FRANCHISE DISCLOSURE DOCUMENT

FITSTOP.

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This Franchise Disclosure Document is for the sale of a Fitstop franchise. As a Franchisee, you will provide membership-based group training, personal training, and lifestyle transformation challenges and will sell a range of approved fitness products such as supplements and clothing associated with or using our (a) developed system of operations (the "System"), and (b) marks, logos and trade dress (the "Proprietary Marks") we designate, including our current primary mark FITSTOP®.

The total investment necessary to begin operation of a Franchised Business ranges from $306,000 to $823,500, including $50,000 that is paid to us as an initial franchise fee prior to opening.

This Franchise Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully.

You must receive this Franchise Disclosure Document at least fourteen (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 Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Sales Group at 2260 S. Centinela Ave., Suite 150, Los Angeles, California 90064 or at (310) 563-8747.

The terms of your contract will govern your franchise relationship. Do not rely on the Franchise Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Franchise 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.

Issue Date: May 27, 2024

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 Exhibit D.
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?	Exhibit C 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 System franchise 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 System franchisee?	Item 20 and Exhibit D list 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 in your 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 F.

Your state also may have laws that require special disclosure or amendments be made to your franchise agreement. If so, you should check the State-Specific Addenda in Exhibit H. See the Table of Contents to this Disclosure Document for the location of this Exhibit.

Special Risks to Consider About *This* Franchise

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

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

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

3. **Minimum Royalty Requirement.** You must maintain minimum gross revenue performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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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Exhibit H: State Addendum to the Disclosure Document

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

Franchisor

Fitstop USA, Inc. is the franchisor. To simplify matters, this document will refer to the franchisor as "we," "us," or "our." "Franchisee", "you" or "your" means the company which buys the franchise, including company's owners, partners, controlling shareholders, officers, guarantors, and managers, if any. If the owners, partners, controlling shareholders, officers, or guarantors are married and your spouse is not an owner, partner, controlling shareholder, officer, or guarantor of the franchise business, certain provisions of our Franchise Agreement will also apply to your spouse.

We incorporated in Delaware on July 22, 2022. Our principal business address is 2260 S. Centinela Ave., Suite 150, Los Angeles, CA 90064. We conduct business under our corporate name and under the primary mark FITSTOP®, as well as any and all other marks, logos, designs and names that we designate for licensing as part of our franchise system from time to time (collectively, the "Proprietary Marks").

We have identified our agents for service of process in various states in Exhibit E.

We are in the business of franchising functional fitness group training facilities that operate under the Proprietary Marks (each, a "Franchised Business"), as well as related activities related to the ownership and administration of the franchise system and franchisee network.

Parent, Affiliate(s) and Predecessors

We do not have any predecessors that require disclosure in this Item.

Our parent and sole owner, Fitstop Holdings Pty Limited (our "Parent"), is a holding company formed under the laws of Australia