fee**"), as applicable, in connection with hosting the Website. Franchisee must also pay to Franchisor a monthly website maintenance fee and such other fees as may be necessary to access or support operations of the website or any related specialty software; said fees will be identified in the operations manual. (together, the "**Website Maintenance Fee**") for the right to use the Website. Franchisor will have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Franchisor will also have the right to discontinue operating of the Website at any time without notice to Franchisee. Except as Franchisor approves in advance in writing, Franchisee may not establish or maintain a separate website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with Franchisee's Facility. If Franchisor grants approval, Franchisee must establish and operate Franchisee's website in accordance with Franchisor's standards and policies provided to Franchisee in the Operating Manual or otherwise in writing.

4.5 Collection Costs, Attorneys' Fees, Interest. Any late payment or underpayment of the royalty fee, advertising contributions and any other charges or fees due Franchisor or its affiliates from Franchisee, shall bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate which may be charged for commercial transactions in the state in which the Facility is located. If Franchisor engages an attorney to collect any unpaid amounts under this Agreement or any related agreement (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and collection expenses incurred by Franchisor. If Franchisee is in breach or default of any nonmonetary material obligation under this Agreement or any related agreement, and Franchisor engages an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and litigation expenses incurred by Franchisor. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Franchisee in such action resolved in favor of Franchisor or the action is dismissed, Franchisor shall be entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending the action, and may have the amount awarded as part of the judgment in the proceeding.

4.6 Audit. Franchisee shall maintain accurate Business Records, reports, correspondence, accounts, books and data relating to Franchisee's operation of the Facility. At any time during normal business hours, Franchisor or its designee may enter the Facility or any other premises where these materials are maintained and inspect and/or audit Franchisee's business records and make copies to determine if Franchisee is accurately maintaining same. Alternatively, Franchisee shall deliver these materials to Franchisor or its designee if Franchisor requests. If any audit reveals that Franchisee has understated Gross Revenues by 2% or more, or if Franchisee has failed to submit complete reports and/or remittances to Franchisor for any two reporting periods within a 12 month period, or Franchisee does not make these materials available, Franchisee shall pay the reasonable cost of the audit and/or inspection, including the cost of auditors and attorneys, incurred by Franchisor, together with amounts due for royalty as a result of such understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported.

4.7 Financial Records and Reports. Franchisee shall maintain for at least five fiscal years from their production, or any longer period required by law, complete financial records for the operation of the Facility in accordance with generally accepted accounting principles and shall provide Franchisor with: (i) sales information in the form specified by Franchisor for sales and services rendered during the preceding week, indicating all monies received or accrued, sales or other services performed during the relevant period, and such other additional information as may be required by any such report forms furnished by Franchisor which Franchisor deems necessary to properly evaluate the progress of Franchisee, which Franchisor may access on a regular basis through the cash register, Franchisor's proprietary computer software, the records of the designated commercial billing service (in accordance with Section 5.9.(a)) or other equipment used in connection with the recording of Franchisee's Gross Revenues; (ii) unaudited monthly financial reports, including profit and loss statements, and operating statements in the form specified by Franchisor, by the 15th day of each month for the immediately preceding month; (iii) unaudited annual financial reports, including profit and loss statements, and operating statements in the form specified by Franchisor, prepared by a certified public accountant or state licensed public accountant, within 60 days after the close of each fiscal year of Franchisee; (iv) state and local sales tax returns or reports within 15 days after their timely completion; (v) federal, state and local income tax returns for each year in which the Facility is operated within 60 days after their timely completion; and (vi) such other reports as Franchisor may from time to time require, in the form and at the time prescribed by Franchisor, setting forth, without limitation, such items as sales, quantities of inventory purchased, and the sources from which inventory was obtained. If Franchisee fails to provide Franchisor with the monthly financial reports by the 15th day of each month, Franchisor may charge Franchisee a late fee of $25 per day for each day that the monthly financial reports are overdue. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at its discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records to be used by Franchisee, and specify the type of cash register or other equipment and software to be used in connection with the recording of Gross Revenues. Franchisor may obtain Gross Revenues and other information from Franchisee by modem or other similar means, from a remote location, without the need for consent, at the times and in the manner as Franchisor specifies, in Franchisor's sole discretion.

4.8 Business Records. Franchisee acknowledges and agrees that Franchisor owns all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Facility including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by

Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion. Franchisee acknowledges and agrees that Franchisee neither has, nor will acquire, any vested or property right or interest with respect to the Business Records, any member of the Facility, or any member agreement for the Facility. Franchisee further acknowledges and agrees that any goodwill occurring in the Facility as the result of Facility members shall be considered the property of Franchisor.

4.9 Taxes on Payments to Franchisor. In the event any taxing authority, wherever located, shall impose any tax, levy or assessment on any payment made by Franchisee to Franchisor, Franchisee shall, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

4.10 Technology. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable, but unpredictable changes to technological need and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that he or she will abide by those reasonable standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose.

4.11 No Right of Set-Off. Franchisee has no right to offset or withhold payments of any kind owed or to be owed to Franchisor against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an arbitration award.

5. FRANCHISOR SERVICES

5.1 Site Selection. Franchisor shall review and approve or disapprove sites proposed by Franchisee for the location of the Facility. Final site selection must be acceptable to both Franchisor and Franchisee. Upon the selection of a mutually acceptable site, Franchisor or its designee shall review Franchisee's proposed lease or purchase agreement for the premises. Neither Franchisor's acceptance of a site nor approval of a proposed lease or purchase agreement constitutes a representation or guarantee that the Facility shall be successful.

5.2 Facility Layout. Franchisor will make available prototype or sample plans and specifications for one or more existing Facilities to guide Franchisee in furnishing and equipping Franchisee's Facility. Franchisee shall, at Franchisee's own expense, tailor the plans and specifications provided by Franchisor for Franchisee's individual use and then submit the customized plans and specifications to Franchisor for written approval, which will not be unreasonably withheld. The layout, design and appearance ("**Trade Dress**") of the Facility shall meet Franchisor's approval and conform to Franchisor's standards and specifications as set forth in the Operations Manual. Franchisor's approval shall be limited to conformance with Franchisor's then-current approved specifications and standards pertaining to design and layout of the premises, and to equipment, signs, fixtures, furnishings, location and design and accessory features, and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the Americans with Disabilities Act ("**ADA**") regarding construction, design, and operation of the Facility, which subjects shall be Franchisee's sole responsibility. Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design, and operation of the Facility. Franchisee is responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's Facility. Franchisee shall bear the cost and responsibility of compliance with state or local ordinances, including but not limited to architectural seals, zoning and other permits. All costs of and connected with the construction, leasehold improvements, equipment, furnishings, fixtures, and signs are the responsibility of Franchisee.

5.3 Training.

(a) Initial Training. Franchisor shall provide, either itself or through its designee, an initial training program to be held at Franchisor's headquarters in Edgewater, New Jersey, online or another place designated by Franchisor, at the times and places Franchisor shall designate. Franchisor shall schedule an initial training program, at Franchisor's convenience, between the time Franchisee signs this Agreement and the time Franchisee is scheduled to open the Facility. Franchisee, or if Franchisee is a business entity, designated equity owners of Franchisee, and Franchisee's Facility Manager, shall attend and complete the initial training program to Franchisor's satisfaction prior to the opening of the Facility. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending training. Franchisor shall provide tuition-free training initially for three persons including Franchisee (or its equity owners) and its Facility Manager(s) before the Facility opens for business. If initial training is otherwise required for Franchisee or any equity owner, manager or other employee, Franchisee shall pay Franchisor's then-current tuition rate for each person to attend the additional initial training program. Each of Franchisee's additional and/or replacement Facility Managers shall attend and complete to Franchisor's satisfaction Franchisor's initial training program prior to assuming management responsibility.

(b) On-Site Training. Franchisor shall provide, either itself or through its designee, up to eight hours of on-site initial opening assistance at the premises of the Facility within 90 days after the opening of the Facility, including assistance on the day designated as the Facility's grand opening day. Franchisor shall provide other on-going assistance as Franchisor deems appropriate and advisable. Subject to availability of personnel and at the request of Franchisee, Franchisor shall make available corporate personnel to provide additional on-site assistance at Franchisee's location beyond the on-site initial opening assistance, and may charge Franchisee a reasonable fee.

(c) Refresher Courses; Supplemental Training. Franchisor reserves the right to offer refresher courses and supplemental training programs, which may be optional or mandatory, from time to time, to Franchisee, its equity owners if Franchisee is a business entity, its Facility Manager and/or its employees. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training. Franchisee shall pay Franchisor's then-current tuition rate for any individual attending refresher courses or supplemental training. In the event the Facility is more than four hours driving distance from Franchisor's then-current corporate headquarters, then Franchisee will be responsible for Franchisor's or its designee's travel expenses, including (to the extent applicable), airfare, car rental charges, lodging and meal expenses.

(d) Administration of Advertising Fund. Franchisor shall administer the advertising contributions to the Advertising Fund paid by Franchisor under this Agreement as described in Section 3.3(d).

5.4 Inventory. Franchisor shall consult with Franchisee about the initial inventory of equipment, food, beverages, clothing, supplies and other products which Franchisee must acquire prior to the opening of the Facility and advise Franchisee with respect to the merchandising needs of the Facility. Franchisor shall provide Franchise with an approved supplies list ("**Approved Supplies List**") and an approved suppliers list ("**Approved Suppliers List**"). Franchisor may purchase inventory from suppliers on behalf of itself, its affiliates and the System. Franchisee may purchase its needs of these inventory items from Franchisor to the extent they are available. Franchisor does not guarantee that Franchisor will be able to meet any or all of Franchisee's purchase requirements. The price which Franchisor charges to franchisees for inventory and other items, such as equipment, may include a mark-up. Franchisee is responsible for obtaining its own sources of inventory which meet Franchisor's standards and specifications.

5.5 Continuing Consultation and Advice. In addition to the assistance rendered to Franchisee prior to opening and in connection with the Pre-Sales Office and the grand opening of Franchisee's Facility, Franchisor shall provide Franchisee continuing consultation and advice as Franchisor deems advisable during the term of this Agreement regarding the provision of services, food and beverage handling, merchandising, inventory, ordering, sales techniques, personnel development and other business, operational and advertising matters that directly relate to the franchise operation. Such assistance may be provided by telephone, facsimile, online or other electronic means, email, postings to Franchisor's intranet, periodically through on-site assistance by appropriate personnel of Franchisor, and/or other methods.

5.6 System-Wide Meetings. Franchisor may host, at its option, annual or special System-Wide Meetings, at which Franchisee's attendance is mandatory, provided Franchisee is given at least 60 days' advanced written notice with the time and place of the meeting. If Franchisee does not attend a System-Wide Meeting, after receiving proper notice, as previously defined, Franchisee must pay to Franchisor a Non-Compliance Fee (See Section 6.2), as defined in the Operations Manual, due within 30 days of such meeting.

5.7 Operations Manual. Franchisor shall loan or otherwise provide access by Franchisee to one copy of a specifications, operations and procedures manual, one copy of a computer software manual and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, and appropriate revisions as may be made from time to time, referred to collectively as the "**Operations Manual**". Franchisee shall operate the Facility in strict compliance with the Operations Manual. From time to time Franchisor may, through changes in the Operations Manual or by other notice to Franchisee, change any standard or specification or any of the Marks applicable to the operation of the Facility or change all or any part of the System, and Franchisee shall take all actions, at Franchisee's expense, to implement these changes as provided in Section 6.9 and Section 6.10. Franchisor may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors Franchisor considers relevant in its sole discretion as provided in Section 6.10(c). The Operations Manual shall be confidential and at all times remain the property of Franchisor. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall insure that its copy of the Operations Manual is current and up-to-date. If there is a dispute relating to the contents of the Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisor may elect to provide the Operations Manual solely through Franchisor's website(s) and/or intranets or other electronic means without any need to provide Franchisee with a paper copy or other physical format.

6. FRANCHISE SYSTEM STANDARDS

6.1 Opening for Business.

(a) Pre-Sales. Franchisee is required to assemble and operate a pre-sales office ("**Pre-Sales Office**") in accordance with the Operations Manual. Franchisee will open the Pre-Sales Office after signing the lease at which Franchisee's Facility will be located, obtaining the proper permits and licenses to sell memberships to Franchisee's Facility, and securing a bond, if necessary, and will continue to operate the Pre-Sales Office until the Facility has opened.

(b) Franchisee shall take possession of the premises of the Facility and commence operations of the Facility within one day after Franchisor notifies Franchisee of completion of the Facility premises if Franchisor manages construction of the Facility or, if Franchisor does not manage construction of the Facility, within 270 days after the date of execution of this Agreement. Franchisee shall not open the Facility for business until Franchisee has complied with Franchisor's requirements for opening and Franchisor has granted permission to open, and all of Franchisee's initial inventory has been received, unless Franchisor otherwise provides in writing.

6.2 Compliance with Standards. Franchisee acknowledges that its obligations under this Agreement and the requirements of the Operations Manual are reasonable, necessary and desirable for the operation of the Facility and the System. Franchisee shall adhere to Franchisor's standards and specifications as set forth in this Agreement and the Operations Manual, including, but not limited to, standards, specifications of product and service quality and uniformity and equipment and software compatibility among individual Facilities, and any revisions or amendments. Franchisee shall purchase and use only Approved Supplies, including fitness equipment, furniture, fixtures, equipment, software, signs, branded products or services, inventory, supplies, software and logo-imprinted products, including purchasing from Approved Suppliers or a designated sole supplier for any items. Franchisor and its affiliates may be an Approved Supplier or designated sole supplier for any purchases of products or services, including, without limitation, food, beverages, software, billing services, supplies, clothing, books, music and videos, and may obtain revenue from Franchisee and make a profit. Franchisee may purchase or obtain these products and services through Franchisor or an Approved Supplier. If Franchisor has not designated an Approved Supplier for a particular product or service, Franchisee shall purchase these products and services only from suppliers that meet Franchisor's standards and specifications. Franchisee may request approval of a supplier under Franchisor's published procedures, which include inspection of the proposed supplier's facilities and testing of product samples. Franchisor or the independent testing facility Franchisor designates may charge a fee for the testing. Franchisee or the proposed supplier shall pay the test fees. Franchisor may also charge a fee for Franchisor's services in making a determination on the proposed supplier, including the costs of inspection of the supplier's facilities, evaluation of the test results, and a background check of the supplier. Franchisor reserves the right, at its option, to reinspect the facilities and products of any approved supplier, and to revoke approval if the supplier fails to continue to meet any of Franchisor's criteria. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes. Franchisor shall provide Franchisee a standard price list for items which it sells to franchisees, including a description of each item and applicable price or lease terms, prepayment discounts (if any) and shipping charges. Franchisor reserves the right to assess Franchisee a non-compliance fee ("**Non-Compliance Fee**") for any breach by Franchisee of Franchisor's standards and specifications as set forth in this Agreement and in the Operations Manual. The fee schedule for such Non-Compliance Fee shall be set forth in the Operations Manual.

6.3 Operations.

(a) Franchisee shall keep the Facility open for at least those hours and days specified by Franchisor in the Operations Manual.

(b) Franchisee shall maintain the Facility and the premises of the Facility in a clean, safe and attractive manner, and in accordance with all applicable requirements of law and the Operations Manual. If Franchisee fails to keep the Facility clean, in accordance with Franchisor standards, and fails to cure after Franchisor provides Franchisee notice of such failure to maintain adequate cleanliness, Franchisor may require Franchisee to hire a cleaning company identified by Franchisor, or, in the alternative, Franchisor may hire a cleaning company on Franchisee's behalf. If Franchisor does hire a cleaning company on Franchisee's behalf, Franchisee must pay the cleaning company for the cleaning services, and must pay Franchisor an administrative fee of 10% of the total cost of the cleaning services. Franchisee and its employees shall give prompt, courteous and efficient service to the public and shall otherwise operate the Facility so as to preserve, maintain and enhance the reputation and goodwill of the System.

(c) Franchisee shall at all times maintain and employ working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement and to operate the business in a businesslike, proper and efficient manner.

(d) Franchisee shall operate the Facility in conformity with the highest ethical standards and sound business practices and in a manner which shall enhance the Fitness Factory name and the System. Franchisee shall employ a sufficient number of qualified, competent people to satisfy the demand for products and service as well as other office personnel. Franchisee shall be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Facility in accordance with training standards and procedures Franchisor specifies in order for Franchisee to conduct the business of the Facility at all times in compliance with Franchisor's requirements. Franchisee must perform criminal background checks on all of Franchisee's employees. Franchisor also requires Franchisee's compliance with all provisions of the USA Patriot Act and Executive Order 13224. Franchisee shall never represent or imply to prospective employees and employees that they shall be or are employed by Franchisor.

(e) Franchisee shall operate and maintain the Facility at all times in compliance with any and all applicable health and safety standards prescribed by Franchisor and by governmental authorities. If the Facility is subject to any health or safety inspection by any governmental authorities under which it may be rated in one or more than one classification, it shall be maintained and operated so as to be rated in the highest available health and safety classification with respect to each governmental agency inspecting the Facility. In addition, Franchisee shall comply with any higher standards that Franchisor may prescribe.

(f) Franchisee or, if Franchisee operates the Facility principally through a manager ("**Facility Manager**") who has completed the initial training course, shall furnish Franchisee's full-time attention and best efforts to the management and operation of the Facility. Franchisee or its Facility Manager, as applicable, shall not engage in or be connected with any other business or activity that interferes with the business of the Facility under this Agreement. Franchisee acknowledges and agrees that Franchisor requires that the Facility be owner-operated and that Franchisee personally operate the Facility for at least the minimum hours prescribed by Franchisor in the Operations Manual or otherwise in writing.

(g) Franchisee shall, at its expense, redecorate, repair and replace furniture, equipment, software, décor, wiring, fixtures and signs as necessary to maintain the Facility and any parking lot in first class condition and repair and operational performance and as Franchisor may direct. Not more than once every five years, Franchisor may require Franchisee to extensively renovate the Facility at Franchisee's expense to conform to Franchisor's then-current public image and Trade Dress. Franchisor will provide Franchisee with specific renovations that need to be made for the Facility, which renovations may cost Franchisee up to $200,000 during every five-year period. These extensive renovations may include structural changes, remodeling and redecorating.

Franchisee must also purchase any additional or replacement furniture, equipment, software, décor, wiring, fixtures and signs Franchisor specifies. In addition, related to any construction, renovation, or remodeling of the Facility, Franchisee must maintain builders risk insurance and performance and completion bonds in the forms and amounts prescribed in the Operations Manual.

(h) Franchisee shall fully participate in all required national buying or vendor programs.

(i) Franchisee authorizes the release of all supplier records to Franchisor without notice to Franchisee. Franchisee grants Franchisor the right to communicate with suppliers without notice to Franchisee, and to obtain and examine all records of any supplier relating to Franchisee's purchases from the supplier.

(j) Franchisee shall permit other members of Facilities access to use the Facility in accordance with Franchisor's then current policies.

(k) If Franchisee collects any "Facility improvement fee," "enhancement fee," "annual fee," or other fee designated or suggested in any way by Franchisee or its employees that such fee is for maintenance of or enhancement of the Facility, such fee must be deposited into a separate account by Franchisee and used only for the purposes described in the customer agreement or any written or verbal communication to the customer regarding such fee. Should Franchisee transfer the Facility at any time, any unused funds in the account must be transferred to the new franchisee.

(l) Franchisee shall not change or substitute its Facility Manager without Franchisor's prior written approval.

6.4 Applicable Laws. Franchisee shall investigate, keep informed of and comply with all applicable federal, state and local laws, ordinances and regulations that are specific to health Facilities and the fitness industry, including related to financial requirements to open a facility, sale of supplements and health products, insurance requirements, childcare facilities and providers, and medical equipment requirements. In addition, Franchisee shall investigate, keep informed of, and comply with all applicable federal, state or local laws, regulations or ordinances regarding the construction, operation or use of the Facility, including any furniture, signs, fixtures, décor, equipment or parking lot and related to employment and personnel practice and policies. If these legal requirements impose a greater standard or duty than Franchisor requires in the Operations Manual or elsewhere, Franchisee must comply with the greater standard or duty and notify Franchisor in writing promptly after Franchisee becomes aware of the discrepancy.

6.5 Trade Secrets and Confidential Information. The System is unique and the Operations Manual, Franchisor's trade secrets, proprietary computer software and copyrighted materials, methods and other techniques and know-how are the sole, exclusive and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence ("**Confidential Information**"). Franchisee shall use the Confidential Information only for the purposes and in the manner authorized in writing by Franchisor, and its use shall inure to the benefit of Franchisor. Franchisor's trade secrets consist of, without limitation, proprietary computer software, sales techniques, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals, data and other confidential information which have been developed by Franchisor or its affiliates for use in the operation of Facilities. Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, Franchisee shall obtain a written agreement, in form and substance satisfactory to Franchisor, from

Franchisee's employees, landlord, contractors, and any other person having access to the Operations Manual or to whom Franchisee wishes to disclose any Confidential Information that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Franchisor's current form of Confidentiality Agreement is attached as **Attachment C**. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. Franchisee shall retain any Confidentiality Agreement with Franchisee's Business Records for the time period specified in the Operations Manual. Franchisee shall enforce all covenants and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

Franchisee shall not contest, directly or indirectly, Franchisor's ownership of or right, title or interest in Franchisor's trade secrets, proprietary computer software, copyrighted materials, methods or procedures or contest Franchisor's right to register, use or license others to use any of such trade secrets, proprietary computer software, copyrighted materials, methods and procedures. Franchisee, including its officers, directors, equity owners, and employees, and any of their immediate family, heirs, successors and assigns, is prohibited from using and/or disclosing any Confidential Information in any manner other than as permitted by Franchisor in writing. Any development used by or in connection with the System is part of the System and Franchisor's Confidential Information, whether the development is developed by Franchisor, its affiliates, Franchisee, or any other present, former or future System franchisee.

6.6 Marks.

(a) Nothing in this Agreement assigns or grants to Franchisee any right, title or interest in or to the Marks, it being understood that all rights relating to the Marks are reserved by Franchisor and the owner of the Marks who has licensed the Marks to Franchisor ("**Licensor**"), except for Franchisee's license to use the Marks only as specifically and expressly provided in this Agreement. Franchisee's use of the Marks shall inure to the benefit of Franchisor and its affiliates and Licensor, and Franchisee shall not at any time acquire any rights in the Marks. Franchisee shall not challenge the title or rights of Franchisor or its affiliates or Licensor in and to the Marks, or do any act to jeopardize or diminish the value of the Marks. All goodwill associated with the Marks and Franchisor's, its affiliates' and Licensor's copyrighted material, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of Franchisor, its affiliates, and Licensor. Franchisee shall execute from time to time any and all other or further necessary papers, documents, and assurances to effectuate the intent of this section and shall fully cooperate with Franchisor, its affiliates and Licensor or any other franchisee of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of any of the Marks. Franchisor reserves the right to substitute different Marks for use in identifying the System and the businesses operating under its System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks shall be beneficial to the System. Franchisee shall bear the cost and expense of all substitutions.

(b) Franchisee shall promptly notify Franchisor of any infringement of, or challenge to, the Marks, and Franchisor or Licensor, shall in its discretion take the action it deems appropriate. Franchisor shall indemnify and hold Franchisee harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Franchisee's use of the Marks in accordance with this Agreement or as otherwise set forth by Franchisor in writing if Franchisee has promptly notified Franchisor of such claim and cooperated in the defense of any claim. If Franchisor or Licensor undertakes the defense or prosecution of any litigation pertaining to any of the Marks, Franchisee agrees to execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor or Licensor, be necessary to carry out such defense or prosecution.

(c) All advertising shall prominently display the Marks and shall comply with any standards for use of the Marks established by Franchisor as set forth in the Operations Manual or otherwise. All such advertising shall be subject to Franchisor's prior written approval as provided in Section 4.4(a), which shall not be unreasonably withheld. Franchisor reserves the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Marks. Franchisee shall use the Marks, including without limitation, Trade Dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by this Agreement, the Operations Manual or by prior written consent of Franchisor. All advertising, publicity, signs, decorations, furnishings, equipment or other materials using in any way the words "Fitness Factory" or any derivative thereof or any other Mark shall be submitted to and approved by Franchisor prior to first publication or use. Such approval shall not be unreasonably withheld.

(d) Franchisee agrees not to use the Marks or any part of a Mark in its corporate name. The corporate and all fictitious names under which Franchisee proposes to do business must be approved in writing by Franchisor before use. Franchisee shall use its corporate name either alone or followed by the initials "D/B/A" and the business name of Fitness Factory. Franchisee shall register at the office of the county in which the Facility is located or such other public office as provided for by the laws of the state in which the Facility is located as doing business under such assumed business name.

(e) All stationery, business cards, and contractual agreements into which Franchisee enters shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice that Franchisee operates the Facility as an independently owned and operated franchise of Franchisor. Franchisee shall prominently display, by posting a sign within public view on or in the premises of the Facility, a statement that clearly indicates that the Facility is independently owned and operated by Franchisee as a Fitness Factory franchise.

(f) At Franchisor's direction, Franchisee shall use the Marks in conjunction with the symbol "SM," "TM" or "®", as applicable, in order to indicate the registered or unregistered status of the Marks. Franchisee shall not use any of the Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by Franchisor.

(g) Franchisor, its affiliates and Licensor may use and register the Marks as they deem advisable in their discretion including without limitation, developing and establishing other systems using the same or similar Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with the same or similar Marks without providing any rights to Franchisee.

(h) Franchisee shall not use the Marks, or any abbreviation, variation or other name associated with the System or Fitness Factory as part of any e-mail address, domain name, and/or other identification in any electronic medium.

6.7 Publicity and Use of Personal Attributes.

(a.) Franchisee and its owners and employees grant Franchisor and its designees the right to capture, record or memorialize by use of any technology whatsoever, including, without limitation, by photography, video recording or audio recording, Franchisee, its owners and its employees and the Personal Attributes (as defined below) of Franchisee, its owners and employees in any and all photography/recording sessions of any kind or nature that Franchisee, its owners or employees may participate in or otherwise be involved with at the request or direction of Franchisor ("**Sessions**").

(b.) Franchisee and its owners and employees grant Franchisor and its designees, and their respective affiliates, franchisees, licensees, permitees, successors and assigns, and each of them, an unrestricted, absolute, universal, perpetual, irrevocable, non-royalty bearing, and transferable right and license (but not any obligation) to use, copy, reproduce, transmit, distribute, display, modify, perform, present, publish, transform, create works and derivative works, and otherwise promote or utilize Franchisee's or its owners or employees name, image, likeness, voice, words, testimonials and/or other personal attribute(s) or other personal information (collectively, "**Personal Attributes**"), captured, recorded or memorialized in any manner by Franchisor or its designees in connection with the Sessions, in any form, format, medium or media whether now or hereafter existing (including, without limitation, print, direct mail, online, mobile or wireless communications, radio or television broadcast, telecast or photograph), for any purpose whatsoever (including, without limitation, in connection with the creation, advertising, sale and/or promotion of any products and/or services or for use in any form of training material), and without any consideration or notice to or consent by Franchisee, its owners or employees or any third party. Franchisee, its owners and employees understand and agree that such use may include use in written or electronic training materials, catalogs and promotional materials, including franchise sales materials, of Franchisor, that Franchisee's, its owners' or employees' Personal Attributes may be used in whole or in part, individually or in conjunction with other photographs, recordings, images or materials, and that Franchisee, its owners and employees shall not have any right of approval, notice or attribution, any claim to any compensation, or any claim arising out of the use, alteration, distortion or illusionary effect, or use in any composite form, of any of Franchisee's or its owners' or employees' Personal Attributes.

(c.) Franchisee, its owners and employees hereby forever and irrevocably waive any rights it, he, she or they may have in or to any of the recordings or memorializations from the Sessions or any materials created there from. Franchisee, its owners and employees understand and agree that Franchisor and its designees are the exclusive owners (to the extent the materials are created by or at the direction of each such party) of any and all right, title and interest, including copyright, in and to any materials of any kind or nature containing or developed from use of Franchisee's, its owners' or employees' Personal Attributes. Franchisee, its owners and employees hereby forever and irrevocably waive any and all rights to seek or obtain any injunctive or other equitable relief with respect to any matter within the scope of this Section 6.7 of the Agreement, or to rescind, limit or disaffirm Section 6.7 of this Agreement. No statements regarding the effect of Section 6.7 of this Agreement, not contained in this Agreement, shall modify the terms of the Agreement.

6.8 <u>Inspection</u>. During normal business hours and without prior notice, Franchisor or its representatives or agents shall have the right to enter upon the premises of the Facility, inspect Franchisee's records, interview Franchisee's employees and customers and observe the manner in which Franchisee operates the Facility. Franchisee shall allow Franchisor or its representatives or agents to make extracts from or copies of any records and to take samples of any products sold at the Facility and immediately remove any unauthorized products without any payment or other liability to Franchisee. Franchisee shall allow Franchisor or its representatives or agents to take photographs, videos or any electronic record of the Facility. Franchisor shall have the exclusive right to use any photograph, video, electronic record or other material prepared in connection with an inspection and to identify the Facility and Franchisor shall not have any obligation to obtain authorization, or to compensate Franchisee in any manner, in connection with the use of these materials for advertising, training or other purposes.

6.9 Changes to the System. Franchisor may, from time to time, change the standards and specifications applicable to operation of the Facility, including standards and specifications for services, computer software, inventory, products, supplies, signs, fixtures, furnishings and equipment, by written notice to Franchisee or through changes in the Operations Manual. Franchisor also may from time to time eliminate and introduce services or merchandise or change the services. Franchisee shall cease offering services and merchandise discontinued by Franchisor immediately, and immediately revise any changed services. Franchisee shall commence offering and selling any new services and merchandise within 15 days of notification from Franchisor. In the event Franchisor requires Franchisee to utilize additional computer software, Franchisee agrees that Franchisee will pay to Franchisor any fee imposed by Franchisor or Franchisee's pro rata share of any fee imposed by a third party service provider, as applicable, in connection with the additional computer software. Franchisee may incur an increased cost to comply with such changes, and Franchisee shall accept and implement such changes at its own expense as if they were part of the System when this Agreement was executed, including discontinuing or modifying the use of or substituting any of the Marks or computer software; provided, however, that any such change shall not materially alter Franchisee's fundamental rights under this Agreement.

6.10 Approved Supplies and Approved Suppliers.

(a) During the Term of this Agreement, Franchisee agrees to use the commercial billing service provider designated by Franchisor, and any designated computer software to process the enrollment of members, membership dues and other payments and activity fees. Franchisee further agrees to authorize and instruct such designated commercial billing service provider to permit Franchisor access and review of all records relating to the Franchisee's database and receivables. At no time will Franchisee sell or assign any current or future membership charges, payments or fees to any other party, without the prior written consent of Franchisor. Franchisee acknowledges and agrees that the terms of the master agreement ("**Master Billing Agreement**") between Franchisor and the designated commercial billing service provider shall control in the event there is any conflict between the Master Billing Agreement and any contract or other agreement between Franchisee and the designated commercial billing service.

(b) Franchisee shall offer and sell all services, merchandise and related products and services that Franchisor prescribes and only those services, merchandise and related products and services that Franchisor prescribes as set forth in the Approved Supplies List. Franchisee shall comply with all rules and regulations prescribed by federal, state and local agencies. Franchisee shall not have or use, nor permit the presence or use of, video game machines or vending machines or any like coin-operated or electronic device or machine upon or adjacent to the Facility premises. Franchisee shall have the right to suggest new services or other developments to Franchisor for use in Franchisee's and other franchisees' Facilities. Franchisee shall have no right to offer new services to Facility customers or use any new developments until Franchisor has had the opportunity to test the new services or developments and provide Franchisee written approval for their use and standards and specifications with respect to their use. All new services and developments, whether they be of Franchisee's original design or variations of existing services or techniques, shall be deemed works made for hire and Franchisor shall own all rights in them. If these services and developments do not qualify as works made for hire, by signing this Agreement Franchisee assigns to Franchisor ownership of any and all rights in these services and developments and the goodwill associated with them. Franchisee shall receive no payment or adjustment from Franchisor in connection with any new services or developments.

(c) In the event Franchisee wishes to offer and sell any unapproved services, merchandise and related products, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, offer or sell, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase, offer or sell. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in System as a whole. Franchisor has the right to receive payments or other forms of consideration from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve any number of suppliers for a given item, which approval might, in Franchisor's Reasonable Business Judgement, result in higher costs or prevent the effective or economical supervision of Approved Suppliers. Franchisor may charge Franchisee a fee of $1,000 ("**Alternative Supplier Evaluation Fee**") if Franchisee requests Franchisor to evaluate an unapproved item or supplier. Franchisee must pay Franchisor the Alternative Supplier Evaluation Fee regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 60 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves of must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

(d) Franchisee shall use in the operation of the Facility and in the performance of services only the methods, procedures, services, supplies, equipment and computer software as are specified by Franchisor in the Operations Manual or otherwise in writing. Franchisee acknowledges and agrees that these may be changed periodically by Franchisor and that Franchisee is obligated to conform to the requirements as so changed. All food and beverage products, clothing, equipment, supplies and all other customer service materials of all descriptions and types, shall meet the reasonable standards of uniformity and quality as now or hereafter are set by Franchisor.

(e) Franchisor shall have the exclusive right in its sole discretion to vary from the authorized services or merchandise in establishing the services and merchandise to be offered by the Facility. Complete and detailed uniformity under many varying conditions may not always be possible or practical and Franchisor reserves the right and privilege, at its sole discretion, to vary not only the services and merchandise but other standards for any System franchisee based upon the customs or circumstances of a particular site or location, density of population, business potential, population of trade area, existing business practices, or any condition which Franchisor deems to be of importance to the operation of that franchisee's business.

(f) Franchisee shall obtain and at all times use the items of furniture, equipment, software, décor, fixtures and supplies as Franchisor specifies, and only these items of furniture, equipment, software, décor, fixtures and supplies. Prior to opening the Facility, Franchisee shall obtain the furniture, equipment, software, décor, fixtures and supplies as Franchisor specifies. As an item of furniture, equipment, software, décor, fixtures and supplies may become obsolete or inoperable, Franchisee shall replace the item with the types and kinds of furniture, equipment, software, décor, fixtures and supplies then being installed in new System Facilities at the time of replacement, subject to Section 6.3(g). If Franchisor determines that additional or substitute furniture, equipment, software, décor, fixtures and supplies are needed because of a change in services or merchandise offered or method of providing services, Franchisee shall install the new furniture, equipment, software, décor, fixtures and supplies within a reasonable time.

(g) Franchisee acknowledges that Franchisor reserves the right to develop a proprietary point of sale (POS) system and a backroom computer system for use in connection with the System. Franchisee shall acquire computer hardware equipment, computer software, telecommunications infrastructure products and credit card processing equipment and support services as Franchisor reasonably requires in connection with the operation of the Facility and all additions, substitutions and upgrades Franchisor shall specify, and Franchisee acknowledges and agrees that Franchisee shall be liable for all costs related to such computer hardware equipment, computer software, telecommunications infrastructure products and credit card processing equipment and support services. Franchisee's computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support Franchisor's then-current information technology system. Franchisor shall have the right to access information related to operation of the Facility, from a remote location, at such times and in such manner as Franchisor shall require, in its sole discretion.

(h) Franchisee acknowledges that the quality and consistency of the services and products offered to Franchisee's customers are essential conditions of this Agreement. Accordingly, Franchisee shall purchase all software, supplies, clothing, books, music and videos and other specified items exclusively in accordance with Franchisor's standards and specifications as provided in Section 6.2. Franchisor is not obligated to approve or consider for approval any item or supplier not specified by it.

(i) All services must be provided and all merchandise offered in accordance with the standards and specifications contained in the Operations Manual or otherwise. Franchisee may not offer or provide inferior services or products.

6.11 <u>Inventory</u>.

(a) Prior to commencement of operation of the Facility and throughout the term of this Agreement, Franchisee shall have in stock at least a minimum inventory of food, beverages, supplies, clothing and other goods and other items in the amount set forth in the Operations Manual. This inventory may be purchased from or through Franchisor, its affiliate or an Approved Supplier other than Franchisor or its affiliate as provided in Section 6.2. Franchisee shall at all times maintain on hand a selection of inventory sufficient to satisfy, in Franchisor's judgment, the reasonable demand of Franchisee's customers. Franchisee specifically agrees to maintain certain inventory mixes as specified by Franchisor from time to time. Franchisee acknowledges and agrees that Franchisor and other suppliers may require Franchisee to pay cash on delivery (C.O.D.) for purchases of inventory and shipping and that inventory may be shipped F.O.B. point of origination, and Franchisee shall comply with such requirements. Payment for all goods and services which Franchisee purchases from Franchisor shall be due and payable in accordance with Franchisor's then-current policy.

(b) If at any time during the term of this Agreement or any renewal hereof, Franchisor and/or its affiliate develop private label items for use by System franchisees, Franchisee must offer and sell the private label items. Franchisee may be required to purchase the private label items from Franchisor or its affiliate or a limited number of Approved Suppliers. If Franchisee elects to carry the private label items or they are mandatory, Franchisee shall maintain sufficient inventory of the private label items to meet, in Franchisor's judgment, consumer demand for the items. Franchisor and/or its affiliates reserve the right to derive income or revenue from franchisee purchases and leases to the extent franchisees purchase and lease goods directly from either Franchisor or its affiliate.

6.12 Pending Actions. Franchisee shall notify Franchisor, in writing, within five days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Facility.

6.13 Proprietary Computer Software.

(a) During the Term of this Agreement, Franchisee is authorized to access and use any proprietary computer software Franchisor designates for Franchisee's use in the Operations Manual or otherwise, solely at the Facility, and in accordance with the Operations Manual. Franchisee shall use computer software designated by Franchisor or its designated supplier of commercial billing services to process the enrollment of members, membership dues, payments and activity fees. Franchisee shall not sublicense or distribute the proprietary computer software, whether for profit or otherwise, or authorize any other individual or entity to use the proprietary computer software without Franchisor's express written consent. Franchisee shall not use the proprietary computer software or allow it to be used, directly or indirectly, to: (a) engage in unlawful conduct, (b) infringe any proprietary rights, whether protected by copyright, trademark, trade secret, or otherwise, (c) defame, threaten, or otherwise violate the rights of others, (d) publish any inappropriate, profane, obscene, indecent, or unlawful material or information, (e) engage in commercial conduct other than with regard to the Facility, (f) attempt to decipher, decompile, disassemble or reverse engineer any of the proprietary computer software, or (g) violate any guidelines relating to the use of the proprietary computer software. The preceding is a non-exhaustive listing of prohibited uses of the proprietary computer software. Franchisee must sign a license agreement for the proprietary computer software if Franchisor requests.

(b) Franchisee's use of any proprietary computer software provided by Franchisor or Franchisor's Approved Suppliers, including any installation services, is at Franchisee's own risk. Franchisor makes no representations about the suitability, reliability, usability, availability, timeliness, and accuracy of the proprietary computer software for any purpose. Franchisor does not warrant that access to or use of the proprietary computer software will be uninterrupted or error-free, that users will be able to access the proprietary computer software at any time, or that the proprietary computer software or related equipment will meet any particular criteria of performance or quality. Franchisor disclaims all warranties and conditions with regard to the proprietary computer software and all related equipment, including without limitation, warranties of merchantability, of fitness for a particular purpose, of accuracy or completeness of responses, of results, of workmanlike effort, of lack of viruses, and of negligence and the provision of or failure to provide support services, title, and non-infringement.

7. ACKNOWLEDGMENTS OF FRANCHISEE

7.1 Independent Contractor Status. Franchisee is an independent contractor, responsible for full control over the management and daily operation of the Facility, and neither Franchisor nor Franchisee is the agent, principal, partner, employee, employer or joint venturer of the other. Franchisee shall not act or represent itself, directly or by implication, as an agent, partner, employee or joint venturer of Franchisor, nor shall Franchisee incur any obligation on behalf of or in the name of Franchisor.

7.2 Indemnification. Franchisee shall defend, indemnify and hold Franchisor and its affiliates, and their respective officers, directors, managers, equity owners, independent contractors and employees (the "**Indemnified Parties**") harmless from all fines, suits, proceedings, claims, demands, liabilities, injuries, damages, expenses, obligations or actions of any kind (including administrative costs and reasonable attorneys' fees incurred by Franchisor as the result of Franchisee's action or inaction) arising in whole or in part from Franchisee's ownership, operation or occupation of the Facility, performance or breach of its obligations under this Agreement, breach of any warranty or representation in this Agreement or from the acts or omissions of Franchisee, its employees or agents, including its advertising, of the Facility, except as otherwise provided in this Agreement. Franchisor and any Indemnified Party shall promptly give Franchisee written notice of any claim for indemnification under this Section 7.2. Any failure to give the notice shall not relieve Franchisee of any liability under this Agreement except to the extent the failure or delay causes actual material prejudice. Franchisor shall have the right to control all litigation, and defend and/or settle any claim against Franchisor or other Indemnified Parties affecting Franchisor's interests, in any manner Franchisor deems appropriate. Franchisor may also retain its own counsel to represent Franchisor or other Indemnified Parties and Franchisee shall advance or reimburse Franchisor's costs. Franchisor's exercise of this control over the litigation shall not affect its rights to indemnification under this Section 7.2. Franchisee may not consent to the entry of judgment with respect to, or otherwise settle, an indemnified claim without the prior written consent of the applicable Indemnified Parties. Franchisor and the other Indemnified Parties do not have to seek recovery from third parties or otherwise attempt to mitigate losses to maintain a claim to indemnification under this Section 7.2. The provisions of this Section 7.2 shall survive the termination or expiration of this Agreement. Franchisee acknowledges and agrees that Franchisee may require Franchisor's required billing vendor to deduct indemnification costs from monies collected by such vendor on behalf of Franchisee and to remit such funds directly to Franchisor.

7.3 Payment of Debts. Franchisee understands that it alone, and not Franchisor, is responsible for selecting, retaining and paying its employees; the payment of all invoices for the purchase of inventory and goods and services for use in the franchise business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the franchise business.

7.4 Noncompetition.

(a) During the Term of This Agreement. During the term of this Agreement, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or equity owner shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which offers health or fitness services or products; provided, however, that this Section shall not apply to Franchisee's operation of any other Facility.

(b) After the Term of This Agreement. For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which offers health, or fitness services or products within a radius of 25 miles of the Facility franchised under this Agreement, or any other Fitness Factory Facility in operation or under construction, or of any site which is being considered or for which a lease has been signed or discussions are under way for a Fitness Factory Facility, as of the date of expiration and nonrenewal, transfer or termination of this Agreement; provided, however, Franchisee may continue to operate any other Facility for which Franchisee and Franchisor have a current franchise agreement.

For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from customers or Facility members of Franchisee's former Facility for any competitive business purpose nor solicit any employee of Franchisor or any other Fitness Factory franchisee to discontinue his employment. In addition, Franchisee acknowledges and agrees that Franchisee has no vested or proprietary right or interest in any member or member agreement related to the Facility and that Franchisee has no right to sell or otherwise transfer any member or member agreement.

For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

(c) Intent and Enforcement. It is the intent of the parties that the provisions of this Section 7.4 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, any reduction in scope or modification of any part of the noncompetition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 7.4 by Franchisee, any of its equity owners or any member of the immediate family of Franchisee or any of its equity owners, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. In the event of the actual or threatened breach of this Section 7.4, Franchisor's harm shall be irreparable and Franchisor shall have no adequate remedy at law to prevent the harm. Franchisee acknowledges and agrees on its own behalf and on behalf of the persons who are liable under Section 7.4(b) that each has previously worked or been gainfully employed in other fields and that the provisions of Section 7.4(b) in no way prevent any of these persons from earning a living. Franchisee further acknowledges and agrees that the provisions of Section 7.4(b) shall be tolled during any default of this Agreement.

(d) Publicly-Owned Entity. This Section 7.4 shall not apply to any ownership by Franchisee or any other person subject to Section 7.4 of a beneficial interest of less than 3% in the outstanding securities or partnership interests in any publicly-held entity.

7.5 Telephone. Franchisee shall obtain at its own expense anew telephone number and listing, to be listed under the Fitness Factory name and not under Franchisee's corporate, partnership, or individual name, to be used exclusively in connection with Franchisee's operation of the Facility. Upon the expiration and nonrenewal, transfer or termination of this Agreement for any reason, Franchisee shall terminate its use of such telephone number and listing and assign same to Franchisor or its designee. The Facility shall be serviced by a suitable telephone system approved by Franchisor. Franchisee shall answer the telephone in the manner set forth by Franchisor in the Operations Manual.

7.6 Insurance. At all times during the term of this Agreement and at its own expense Franchisee shall obtain and keep in force insurance policies in such amounts and on such items as prescribed by Franchisor in the Operations Manual or otherwise. Franchisee must obtain such policies prior to signing a lease for Franchisee's Facility. If the lease for the Authorized Location requires Franchisee to purchase insurance with higher limits than those Franchisor specifies, the lease insurance requirements shall control. All insurance policies shall contain a separate endorsement naming Franchisor, its officers, directors, managers, equity owners, independent contractors and employees as additional insureds, and shall expressly provide that any interest of an additional insured shall not be affected by Franchisee's breach of any policy provisions or any negligence on the part of an additional insured. All policies shall also include a waiver of subrogation in favor of the additional insureds. All policies shall be written by an insurance carrier accepted in writing by Franchisor. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier shall remain a going concern or capable of meeting claim demands during the term of the insurance policy. No insurance policy shall be subject to cancellation, termination, nonrenewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Franchisor. Upon Franchisor's request, Franchisee shall provide Franchisor with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this Section. If Franchisee fails to comply with at least the minimum insurance requirements set forth by Franchisor, Franchisor may obtain the insurance and keep the insurance in force and effect and Franchisee shall pay Franchisor, on demand, the cost of the premium cost and the administrative costs to Franchisor in connection with obtaining the insurance. Franchisor may increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to Franchisee, and Franchisee shall comply with any such modification. Franchisee's obligation to obtain the required policies in the amounts specified is not limited in anyway by any insurance Franchisor maintains. Franchisee's obligation to maintain the insurance does not relieve Franchisee of any liability under the indemnity provisions of Section 7.2. Franchisee's failure to obtain insurance constitutes a material breach of the Franchise Agreement entitling Franchisor to terminate the Franchise Agreement or exercise any or a combination of the other default remedies set forth in Section 9.2.

7.7 Publicity. Franchisee shall permit Franchisor or its designee, at Franchisor's expense, to enter upon the premises of the Facility, both interior and exterior, for the purpose of taking or making photographs, slides, drawings, or other such images ("**Pictures**") of the Facility. Franchisee agrees that Franchisor may use the Pictures for publicity and other legal purposes without any remuneration to Franchisee in connection with the use of the Pictures.

7.8 Distribution. Franchisor or its affiliates may distribute products identified by the Marks or other marks owned or licensed by Franchisor or its affiliates through any distribution method which periodically may be established or licensed by Franchisor or its affiliates and may franchise or license others to do so, except as otherwise set forth in this Agreement.

7.9 Image. The System has been developed to deliver products and services which establish the Facility as a service provider of distinction. Therefore, Franchisor requires Franchisee to offer products and services and conduct the Facility in such a manner which shall serve to emulate and enhance the image intended by Franchisor for the System. Each aspect of the System is important not only to Franchisee but also Franchisor, its affiliates, licensor and other franchisees of Franchisor in order to maintain the highest operating standards, achieve systemwide uniformity, and increase the demand for the products sold and services rendered by System franchisees, Franchisor, and its affiliates. Franchisee shall comply with the standards, specifications and requirements set forth by Franchisor in order to uniformly convey the distinctive image of a Facility.

8. SALE OR TRANSFER

8.1 Consent to Transfer. Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber its interest in the franchise business without the prior written consent of Franchisor. In additional, Franchisee acknowledges and agrees that Franchisee has no vested or proprietary right or interest in any member or member agreement related to the Facility and that Franchisee has no right to sell or otherwise transfer any member or member agreement without the advanced written consent of Franchisor, which Franchisor has the right to grant or deny for any reason or no reason. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor.

8.2 Death or Disability. In the event of the death, disability, or incapacity of any individual Franchisee or officer or director or member of an incorporated Franchisee or limited liability company or partner of a partnership Franchisee, should the decedent's or disabled or incapacitated person's executor, heir or legal representative, or the business entity, as the case may be, wish to continue as Franchisee under this Agreement, such person shall apply for Franchisor's consent, execute the then-current franchise agreement, and complete the training program to Franchisor's satisfaction, as applicable, as in any other case of a proposed transfer of Franchisee's interest in this Agreement. Such assignment by operation of law shall not be deemed in violation of this Agreement, provided the heirs or legatees or business entity meet the conditions imposed by this Agreement and are acceptable to Franchisor.

If Franchisee is a business entity, this Agreement shall continue in effect upon the death of the largest equity owner, provided that the active management of the business entity shall remain stable and reasonably satisfactory to Franchisor in its sole discretion.

Franchisee's executor, heir or legal representative shall have 180 days from the date of death, disability, or incapacity to execute Franchisor's then-current franchise agreement or transfer the franchise rights and business upon the terms and conditions set forth in this Agreement (except that the term shall be the balance of Franchisee's term). At the conclusion of the balance of the term, the new franchisee may exercise any or all of the then applicable renewal rights.

8.3 Ownership Changes. A sale, transfer or assignment requiring the prior written consent of Franchisor shall be deemed to occur: (i) if Franchisee is a corporation or limited liability company, upon any assignment, sale, pledge or transfer of 10% or more of the voting stock or membership interests of Franchisee, any increase in the number of outstanding shares of voting stock or membership interests of Franchisee which results in a change of ownership of 10% or more of its total voting stock or membership interests, or any series of assignments, sales, pledges or transfers totaling in the aggregate 10% or more of the voting stock or membership interests of Franchisee; or (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of 10% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 10% or more of the partnership ownership interest. Franchisee shall notify Franchisor of any change in stock ownership, membership interests or partnership ownership interests in Franchisee while this Agreement is in effect which shall result in a sale, transfer or assignment within the meaning of this Section. A transfer to an existing partner, shareholder or member, or a transfer as a result of the death, disability or incapacity of a partner, shareholder or member in accordance with Section 8.2, or a transfer to an inter vivos trust where the transferring Franchisee, partner, shareholder or member is the only grantor beneficiary other than a spouse, shall not be a violation of this Agreement or a ground for termination; any such ownership change shall not be subject to Franchisor's right of first refusal under Section 8.3.1.

(a) Right of First Refusal. If Franchisee or its equity owners propose to transfer or assign 10% or more of Franchisee's interest in this Agreement or in the business conducted under this Agreement or in Franchisee if Franchisee is a business entity, to any third party (other than a business entity as set forth in Section 8.4 and except as otherwise set forth in Section 8.3) in connection with a bona fide offer from such third party, Franchisee or its equity owners shall first offer to sell to Franchisor, Franchisee's or its equity owners' offered interest. Franchisee or its equity owner shall obtain from the third party offeror an earnest money deposit (of at least 15% of the offering price) and deliver to Franchisor a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, an amount and terms of purchase shall be established by an appraiser chosen by the bankruptcy court or by the chief judge of the federal district court of Franchisee's district and Franchisee or Franchisee's legal representative shall deliver to Franchisor a statement in writing incorporating the appraiser's report. Franchisor shall then have 45 days from its receipt of either statement to accept the offer by delivering written notice of acceptance by Franchisor or its nominee to Franchisee or its equity owner. The acceptance shall be on the same terms as stated in the statement delivered to Franchisor; provided, however, Franchisor or its nominee shall have the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree within a reasonable time on the equivalent cash for any noncash consideration, Franchisor shall designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor or its nominee elects not to accept the offer within the 45 day period, Franchisee or its equity owner shall be free for 90 days after such period to complete the transfer described in the statement delivered to Franchisor, but only with the prior written consent of Franchisor and subject to the conditions for approval set forth in Section 8.3.2. Franchisee and its equity owners shall effect no other sale or transfer of this Agreement or Franchisee's interest in this Agreement or the business conducted under this Agreement or the interest in Franchisee, without first offering or reoffering the same to Franchisor in accordance with this Section 8. If in Franchisor's opinion there is a material change in the terms of the offer, the offer shall be deemed a new proposal and Franchisee or its equity owner shall be required to grant Franchisor or its nominee a right of first refusal with respect to such offer.

(b) Conditions for Approval. Franchisor may condition its approval of any proposed sale or transfer of the franchise business or of Franchisee's interest in this Agreement or of the interest in Franchisee upon satisfaction of the following requirements:

(i) All of Franchisee's accrued monetary obligations to Franchisor, its affiliates and any supplier for the Facility have been satisfied;

(ii) All existing defaults under the Franchise Agreement have been cured within the period permitted for cure;

(iii) Franchisee and its equity owners if Franchisee is a business entity, has executed a general release under seal, in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their officers, directors, equity owners, agents, employees, attorneys and accountants in their corporate and individual capacities; provided, however, the release shall not release any liability specifically provided for by any applicable state statute regulating franchising;

(iv) Franchisee has provided Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to discharge all of Franchisee's obligations under this Agreement;

(v) The transferee has demonstrated to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations of this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business, chain or network which is similar in nature or in competition with Franchisor or Facilities, except that the transferee may be an existing franchisee of Franchisor;

(vi) The transferee has executed Franchisor's then-current Franchise Agreement for the remainder of the term of the current franchise agreement;

(vii) Franchisee has paid Franchisor a transfer fee ("**Transfer Fee**") equal to two-thirds of the then-current Initial Franchise Fee;

(viii) The transferee and its manager shall complete Franchisor's training program to Franchisor's satisfaction at the transferee's own expense within the time frame set forth by Franchisor; and

(ix) Franchisee acknowledges and agrees that the post-termination provisions of this Agreement including, without limitation, the noncompetition provisions, shall survive the transfer of the Franchise.

8.4 Transfer to a Corporation or Limited Liability Company. If Franchisee is one or more individuals or a partnership, Franchisee may assign its rights under this Agreement to a corporation or limited liability company for convenience of ownership, provided:

(a) The corporation or limited liability corporation is newly organized and its activities are confined to operating the franchise business;

(b) Franchisee is, and at all times remains, the owner of at least 51 % of the outstanding shares of the corporation or owns a controlling interest in the limited liability company;

(c) The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations under this Agreement;

(d) All stockholders of the corporation, or members and managers of the limited liability company, personally guarantee prompt payment and performance by the corporation or limited liability company, as applicable, of all its obligations to Franchisor under the Agreement and execute a noncompetition agreement as set forth in Section 7.4;

(e) Each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Franchisor, that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; the operating agreement of any limited liability company and any membership certificates shall contain a similar limitation; and

(f) Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's articles of incorporation, bylaws, resolutions including, without limitation, the resolutions of the board of directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization; and all other governing documents.

Franchisee is not required to pay Franchisor a Transfer Fee with respect to a transfer in accordance with this Section 8.4. However, Franchisee shall pay Franchisor's expenses in connection with a transfer under this Section 8.4 if Franchisee has not completed the transfer, including complying with this Section 8, as applicable, within 60 days following the execution of this Agreement but in no event later than the opening of the Facility.

8.5 Secured Interests and Securities.

(a) Franchisee shall not grant, and shall not permit a transfer in the nature of a grant of, a security interest in this Agreement.

(b) If Franchisee is a corporation, it shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 8 and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

> The transfer of this stock is subject to the terms and conditions of a Franchise Agreement between Franchisor and the corporation dated ________________, 20____. Reference is made to the Franchise Agreement and to the articles of incorporation and bylaws of this corporation.

8.6 Transfer by Franchisor. Franchisor may sell, transfer, assign and/or encumber all or any part of its interest in itself or the Franchise Agreement.

9. BREACH AND TERMINATION

9.1 Termination by Franchisee. Franchisee has no right to terminate this Agreement.

9.2 Termination by Franchisor. Franchisor may terminate this Agreement under the following circumstances:

(a) With Cause and With Opportunity to Cure. If Franchisee is in breach of any material provision of this Agreement not listed in Section 9.2(b), by giving Franchisee written notice of the event or circumstances giving rise to the breach. The notice will state specifically the nature of the breach and allow Franchisee the following amount of time to correct the breach after receipt of notice:

(i) 7 days if the failure relates to the use of the Marks or the Confidential Information;

(ii) 15 days if the failure relates to Franchisee's failure to make any payment of money to Franchisor or failure to instruct and authorize the commercial billing service

Franchisor designates to collect monthly membership fees and to deduct from such membership fees the Royalty Fee and all other fees owed by Franchisee to Franchisor, per this agreement; and

(iii) 30 days if the failure relates to any other breach not listed in this Section 9.2(a) or in Section 9.2(b).

If Franchisee fails to cure any material breach within the applicable cure period, Franchisor may terminate this Agreement for that reason by providing written notice to Franchisee, except if the breach is not susceptible to cure within the time permitted, but Franchisee takes action within the time permitted to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisee shall be deemed to have timely cured the breach. For purposes of this Agreement, Franchisee's alleged breach of this Agreement shall be deemed cured if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

(b) With Cause and Without Opportunity to Cure. Franchisor may terminate this Agreement upon written notice without giving Franchisee opportunity to cure for any of the following breaches or defaults:

(i) Criminal Acts. If Franchisee is convicted of or pleads guilty or no contest to a felony or takes part in any criminal misconduct related to the operation of the Facility.

(ii) Voluntary Bankruptcy. If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Facility.

(iii) Involuntary Bankruptcy. If proceedings are commenced to have Franchisee adjudicated as bankrupt or to seek a reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the franchise business without Franchisee's consent, and the appointment is not vacated within 60 days.

(iv) Liens. If a levy or writ of attachment or execution or any other lien is placed against Franchisee, any partner of Franchisee if Franchisee is a partnership, or any guarantor of Franchisee under Section 14 or any of their assets which is not released or bonded against within 60 days.

(v) Insolvency. If Franchisee, any partner of Franchisee, or the majority equity owner of Franchisee is insolvent.

(vi) Repeated Breaches. If Franchisor sends Franchisee two or more written notices to cure pursuant to Section 9.2(a) in any 12 month period.

(vii) Misrepresentation. If Franchisee, any affiliate of Franchisee, or any owner of Franchisee makes any misrepresentation or omission in connection with Franchisee's franchise application.

(viii) Breach of Other Agreements. If Franchisee or any affiliated entity, partner, director, officer, shareholder or member of Franchisee materially breaches any other agreement with Franchisor or any of its Affiliates, including but not limited to designated or Approved Suppliers, or any lease for the premises of the Facility, and does not cure the breach within any permitted period for cure; provided, however, this Section 9.2(b)(viii) shall not apply to the breach of a separate franchise agreement between Franchisee and Franchisor with respect to another Facility.

(ix) Interference Supplier Agreements. If Franchisee or any partner, director, officer, shareholder or member of Franchisee in any way interferes with any agreement between Franchisor or any of its Affiliates and any designated or Approved Supplier.

(x) Fraud. If Franchisee commits fraud in the operation of the Facility.

(xi) Intentional Underreporting or Misstatement. If Franchisee intentionally underreports or misstates any information required to be reported to Franchisor under this Agreement, including but not limited to Gross Revenues required to be reported under this Agreement.

(xii) Abandonment. If Franchisee voluntarily or otherwise abandons the Facility. The term "**abandon**" means conduct of Franchisee which indicates a desire or intent to discontinue the franchise business in accordance with the terms of this Agreement and shall apply in any event if Franchisee fails to operate the Facility as a Fitness Factory facility for a period of 10 or more consecutive days without the prior written approval of Franchisor.

Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

9.3 Nonwaiver. Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due under this Agreement or any other agreement between Franchisor and Franchisee or Franchisor's consent to a transfer of any interest in Franchisee shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

10. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

10.1 Franchisee's Obligations. Upon termination of this Agreement by either Franchisor or Franchisee, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, Franchisee shall:

(a) Cease immediately all operations under this Agreement;

(b) Pay immediately to Franchisor all unpaid fees and pay Franchisor, its affiliates and any supplier for the Facility all other monies owed them;

(c) Discontinue immediately the use of the Marks and the proprietary computer software;

(d) Immediately return the Operations Manual to Franchisor and all other manuals and Confidential Information loaned to Franchisee by Franchisor and immediately cease to use the Confidential Information;

(e) Immediately cease using all telephone numbers and listings used in connection with the operation of the franchise business and direct the telephone company to transfer all such numbers and listings to Franchisor or its designee or, if Franchisor so directs, to disconnect the numbers;

(f) Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Marks as directed by Franchisor and all items which are a part of the Trade Dress of the System;

(g) Sell to Franchisor or its designee, at Franchisor's option, all inventory in useable form bearing the Marks at the original purchase price thereof or at its then-current value if less than the original purchase price, in Franchisor's judgment, within 15 days following the date of termination or expiration;

(h) Return all mill work and other items identified by Franchisor as "Proprietary Items" in the Operations Manual to Franchisor or Franchisor's designee;

(i) If Franchisor elects to assume Franchisee's lease, immediately vacate the premises or, if Franchisor does not elect, immediately change the appearance of the premises inside and outside, including trade dress, signs, furnishings and fixtures, so that they no longer resemble a Facility and to protect the Marks, including any changes Franchisor specifically requests. If Franchisee fails to make the modifications or alterations, Franchisor will have the right to re-enter the premises and do so and charge Franchisee its costs plus a fee for its personnel or authorized representatives;

(j) Cease to hold itself out as a franchisee of Franchisor;

(k) Take action necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Mark licensed by Franchisor and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

(l) Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within six months of the effective date of termination, expiration, or transfer; and

(m) Comply with the post-termination covenants set forth in Section 7.4, all of which shall survive the transfer, termination or expiration of this Agreement.

10.2 Power of Attorney. Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Marks and the Confidential Information.

11. NOTICES

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight courier, telegram or certified or registered mail (except that regular weekly and other reports from Franchisee may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

Franchisee:	The address of the Facility as set forth in **Attachment A**.
Franchisor:	Fitness Factory Franchising, LLC 125 River Road, Suite 102, Edgewater, NJ 07020
A copy to:	Kevin P. Hein, Esq. Akerman LLP 1900 Sixteenth Street, Suite 950 Denver, CO 80202

Notices sent by regular mail shall be deemed delivered on the third business day following mailing.

12. INTERPRETATION

12.1 Amendments. This Agreement constitutes the entire agreement between the parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished by Franchisor to Franchisee. This Agreement cannot be changed except by a written document signed by both parties.

12.2 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without reference to conflict of laws principals.

12.3 Arbitration. Except as specifically provided in this Agreement, the parties agree that any and all disputes between them, and any claim by either party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the commercial arbitration rules of the American Arbitration Association ("**AAA**"). At the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Agreement. Each party shall bear one-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in Edgewater, New Jersey, or if Franchisor's principal place of business is at another location at the time that arbitration is sought, in the city of Franchisor's then principal place of business.

12.4 Injunctive Relief. Nothing in this Agreement shall prevent Franchisor from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

12.5 Successors. References to Franchisor or Franchisee include their successors, assigns or transferees, subject to the limitations of this Agreement.

12.6 Severability. If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Marks, or the Confidential Information, including the Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at its option may terminate this Agreement immediately upon written notice to Franchisee.

12.7 No Right to Offset. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Franchisee under this Agreement or any related agreements.

12.8 Force Majeure. Neither Franchisor, its affiliates nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as Franchisor deems reasonable.

12.9 Construction of Language. The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means the spouse, parent, children and siblings of Franchisee and the parents, children and siblings of Franchisee's spouse. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

12.10 Rights Cumulative. No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

12.11 Parties. The sole entity against which Franchisee may seek damages or any remedy under law or equity for any claim is Franchisor or its successors or assigns. The equity owners, directors, officers, employees, agents and representatives of Franchisor and of its affiliates shall not be named as a party in any litigation, arbitration or other proceedings commenced by Franchisee if the claim arises out of or relates to this Agreement.

12.12 Limitation of Liability. To the extent permitted by law, in no event shall Franchisor be liable for any indirect, special, consequential, punitive or any other damages that are not direct damages, regardless of the nature of the claim for damages.

12.13 Jury Trial Waiver. Franchisor and Franchisee, respectively, waive any right either might have to trial by jury on any and all claims asserted against the other. Franchisor and Franchisee, respectively, each acknowledge that they have had a full opportunity to consult with legal counsel concerning this waiver, and that this waiver is informed, voluntary, intentional and not the result of unequal bargaining power.

12.14 Individual Basis. Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that Franchisor and Franchisee shall be the only parties in any arbitration proceeding described in Section 12.3, and that no such arbitration proceedings may be consolidated with any other arbitration proceeding, nor shall any other person be joined as a party to such arbitration proceeding.

12.15 Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement.

12.16 Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercise Reasonable Business Judgment in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

13. REPRESENTATIONS

13.1 No Authority. No salesperson, representative or other person has the authority to bind or obligate Franchisor except an authorized officer of Franchisor by a written document.

13.2 No Representations or Guarantees. Franchisee acknowledges that no representations, promises, inducements, guarantees or warranties of any kind were made by or on behalf of Franchisor which have led Franchisee to enter into this agreement. Franchisee understands that whether it succeeds as a Franchisee is dependent upon Franchisee's efforts, business judgments, the performance of Franchisee's employees, market conditions and variable factors beyond the control or influence of Franchisor. Franchisee further understands that some Franchisees are more, or less, successful than other Franchisees and that Franchisor has made no representation that Franchisee shall do as well as any other Franchisee.

Franchisee specifically acknowledges that he or she has not received or relied on (nor has Franchisor or anyone else provided) any statements, promises or representations that Franchisee will succeed in the franchise business; achieve any particular sales, income or other levels of performance; earn any particular amount, including any amount in excess of Franchisee's Initial Franchise Fee or other payments to Franchisor; or receive any rights, goods, or service not expressly set forth in this agreement. Any statements regarding actual, potential or probable revenues or profits of any franchise business not contained in the franchise disclosure document is unauthorized, unwarranted and unreliable, Franchisor will not be responsible for it and it should be reported to Franchisor immediately.

Franchisee acknowledges and understand that Franchisor is relying on Franchisee to bring forward in writing at this time any matters inconsistent with the representations contained in this Section 13. Franchisee agrees that if any of the statements or matters set forth in this Section 13 are not true, correct and complete that Franchisee will make a written statement regarding such next to Franchisee's signature below so that Franchisor can address and resolve any such issue(s) at this time.

13.3 Receipt. The undersigned acknowledges receipt of this agreement, with all blanks completed and with any amendments and exhibits, at least seven calendar days prior to execution of this agreement. In addition, the undersigned acknowledges receipt of Franchisor's uniform franchise disclosure document at least 14 calendar days prior to the execution of this agreement or Franchisee's payment of any monies to Franchisor, refundable or otherwise.

13.4 Opportunity for Review by Franchisee's Advisors. Franchisee acknowledges that Franchisor has recommended, and that Franchisee has had the opportunity to obtain, review of this agreement and Franchisor's uniform franchise offering circular by Franchisee's lawyer, accountant or other business advisor prior to its execution.

13.5 Execution Of Agreement. Each of the undersigned parties warrants that it has the full authority to sign and execute this agreement. If Franchisee is a partnership, corporation or limited liability company, the person executing this agreement on behalf of the business entity warrants to Franchisor, both individually and in his capacity as partner, officer, member or manager, that all of the equity owners of Franchisee, as applicable, have read and approved this agreement, including any restrictions which this agreement places upon rights to transfer their interest in the business entity.

14. PERSONAL GUARANTEES

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, all shareholders with a 10% or greater ownership interest in the corporation, all general partners or all members and managers, respectively, hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. In addition, all personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors shall execute a continuing personal guarantee in the form attached as **Attachment B**.

FRANCHISEE ACKNOWLEDGES TO FRANCHISOR THAT FRANCHISEE HAS READ THIS FRANCHISE AGREEMENT AND UNDERSTANDS ITS TERMS AND FRANCHISEE WOULD NOT SIGN THIS FRANCHISE AGREEMENT IF FRANCHISEE DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISEE:

____

Signature: ________________________________

Printed Name: ____________________________

Title:____________________________________

Date: ___________________________________

Witness

Signature:________________________________

Printed Name: ____________________________

PERSONAL GUARANTORS (¶14)

Signature: _______________________________

Printed Name: ____________________________

Date: ____________________________________

FRANCHISOR:
Fitness Factory Franchising, LLC

Signature: _______________________________

Printed Name: ____________________________

Title:____________________________________

Date: ____________________________________

ATTACHMENT A
TO FRANCHISE AGREEMENT

AUTHORIZED LOCATION

Pursuant to Section 2.1, the Authorized Location for the Facility is as follows:

TERRITORY

Pursuant to Section 2.5, Franchisee's Territory is as follows:

REQUIRED OPEN DATE

Pursuant to Section 2.6, the Required Open Date for the Facility is:

	FRANCHISEE:
	______________________________
Witness	Signature: ______________________
Signature: ______________________	Printed Name: ______________________
Printed Name: ______________________	Title: ______________________
	Date: ______________________
	FRANCHISOR:
	FITNESS FACTORY FRANCHISING, LLC
	Signature: ______________________
	Printed Name: ______________________
	Title:______________________
	Date: ______________________

ATTACHMENT B
TO FRANCHISE AGREEMENT

PERSONAL GUARANTEE

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS WITH A TEN PERCENT (10%) OR GREATER OWNERSHIP INTEREST IN FRANCHISEE MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY CORPORATION, ALL OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represent to FITNESS FACTORY FRANCHISING, LLC that they are all of the shareholders of Franchisee with a ten percent (10%) or greater interest in Franchisee, or all of the general partners of Franchisee, or all of the members and mangers of Franchisee, as the case may be. In consideration of the grant by FITNESS FACTORY FRANCHISING, LLC to Franchisee as provided under the FITNESS FACTORY FRANCHISING, LLC Franchise Agreement, each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying FITNESS FACTORY FRANCHISING, LLC of said proposed transfer and obtaining the prior written consent of FITNESS FACTORY FRANCHISING, LLC, which consent shall not be withheld unreasonably, and without first paying or causing to be paid to FITNESS FACTORY FRANCHISING, LLC the transfer fee provided for in the Franchise Agreement, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and noncompetition. The parties agree that this guarantee shall be enforced, and any disputes regarding the guarantee shall be resolved, in accordance with the terms of the Franchise Agreement.

> EACH GUARANTOR ACKNOWLEDGES TO FRANCHISOR THAT GUARANTOR HAS READ THIS PERSONAL GUARANTEE AND UNDERSTANDS ITS TERMS AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTEE IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Dated:___________________________________

Signature: _______________________________
Print Name: ______________________________

Signature: _______________________________
Print Name: ______________________________

Signature: _______________________________
Print Name: ______________________________

ATTACHMENT C
TO FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

In consideration of my being a ________ of ___________________ ("**Franchisee**"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I, being the Franchisee, an owner of the Franchisee, a spouse of an owner of the Franchisee, an employee of the Franchisee, or other person required to be bound by the terms and conditions of this Confidentiality Agreement ("**Agreement**"), hereby acknowledge and agree that:

1) Franchisee has acquired the right from Fitness Factory Franchising, LLC ("**Franchisor**") to establish and operate a Fitness Factory Facility ("**Facility**") and the right to use in the operation of the Facility, the Franchisor's trade names, trademarks and service marks ("**Marks**") and the Franchisor's unique and distinctive format and system relating to the establishment and operation of a Facility ("**System**"), as they may be changed, improved and further developed from time to time in the Franchisor's sole discretion.

2) The Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes certain trade secrets, and copyrighted materials, methods and other techniques and know-how ("**Confidential Information**").

3) Any and all information, knowledge, know-how, and techniques which the Franchisor specifically designates as confidential shall be Confidential Information for purposes of this Agreement.

4) As _____________ of the Franchisee, the Franchisor and Franchisee may disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the operations manual ("**Operations Manual**") and other general assistance during the term of this Agreement.

5) I shall not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Facility during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6) The Confidential Information is proprietary, involves trade secrets of the Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Franchisor as confidential. Unless the Franchisor otherwise agrees in writing, I shall disclose and/or use the Confidential Information only in connection with my duties as _____________of the Franchisee, and shall continue not to disclose any such information even after I cease to be in that position and shall not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7) The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement shall cause the Franchisor and the Franchisee irreparable harm; therefore, the Franchisee and/or the Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I shall pay the Franchisee and the Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Franchisor, any claim I have against the Franchisee or the Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

8) This Agreement shall be construed under the laws of the State of New Jersey. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature: ___________________________________

Printed Name: ________________________________

Address: _____________________________________

Title: _______________________________________

Date: ____

ACKNOWLEDGED BY FRANCHISEE

Signature: ________________________________

Printed Name: _____________________

Title: ____________________________________

Date: ____________________________________

ATTACHMENT D
TO FRANCHISE AGREEMENT

FORM OF GENERAL RELEASE
(Subject to Change)

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The undersigned ____________________________ (the "**Franchisee**") and its shareholders, officers, and directors does hereby release and forever discharge Fitness Factory Franchising, LLC (the "**Franchisor**"), its, successors, agents, assigns, officers, directors, shareholders, employees, representatives, and any and all other persons, firms and corporations whatsoever, from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, breach of contract, defamation, and any claims whatsoever. This Full and Final General Release (the "Release") shall apply to all agreements or contracts heretofore existing or entered into by and between Franchisee and Franchisor.

2. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

3. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

4. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

5. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

6. This Release shall be governed by and construed pursuant to the laws of the State of New Jersey.

7. This Release may be executed in two copies, each of which shall be deemed an original.

8. All releases given by the Franchisee is intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

WITNESS OUR SIGNATURES, this the ______ day of ___________, 20__.

Signature: ___________________________________

FRANCHISEE (Printed Name) _________________________________

(By our Signature above, we attest to this Agreement for stockholders, corporate and individually.)

ATTACHMENT E
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee:____

Trade Name (if different from above):____

Form of Ownership
(Check One)

___ Individual ___ Partnership ___ Corporation ___ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

____
____
____
____

Franchisee acknowledges that this Statement of Ownership applies to the Fitness Factory Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

Signature: ______________________________________

Printed Name: ______________________________

Date: ____

ATTACHMENT F
TO FRANCHISE AGREEMENT

STATEMENT OF FRANCHISEE

[Note: Dates and Answers Must be Completed by the Prospective Franchisee]

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

A. The following dates are true and correct:

	Date	Initials	
1.	_________________, 20____	_____	The date on which I received a Franchise Disclosure Document regarding the Facility.
2.	_________________, 20____	_____	The date of my first face-to-face meeting with Franchise Salesperson to discuss a possible purchase of a Facility.
3.	_________________, 20____	_____	The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.
4.	_________________, 20____	_____	The date on which I signed the Franchise Agreement.
5.	__________________ 20____	_____	The earliest date on which I delivered cash, check or other consideration to the Franchise Salesperson or an officer of Franchisor.

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly listed in the Franchise Agreement or an attached written Addendum signed by me and Franchisor, except as follows: ______________________________
____
____
(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of Franchisor, were made to me by any person or entity, nor have I relied in any way on same, except as follows: ____
____
(If none, you should write NONE in your own handwriting and initial.)

3. Except as listed in ITEM 19 of Franchisor's Franchise Disclosure Document, no oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested a

specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from Franchisor's Facilities, was made to me by any person or entity, nor have I relied in any way on any such claim or representation, except as follows:

____

____

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as described in the Franchise Agreement or any attached written Addendum signed by me and Franchisor:

____

____

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and Franchisor has strongly recommended that I obtain such independent advice. I have also been strongly advised by Franchisor to discuss my proposed purchase of a Facility with any existing Fitness Factory Franchising, LLC franchisees prior to signing any binding documents or paying any sums and Franchisor has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a Facility or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guarantee against possible loss or failure in this or any other business; and e) the most important factors in the success of any Facility, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform Fitness Factory Franchising, LLC (Telephone: (732) 908-5600).

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

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

This Statement of Franchisee is not intended to limit any rights you may have under local law.

PROSPECTIVE FRANCHISEE:

______________________________ __________
Signature Date

____
(Printed Name)

FRANCHISE SALESPERSON:

______________________________ __________
Signature Date

____
(Printed Name)

REVIEWED BY FRANCHISOR:

______________________________________ ______________
Signature Date

____
(Printed Name)

Title:__________________________________

ATTACHMENT G
TO FRANCHISE AGREEMENT

LEASE ADDENDUM

This Addendum to Lease ("**Addendum**"), dated ____________, 201___, is entered into by and between __________________ ("**Lessor**"), and __________________ ("**Lessee**"). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement ("**Lease**"), dated ______, 201___, and pertaining to the premises located at ________________ ("**Premises**").

B. Lessor acknowledges that Lessee intends to operate a Fitness Factory franchise from the leased Premises pursuant to a Franchise Agreement ("**Franchise Agreement**") with Fitness Factory Franchising, LLC ("**Franchisor**") under the name "FITNESS FACTORY®" or other name designated by Franchisor (herein referred to as "**Franchised Business**").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. <u>Remodeling and Decor</u>. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. <u>Assignment or Subletting</u>. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee's possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor's consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment 1**: (a) to Franchisor or Franchisor's parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee's corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of <u>**the**</u> assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another <u>**franchisee**</u> without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment

or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge “additional rent” or “percentage rent” or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee’s interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee’s cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

Fitness Factory Franchising, LLC
125 River Road, Suite 102,
Edgewater, NJ 07020
Attention: Lindsey King
Phone: (201) 804-7744

and a copy (which shall not constitute Notice) to:

Kevin P. Hein, Esq.
Akerman LLP
1900 Sixteenth Street, Suite 950
Denver, CO 80202

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor’s mailing address to which notices should be sent.

(c) Following Franchisor’s approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor’s prior written consent, which shall be granted or denied in Franchisor’s sole discretion, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor’s interests thereunder; and a clause to the effect shall be included in the Lease.

4. Termination or Expiration.

(a) Upon Lessee’s default and failure to cure the default **within the applicable cure period, if any,** under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee’s interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor’s consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisee agrees to assume Lessee’s obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the "Fitness Factory®" marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment 1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

7. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the operation of Facilities that provide exercise equipment, training and similar services to its members.

8. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

9. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

10. Casualty And Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days prior written notice to Lessor.

11. Common Areas-No Changes**.** Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Center by more than 10%.

12. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

13. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self-insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered by such insurance.

14. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Center and has full right, power and authority to enter into this Lease; (ii) that the Center is in compliance with the Americans with Disabilities Act ("**ADA**"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Center and shall maintain throughout the term of this Lease general liability insurance coverage for the Center consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Center in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor's operation of the Center, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

15. Lessor Work And Repair. Lessor shall perform all work described in the Lease and Exhibit __ attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor's provision of utilities to the Premises. Utilities shall be "stubbed" to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations. If Lessor's work is not performed as herein required, or if such work or the Center is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof

covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

16. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

17. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor's prior approval, to grant and assign a mortgage or other security interest in Lessee's interest under this Lease and all of Lessee's personal property located within the Premises to its lenders in connection with Lessee's financing arrangements and any lien of Lessor against Lessee's personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee's lenders may reasonably request in connection with any such financing.

18. Continued Business Operation. Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

19. Removal Of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section __, whichever later occurs.

20. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

21. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto. Additionally, Landlord must give Franchisor notice of any amendments being signed by the Lessee. If Landlord fails to provide Franchisor with notice of amendments or any subsequent documents that bind the Lessee, Landlord will be liable for any damages incurred as a result of subsequent agreements signed without Franchisor receiving notice and approving the amendment to the initial Lease.

22. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

23. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:	**LESSEE:**
________________________________	________________________________
By: _____________________________	By: _____________________________
Title: ____________________________	Title: ____________________________

ATTACHMENT 1

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ___ day of _____, 20___ ("**Effective Date**"), the undersigned, __________________________________ ("**Assignor**"), hereby assigns, transfers and sets over unto Fitness Factory Franchising, LLC ("**Assignee**") all of Assignor's right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** ("**Lease**") with respect to the premises located at ______________________ ("**Premises**"). This **Collateral Assignment of Lease ("Assignment")** is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

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

Upon a default by Assignor under the Lease or under that certain franchise agreement ("**Franchise Agreement**") for a Fitness Factory Franchised Business between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNOR:	**ASSIGNEE:**
_______________________________	_______________________________
By: ____________________________	By: ____________________________
Title: __________________________	Title: __________________________

EXHIBIT A

LEASE

(To be Attached)

ATTACHMENT H
TO FRANCHISE AGREEMENT

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	☐ Checking ☐ Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes Fitness Factory Franchising, LLC ("**Franchisor**") to initiate debit entries to Franchisee's account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: ______________________________ Date: ______________________________
Name: ______________________________ ____________
Its: ______________________________

Federal Tax ID Number: ____________________

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT D

Fitness Factory Franchising, LLC

FORM OF
MULTI-UNIT DEVELOPMENT AGREEMENT

™

FITNESS FACTORY FRANCHISING, LLC

MULTI-UNIT DEVELOPMENT AGREEMENT

Developer: ______________________________

Date: ___________________________________

Territory: _______________________________

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ATTACHMENTS

MULTI UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement ("**this Agreement**") is made effective as of __________________________, by and between Fitness Factory Franchising, LLC, a Delaware limited liability company, having its principal business address at 125 River Road, Suite 102, Edgewater, NJ 07020 ("**Franchisor**") and ____, a ____ having its principal place of business at ____ ("**Developer**").

BACKGROUND

A. Franchisor and/or its predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a business system ("**System**") for the establishment, development and operation of Fitness Factory fitness centers ("**Facilities**") providing affordable neighborhood aerobic and fitness services.

The System includes proprietary marks, recognized designs, decor and color schemes, distinctive specifications for furniture, fixtures, equipment, and wall, ceiling and display designs; know-how and trade secrets; uniform specifications of products and services; sales techniques, and merchandising, marketing, advertising, and inventory management systems; quality control procedures; proprietary computer software; and procedures for operation and management of Facilities pursuant to the that certain operations manual provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

B. The System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the service mark "Fitness Factory™" and other identifying marks and symbols that Franchisor uses now or may later use as part of the System ("**Marks**"). The rights to all the Marks shall be owned exclusively by Franchisor or its affiliate. Franchisor intends to further develop and use the Marks to identify to the public the source of the products and services marketed under the Marks and Franchisor's standards of quality and service.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and with the intent to be legally bound, the parties agree as follows:

AGREEMENT

1. GRANT

1.1. Franchisor hereby grants to Developer, upon the terms and conditions herein contained, options to obtain franchises, each under an individual franchise agreement (each a "**Franchise Agreement**") to operate Facilities within the territory described in **Attachment A** attached hereto and incorporated herein by this reference ("**Development Territory**"). Facilities means those facilities authorized and approved from time to time by Franchisor to use Franchisor's System and Marks.

1.2. Franchisor shall not establish, nor franchise anyone other than Developer to establish any Fitness Factory Facility in the Development Territory prior to the expiration of the development schedule set forth in **Attachment B** ("**Development Schedule**"). Franchisor retains the right, at all times, to grant other multi-unit development agreements or individual franchises or establish affiliate-owned Facilities under the same or different Marks outside the Development Territory as Franchisor, in its sole discretion, deems appropriate, except as provided in Section 2.3 herein. Developer hereby acknowledges and agrees that the Development Territory may contain outlets of competitive brands that Franchisor controls.

1.3. Developer's right to develop and operate the Facilities during the term of the Agreement are contingent on the following conditions being met:

1.3.1. Developer is in compliance with this Agreement (including, without limitation, the Development Schedule) and all other agreements between Franchisor and Developer including, without limitation, all Franchise Agreements;

1.3.2. Developer is in compliance with all of its respective obligations under any existing Franchise Agreement;

1.3.3. Developer's then current financial status is reasonably satisfactory to Franchisor;

1.3.4. Developer signs Franchisor's then current form of Franchise Agreement for each Facility that Developer agrees to develop, the terms of which may be materially different than the terms of Franchisor's existing Franchise Agreement(s);

1.3.5. Developer pays to Franchisor the required Reduced Initial Franchise Fee at the time Developer signs each applicable Franchise Agreement; and

1.3.6. Developer signs a general release in favor of Franchisor and its present and former members, officers, directors, shareholders, agents and employees.

1.4. If the foregoing conditions have been satisfied, upon receipt of written notification that Developer desires to establish a Facility, Franchisor shall deliver to Developer for execution, a copy of its then current Franchise Agreement. Developer shall execute and return a fully executed Franchise Agreement to Franchisor within 30 business days of Franchisor's delivery thereof. If Developer fails to return the fully executed franchise agreement within the 30-day period, the Franchise Agreement shall be rendered void, and Developer shall submit a new request according to the procedures set forth in this section.

1.5. Developer shall submit a separate application for each Facility to be established within the Development Territory by Developer. A separate Franchise Agreement shall be executed for each Facility. Upon execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Facility.

1.6. This Agreement is not a franchise agreement and Developer shall have no right to use in any manner the Marks or the System by virtue of it. Developer shall have no right under this Agreement to franchise others to operate a Facility or use the System or Marks.

2. TERM

2.1. Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder shall expire on the earlier of either (i) date of Franchisor's acceptance and execution of a Franchise Agreement for the last Facility granted under this Agreement or (ii) the Required Opening Date of the last Facility granted to Developer under this Agreement, as set forth on **Attachment B**.

2.2. Should Developer desire to establish and operate within the Development Territory any Facilities in addition to the Facilities set forth on **Attachment B**, Developer shall make application for such additional Facilities to Franchisor. Provided Developer has complied with the terms of this Agreement and subject to the approval of Franchisor, which may be withheld by Franchisor at its discretion for any reason, Developer shall be granted such additional options for additional Facilities, and Developer shall pay the then-current Development Fee and Reduced Initial Franchise Fee being charged to Developers for the corresponding number of Facilities and execute the then-current Franchise Agreement for each such Facility.

2.3. The individual terms, including renewal terms, of each franchise granted pursuant to this Agreement shall be governed by the applicable Franchise Agreement entered into under this Agreement.

3. DEVELOPMENT FEE

In consideration of the rights granted under this Agreement, Developer must pay to Franchisor, upon signing this Agreement, a development fee ("**Development Fee**") in the amount designated in **Attachment A**. This Development Fee shall be deemed fully earned upon execution of this Agreement, is non-refundable, and is to compensate Franchisor for the grant of these rights and options. The Development Fee is not refundable if Developer does not open the number of Facilities to be opened by Developer, as set forth in Section 4. At the time Developer executes the Franchise Agreement for each subsequent Facility, Developer must pay to Franchisor the then-current nonrefundable reduced Initial Franchise Fee ("**Reduced Initial Franchise Fee**"), which shall be deemed fully earned and non-refundable upon execution of the applicable Franchise Agreement. No portion of the Development Fee is credited against the Reduced Initial Franchise Fee for any of the Facilities that Developer agrees to open.

4. DEVELOPMENT SCHEDULE

4.1. Developer shall be bound by and strictly follow the Development Schedule set forth in **Attachment B**. By the dates set forth under the Development Schedule ("**Option Periods**"), Developer shall exercise options and enter into Franchise Agreements with the Franchisor pursuant to this Agreement for the number of Facilities described under the Development Schedule. Developer must open and operate each Facility by the required open date ("**Required Open Date**") as specified in **Attachment B**. If Developer fails to have the Facility open and in operation by the applicable Required Open Date, Developer must pay Franchisor a delayed opening fee ("**Delayed Opening Fee**") of $100 per day for each day that the opening of the Facility is delayed. If the Facility is not opened within 90 days of the Required Open Date, Franchisor reserves the right to terminate the Franchise Agreement, or to require Developer to continue paying the Delayed Opening Fee until the Facility has opened. The Delayed Opening Fee is fully earned by Franchisor as it is incurred and is non-refundable once paid. Developer shall at all times after the expiration of each of the Option Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Facilities set forth on the Development Schedule.

4.2. Developer shall exercise each option granted herein only as follows

4.2.1. By giving Franchisor written notice of Developer's intention to exercise such option at least 30 days before the execution of the Franchise Agreement for the applicable Facility, and

4.2.2. By executing the then-current Franchise Agreement for the applicable Facilities under this Agreement and complying with its terms, including, without limitation, the payment of applicable Reduced Initial Franchise Fees.

4.3. In order to meet the Development Schedule, the Franchise Agreement must be executed by the Developer within the applicable Option Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

5. DEFAULT AND TERMINATION

5.1. Franchisor shall have the right to terminate this Agreement, which termination shall become effective upon delivery of written notice of termination, upon the occurrence of any of the following events of default:

5.1.1. Developer fails to comply with the Development Schedule set forth in Section 4 of this Agreement;

5.1.2. Any Franchise Agreement, or any other agreement, between Franchisor and Developer is terminated for any reason; or

5.1.3. Developer fails to comply with any other provisions of this Agreement.

6. RIGHTS AND OBLIGATIONS UPON TERMINATION

Upon termination or expiration of this Agreement, all of Developer's rights under this Agreement shall automatically terminate, and Franchisor shall have no obligation to Developer with respect to this Agreement.. Termination or expiration of this Agreement shall not affect the validity or enforceability of any Franchise Agreement between the parties unless otherwise provided in said Franchise Agreement.

7. ASSIGNMENT

The rights granted under this Agreement are personal to Developer. Developer may not sell, transfer or assign any rights or interest in this Agreement without Franchisor's prior written consent, which may be withheld, for any reason or for no reason. With approval of Franchisor, Developer may assign Developer's rights to an entity wholly owned and controlled by Developer. Franchisor may sell, assign and/or transfer any or all of its rights or interest in this Agreement.

8. NOTICES

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight courier, telegram or certified or registered mail (except that regular weekly and other reports from Franchisee may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

Developer: As set forth in **Attachment A**.

Franchisor: Fitness Factory Franchising, LLC
125 River Road, Suite 102,
Edgewater, NJ 07020

A copy to: Kevin P. Hein, Esq.
Akerman LLP
1900 Sixteenth Street, Suite 950
Denver, CO 80202

9. ENTIRE AGREEMENT

This Agreement, any Attachment attached hereto, and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Developer concerning the subject matter hereof, and supersede any and all other prior negotiations, understandings representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document furnished to Developer. This Agreement may not be changed, except by written documentation signed by both parties

10. CHOICE OF LAW AND ARBITRATION

10.1. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without reference to conflict of laws principals.

10.2. Arbitration. Except as specifically provided in this Agreement, the parties agree that any and all disputes between them, and any claim by either party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the commercial arbitration rules of the American Arbitration Association ("**AAA**"). At the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Agreement. Each party shall bear one-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in Edgewater, New Jersey, or if Franchisor's principal place of business is at another location at the time that arbitration is sought, in the city of Franchisor's then principal place of business.

11. ACKNOWLEDGEMENTS

11.1. Franchisor's Rights. Whenever this Agreement provides that Franchisor have a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of any express limitations set forth in this Agreement.

11.2. Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercise reasonable business judgment ("**Reasonable Business Judgment**") in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

11.3. Developer acknowledges that Developer has read this Agreement and the Franchise Disclosure Document and that Developer understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those Standards at all facilities in order to protect and serve the goodwill of the Marks.

11.4. Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted at Fitness Factory Facilities may evolve and change over time, that an investment in a Facility involves business risks, and that the success of the venture is largely dependent upon the business abilities and efforts of Developer.

11.5. Franchisor expressly disclaims the making of, and Developer acknowledges that Developer has not received or relied upon, any warranty or guarantee, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement. Developer acknowledges that Developer has not received or relied upon any representation, written or oral, about the franchise by Franchisor, or its respective members, officers, directors, employees or agents, that are contrary to the statements made in the Franchise Disclosure Document or to the terms herein, and further represents to Franchisor, as an inducement to its entry into this Agreement, that Developer has made no misrepresentations, written or oral, to Franchisor in Developer's application for the development rights granted hereunder.

[*Signature Page Follows*]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have caused this Agreement to be executed effective as of the date first set forth above.

DEVELOPER:	**FRANCHISOR:**
	FITNESS FACTORY FRANCHISING, LLC
Signature: ___________________________	Signature: ___________________________
Name: ______________________________	Name: ______________________________
Title: _______________________________	Title: _______________________________
Date: _______________________________	Date: _______________________________

MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT A
DESCRIPTION OF DEVELOPMENT TERRITORY AND DEVELOPMENT FEE

ATTACHMENT A
DESCRIPTION OF DEVELOPMENT TERRITORY AND DEVELOPMENT FEE

1. DESCRIPTION OF DEVELOPMENT TERRITORY

2. DEVELOPER'S ADDRESS FOR PURPOSES OF SECTION 8

3. DEVELOPMENT FEE

Number of Facilities to be developed (as set forth in **Attachment B**):

The Development Fee for the first Facility:	$49,500
Number of additional Facilities multiplied by $24,750:	$
Total Development Fee:	**$**

3. REDUCED INITIAL FRANCHISE FEE

Pursuant to Section 3 of this Agreement, Developer must also pay to Franchisor the Franchisor's then-current nonrefundable Reduced Initial Franchise Fee of for the second and each subsequent Facility that Developer opens in accordance with the Development Schedule set forth in Section 4. No portion of the Development Fee is credited against the Reduced Initial Franchise Fee for any of the Facilities that Developer agrees to open.

DEVELOPER:	**FRANCHISOR:**
	FITNESS FACTORY FRANCHISING, LLC
Signature: ______________________________	Signature: ______________________________
Name: ______________________________	Name: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

MULTI-UNIT DEVELOPMENT AGREEMENT
ATTACHMENT B
DEVELOPMENT SCHEDULE

ATTACHMENT B
DEVELOPMENT SCHEDULE

Developer acknowledges and agrees that a material provision of the Multi-Unit Development Agreement is that the following number of Facilities must be opened and continuously operating in the Development Territory. Developer's first Facility must be opened and continuously operating in the Development Territory in accordance with the Franchise Agreement signed contemporaneously with this Multi-Unit Development Agreement. All other Facilities of Developer must be opened and continuously operating in the Development Territory in accordance with the following Development Schedule.

Option Period Number	**Franchise Agreement to be Executed by**	**Required Opening Date**	**Cumulative Total Number of Facilities Located in Development Territory That Developer Shall Have Open and in Operation**

For purposes of determining compliance with the above Development Schedule, only the Facilities actually open and continuously operating for business in the Development Territory as of a given date will be counted toward the number of Facilities required to be open and continuously operating for business.

DEVELOPER:

Signature: ______________________________

Name: ________________________________

Title: _________________________________

Date: _________________________________

FRANCHISOR:

FITNESS FACTORY FRANCHISING, LLC

Signature: ______________________________

Name: ________________________________

Title: _________________________________

Date: _________________________________

EXHIBIT E

Fitness Factory Franchising, LLC

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

01/10/23

FF FRANCHISING LLC

Balance Sheet Standard

As of December 31, 2022

	Oct 31, '22	Nov 30, '22	Dec 31, '22
ASSETS			
Current Assets			
Checking/Savings			
CNOB #9724	1,000.00	1,000.00	1,000.00
Total Checking/Savings	1,000.00	1,000.00	1,000.00
Total Current Assets	1,000.00	1,000.00	1,000.00
TOTAL ASSETS	**1,000.00**	**1,000.00**	**1,000.00**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Other Current Liabilities			
Due to/from FF Managem...	1,000.00	1,000.00	1,000.00
Total Other Current Liabili...	1,000.00	1,000.00	1,000.00
Total Current Liabilities	1,000.00	1,000.00	1,000.00
Total Liabilities	1,000.00	1,000.00	1,000.00
Equity			
Capital Contributions			
Dennis Cieri	100,000.00	100,000.00	100,000.00
Richard Scarpati	100,000.00	100,000.00	100,000.00
Total Capital Contributions	200,000.00	200,000.00	200,000.00
Distributions			
Dennis Cieri	-100,000.00	-100,000.00	-100,000.00
Richard Scarpati	-100,000.00	-100,000.00	-100,000.00
Total Distributions	-200,000.00	-200,000.00	-200,000.00
Total Equity	0.00	0.00	0.00
TOTAL LIABILITIES & EQUITY	**1,000.00**	**1,000.00**	**1,000.00**

01/11/23

FF FRANCHISING LLC
Profit and Loss Standard
October through December 2022

	Oct '22	Nov '22	Dec '22	TOTAL
Net Income	**0.00**	**0.00**	**0.00**	**0.00**

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENT

FITNESS FACTORY FRANCHISING, LLC

October 3, 2022

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Members
Fitness Factory Franchising, LLC

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying financial statement of Fitness Factory Franchising, LLC (the "Company"), which comprise the balance sheet as of October 3, 2022, and the related notes to the financial statement.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company, as of October 3, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Members

As discussed in Note 1 to the financial statement, the Company has an agreement with its Members related to administrative, management, support activities, and various other items. The accompanying financial statement may not be indicative of conditions that would have existed if the Company had been operated as an unaffiliated entity without the support of its Members. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

Los Angeles, California
October 7, 2022

	October 3, 2022
ASSETS	
CURRENT ASSETS	
Cash	$ 200,000
Total assets	$ 200,000
LIABILITIES AND MEMBERS' EQUITY	
MEMBERS' EQUITY	$ 200,000
Total liabilities and members' equity	$ 200,000

See accompanying notes.

Note 1 – Organization and Description of Business

Fitness Factory Franchising, LLC (the “Company”), a Delaware limited liability company (LLC), was formed on June 14, 2022, and is the franchisor of fitness health clubs “Fitness Factory Health Club.” There are two members of the Company (the “Members”). The Company will franchise Fitness Factory Health Clubs throughout the U.S. and internationally through a renewable trademark license agreement with its affiliate company, Fitness Factory IP, LLC. Fitness Factory IP, LLC is the owner of all intellectual property rights in certain systems, trademarks, service marks, and other intellectual property used in the operation of Fitness Factory Health Club’s (the “FF IP”) and has licensed the FF IP and other know-how and confidential information to the Company to develop the Fitness Factory Health Club franchise system to offer, sell, and support the franchised business.

The Members contributed $100,000 in cash to fund operations on August 10, 2022. An additional $100,000 was contributed by the Members on August 16, 2022. There were no other operations of the Company from June 14, 2022 through October 3, 2022.

The Company has relied on resources from its Members to support initial operations, and the Members have committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations. Until such time that the Company is actively selling franchises and opening up franchise locations, it is dependent on its Members to provide financial resources, administrative, management, support activities, and various other items. The accompanying financial statement may not be indicative of conditions that would have existed if the Company had been operated as an unaffiliated entity.

The Company, together with the Members and its parent Company, Fitness Factory Management, LLC, are in the business of operating fitness health clubs. The franchise agreements are typically for 10 years and will require the franchisee to pay an initial franchise fee for each location to be opened. Once the franchise begins operations, the Company will charge a royalty fee of up to 5% of the franchise gross sales. As of October 3, 2022, the Company had not sold rights to develop any franchises. The Company does not operate, and has never operated, any Fitness Factory Health Clubs, and the Company’s future operations are dependent upon the success of the Members’ business.

COVID-19 pandemic – In 2021 and continuing into 2022, the global crisis resulting from the spread of the novel coronavirus (COVID-19), along with government and consumer responses to the pandemic, had, and continue to have, a substantial impact on the restaurant industry.

The Company cannot currently estimate the duration of the impact of the COVID-19 pandemic on the industry nor its ability to sell franchises and open up new locations. With the availability of COVID-19 vaccines to the public in 2021 and the lifting of government restrictions, the Company is optimistic that the potential impacts of the COVID-19 pandemic on the Company’s business will be minimal. However, the impacts of COVID-19 may be difficult to assess or predict. As the disruption is currently expected to be temporary, there is uncertainty around the duration.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company's financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of October 3, 2022. References to ASC and ASU included hereinafter refer to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Use of estimates – The preparation of the financial statement, in accordance with U.S. GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of October 3, 2022, the Company carried no cash equivalents.

Concentration of credit risk – The cash balances of the Company are held primarily in one financial institution. If cash balances exceed the amounts covered by the Federal Deposit Insurance Corporation, the excess balances could be at a risk of loss.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include only cash. Management estimates that the fair value of all financial instruments at October 3, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statement.

Revenue recognition – The Company's policy is to record revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

The Company has identified one performance obligation for the use of the license and intellectual property and will recognize the franchise and renewal fee over the term of the franchise and renewal periods, respectively. The Company has not yet generated revenue as of October 3, 2022. The following revenue recognition policies are in place as revenue is generated in future years:

> **Franchise fee revenues** – The franchise arrangement between the Company and each franchise owner of a Fitness Factory Health Club is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Fitness Factory Health Club brand, and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license and intellectual property. The nature of the Company's promise in granting the franchise arrangement is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise agreement.

Note 2 – Summary of Significant Accounting Policies (continued)

Royalty fee income – Royalty fee income represents royalties earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for use of the "Fitness Factory Health Club" name, processes, and procedures. The royalty rate in the franchise agreement is up to five percent of the gross sales of each store operated by each franchisee. Royalty income from franchised restaurants is recognized in the period earned, and is payable to the Company monthly when the sales are reported by the franchisees.

National Advertising and Promotions Fund – National advertising and promotions fund (Ad fund) income represents fees earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for the use of the "Fitness Factory Health Club" name for promotional materials. The Ad fund fee rate in the franchise agreement is a minimum of two percent of the gross sales of each health club operated by each franchisee. Ad fund fee income from franchised health clubs is recognized monthly as Ad fund income, while expenditures will be included in advertising expenses. Expenditures of the Ad fund will primarily be amounts paid to third parties but may also include personnel expenses and allocated costs.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax returns. Accordingly, no taxes payable of deferred tax assets or liabilities are reflected in this financial statement.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statement is available to be issued. The Company recognizes in the financial statement the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statement. The Company's financial statement does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statement is available to be issued.

The Company has evaluated subsequent events through October 7, 2022, which is the date this financial statement was available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Members' Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Members in accordance with the operating agreement. The liability of the Company's Members is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Members in accordance with the operating agreement.

EXHIBIT F

Fitness Factory Franchising, LLC

LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS

LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS AS OF SEPTEMBER 30, 2022

None.

The following is a list of our franchisees who have signed agreements but stores not yet open in the United States as of September 30, 2022:

None

EXHIBIT G

Fitness Factory Franchising, LLC

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

None.

EXHIBIT H

Fitness Factory Franchising, LLC

STATE SPECIFIC ADDENDUM

STATE-SPECIFIC ADDENDUM
TO
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND MULTI-UNIT DEVELOPMENT AGREEMENT

The following modifications are to the Fitness Factory Franchising, LLC . ("**Franchisor**," "**us**," "**we**," or "**our**") Franchise Disclosure Document ("**FDD**") given to Franchisee ("**Franchisee**," "**you**," or "**your**") and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated ____________________________ (**"Franchise Agreement"**).

The following states laws may supersede provisions of the Franchise Agreement, including the areas of termination and renewal of your Franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code, Tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Sections 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (MD. CODE ANN., BUS. REG. §§14-201 TO 14-233 (2004 Repl. Vol.)), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-1), SOUTH DAKOTA (Codified Laws Section 37-5B), VIRGINIA (§§ 13.1-557 through 13.1-574 of the Code of Virginia), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03).

Depending on state law, the provisions of this State-Specific Addendum ("**State Addendum**") may apply to modify the FDD that was given to you, as well as the Franchise Agreement, and any applicable Addenda, Exhibits, Appendices, or mutually-agreed modifications thereto. Specifically, this State Addendum will apply to your Franchise Agreement only if the jurisdictional requirements of a listed state's laws are met independently and without reference to this Addendum, to the Franchise Agreement, or to the FDD. For purposes of the State Addendum, the "**Franchisor's Choice of Law State**" is Colorado and "**Supplemental Agreements**" means Multi-Unit Option Agreement. If any inconsistency arises between the Franchise Agreement, FDD, or Supplemental Agreements and this State Addendum, the terms of this State Addendum shall control. Nothing in this State Addendum, the FDD, Franchise Agreement, or Supplemental Agreements should be interpreted or construed as providing an independent basis for Franchisee's assertion that any particular state law or provision applies to the FDD, Franchise Agreement, or Supplemental Agreements that would not otherwise apply due to the jurisdictional requirements of such state law or provision.

CALIFORNIA

ITEM 17 of the FDD is revised to include the following:

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

Neither the Franchisor, any person or franchise broker in ITEM 2 of the FDD 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 the persons from membership in the association or exchange.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

ITEM 19 of the FDD is revised to include the following:

"The earnings claims figures(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former Franchisees, listed in the offering circular, may be one source of this information."

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

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

The Franchise Agreement requires binding arbitration. This arbitration will occur in the State of New Jersey with the costs being born by the losing party. 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 provision of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires you to sign a general release of claims if you transfer your Franchise Agreement. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). The business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of the Department of Financial Protection and Innovation before we ask you to consider a material modification of the Franchise Agreement.

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

HAWAII

The following is added to the Cover Page:

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

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

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF

ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

The following is added to the Cover Page:

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

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii

Department of Commerce and Consumer Affairs

Business Registration Division

335 Merchant Street, Room 203

Honolulu, Hawaii 96813

The following list reflects the status of the Franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:
2. This proposed registration is or will shortly be on file in the following states:
3. States which have refused, by order or otherwise, to register these Franchises are:

   None

4. States which have revoked or suspended the right to offer the Franchises are:

   None

5. States in which the proposed registration of these Franchises has been withdrawn are:

   None

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of the Franchise Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement are amended accordingly.

The governing law or choice of law clause described in the Franchise Disclosure Document and contained in the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void." The Franchise Agreement and Multi-Unit Development Agreement are amended accordingly.

ITEM 17. For Illinois franchisees, Illinois law governs the Franchise Agreement and Multi-Unit Agreement. The conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Illinois law. Any provision in a franchise agreement that designates exclusive jurisdiction or venue in a forum outside of Illinois is void.

The termination and non-renewal provisions in the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR

By:____________________________________

Name:__________________________________

Title:___________________________________

Date:___________________________________

FRANCHISEE (If an Individual):

By:____________________________________

Name:__________________________________

Title: __________________________________

Date:___________________________________

If a corporation, limited liability company or partnership

Name of corporation, limited liability company or partnership:

____

By:____________________________________

Print Name:_____________________________

Title:___________________________________

INDIANA

The “Summary” column in ITEM 17.r. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in ITEM 17.t. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in ITEM 17.v. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in New Jersey. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in ITEM 17.w. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise New Jersey law applies.

Section 12.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement shall be interpreted under the laws of the State of New Jersey, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of New Jersey, which laws shall prevail in the event of any conflict of law.

Section 10 of the Multi-Unit Development Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement shall be interpreted under the laws of the State of New Jersey, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of New Jersey, which laws shall prevail in the event of any conflict of law.

Section 7.4(b) of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

7.4(b) After the Term of This Agreement. Upon termination or expiration of the Term or any Successor Term, or the transfer, sale or assignment of this Agreement by the Franchisee, neither the Franchisee, the Designated Business Manager nor the Franchisee’s owners will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any competitive business in the Territory.

Section 12.3 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

11.3 Arbitration. Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or affiliates, and the Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. "**Persons in privity**" with or claiming through, on behalf of or in the right of the Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in the State of New Jersey. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against the Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues will be submitted to a court within the State of Indiana. The parties expressly consent to personal jurisdiction in the State of Indiana and agree that these court(s) will have exclusive jurisdiction over any such issues not subject to arbitration. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

MARYLAND

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement and Multi-Unit Development Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, shall not apply to liability under the Maryland Franchise Registration and Disclosure Law.

Representations in the Statement of Franchisee and the Acknowledgement therein are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

ITEM 17 of the Franchise Disclosure Document is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Laws.

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

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

Section 9.2(b) of the Franchise Agreement is amended to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.

Section 12.3 of the Franchise Agreement is amended to include the following language:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

Section 11 of the Multi-Unit Development Agreement is amended to include the following language:

"Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

Sections 3.2(h) and 8.3 of the Franchise Agreement are revised to provide that Franchisor cannot, as a condition of renewal or consent to an assignment, require Franchisee to release any claims under the Maryland Franchise Registration and Disclosure Law.

All representations requiring Franchisee to assent to a release, estoppels, of waiver of liability contained in the Franchise Agreement and Multi-Unit Development Agreement are not intended to nor shall they act as a release, estoppels, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Attachment D to the Franchise Agreement, Form of General Release is amended to add the following language as the ninth paragraph:

"9. The Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

Each provision of this Addendum to the Franchise Agreement and Multi-Unit Development Agreement shall be effective only to the extent that, with respect to such provisions, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act are met independently without reference to this Addendum.

MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on your right to join an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

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

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

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

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

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

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

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

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

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota

Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.

2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J. prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.

4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.

5. ITEM 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our Franchise System standards.

6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.

7. The following language will appear as a new paragraph of the Franchise Agreement:

   No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.

8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

NEW YORK

The following is added to the Risk Factors on the cover page:

> **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE**

TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE CONTAINED IN THIS PROSPECTUS.

ITEM 3 of the FDD is modified to read as follows:

Other than as described in ITEM 3 of the FDD, neither franchisor, its predecessor, a person identified in ITEM 2, or an affiliate offering Franchises under Franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten (10) year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: a violation of a franchise, antifraud or securities law, fraud, embezzlement fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the Franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

ITEM 4 of the FDD is modified to read as follows:

Other than as described in ITEM 4 of the FDD, neither the franchisor, its affiliate, its predecessor, officers or general partner during the ten (10) year period immediately before the date of the FDD: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the Franchisor held this position in the company or partnership.

The following sentence is added to the end of the first paragraph of ITEM 5 of the FDD:

We may use the proceeds from your payment of the Initial Franchise Fee to defray our costs and expenses for providing training and assistance to you; for commission payments to brokers involved in the sale of a Franchise to you; for general working capital purposes; and for other expenses.

The first paragraph of ITEM 17 of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

ITEM 17.d. of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

ITEM 17.j. of the FDD is revised to read as follows:

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

ITEM 17.w. of the FDD is revised to read as follows:

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

FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE FRANCHISE DISCLOSURE DOCUMENT ANY MATERIAL FACT, NOR DOES THE FRANCHISE DISCLOSURE DOCUMENT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement contains a covenant not to compete which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

RHODE ISLAND

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

The above language has been included in this Franchise Disclosure Document as a condition to registration. The franchisor and the franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The franchisor and the franchisee intend to fully enforce all of the provisions of the Franchise Agreement, Multi-Unit Development Agreement, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA

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

ITEM 17(h) of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

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

The following shall be added to Section 3 of the Multi-Unit Development Agreement:

"The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires Franchisor to defer payment of the Development Fee, Initial Franchise Fee and other initial payments owed by franchisees to Franchisor until Franchisor has completed its pre-opening obligations under the Franchise Agreement. Payment of the Development Fee will be due to Franchisor, on a pro-rata basis, upon Franchisor's completion of its pre-opening obligations for each franchise opened under the Multi-Unit Development Agreement."

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, MULTI-UNIT OPTION AGREEMENT STATEMENT OF FRANCHISEE, AND RELATED AGREEMENTS

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, (ii) soliciting or hiring of any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do you own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor

The undersigned does hereby acknowledge receipt of this addendum.

Dated this_________________day of______________________________________20_______.

____________________________________	____________________________________
FRANCHISOR	FRANCHISEE

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the ____ day of ______________, 20___, the Area Development Agreement (if any) dated the ______ day of _________________, 20___ and of the Franchise Disclosure Document.

DATED this _____ day of ______________, 20___.

FRANCHISOR:	**FRANCHISEE:**
Fitness Factory Franchising, LLC	_______________________________________
Signature: ______________________________	Signature: _____________________________
Printed Name: __________________________	Printed Name:__________________________
Title:__________________________________	Title:__________________________________
Date: _________________________________	Date:__________________________________

EXHIBIT I

Fitness Factory Franchising, LLC

SUMMARY OF INDUSTRY SPECIFIC LAWS

SUMMARY OF SPECIAL LAWS AND REGULATIONS

The business of operating a company specializing in offering fitness services and products is subject to all of the laws, codes and regulations (referred to below generally as "laws") normally applicable to cosmetology businesses. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

1. **Industry Specific Laws.** Many states have laws regulating health spas, health clubs, health studios, childcare facilities and providers, or similar concepts that might apply to your Facility. These laws may require you to disclose certain information to consumers and/or post bonds or provide other financial guarantees to consumers, and might impose limitations on your membership offerings. Some state and local laws require health clubs and similar businesses to have automatic external defibrillators and other equipment on site for health emergencies. You or your Facility Manager must also obtain such personal fitness training certification and life safety programs (CPR) as we require in the Operations Manual. A number of states have licensing and permitting laws and regulations that may be applicable to the Facility. For example, many jurisdictions have laws which require that you obtain a license and post a bond before instituting a monthly membership program, other related licensing, insurance, compliance with certain building codes, safety regulations, health requirements and other similar requirements. It is possible that your Facility could be required to comply with one or more of these requirements in your jurisdiction. In addition, you must comply with all zoning laws and regulations applicable to the Facility.

2. **Federal Laws**. Examples of other federal laws affecting many small businesses are wage and hour, occupational health and safety, equal employment opportunity, taxes, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.

3. **State Laws**. State laws may cover the same topics as federal laws. Examples of other state laws affecting many small businesses include environmental, occupational health and safety, fire, taxes, health, and building and construction laws.

4. **Local Laws**. Local laws may cover the same topics as federal and state laws. Examples of other local laws affecting many small businesses include health and sanitation, building codes, fire codes, permits, and waste disposal.

The foregoing are examples of some, but not all, of the laws that may be applicable to the Facility described in the Franchise Disclosure Document. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, the franchisee. You should research these requirements before you invest.

EXHIBIT J

Fitness Factory Franchising, LLC

STATE EFFECTIVE PAGE AND RECEIPTS

FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES IN DESIGNATED STATES

The following states require that the 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, exempt from registration, or otherwise effective in the following states with franchise registration and disclosure (or business opportunity*) laws as of the dates listed:

STATE	EFFECTIVE DATE
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT
(Prospective franchisee copy -Retain for your records)

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

Under Iowa or Rhode Island law, if applicable, Fitness Factory Franchising, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires Fitness Factory Franchising, LLC to give you this Franchise Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise 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.

If Fitness Factory Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on **Exhibit A**.

The name, principal business address and telephone number of each franchise seller offering the franchise:

Lindsey King at 125 River Road, Suite 102, Edgewater, NJ 07020, telephone (732) 644-8321; or ____ ____.

Issuance Date: **October 8, 2022**

See **Exhibit A** for our registered agents authorized to receive service of process.

I received a disclosure document dated **October 8, 2022** that included the following Exhibits on __________, 20__:

A. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
B. TABLE OF CONTENTS FOR OPERATIONS MANUAL
C. FORM OF FRANCHISE AGREEMENT
D. FORM OF AREA DEVELOPMENT AGREEMENT
E. FINANCIAL STATEMENTS
F. LIST OF FRANCHISEES AND AREA DEVELOPERS
G. LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
H. STATE SPECIFIC ADDENDUM
I. SUMMARY OF INDUSTRY SPECIFIC LAWS
J. RECEIPT

Date________________Signature_________________________Printed Name _____________________

Date________________Signature_________________________Printed Name _____________________

RECEIPT
(Franchisor Copy)

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

Under Iowa or Rhode Island law, if applicable, Fitness Factory Franchising, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires Fitness Factory Franchising, LLC to give you this Franchise Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise 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.

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H. STATE SPECIFIC ADDENDUM
I. SUMMARY OF INDUSTRY SPECIFIC LAWS
J. RECEIPT

Date________________Signature_________________________Printed Name _____________________

Date________________Signature_________________________Printed Name _____________________

Please sign this copy of the receipt, date your signature, and return it to Lindsey King at 125 River Road, Suite 102, Edgewater, NJ 07020, telephone (732) 644-8321.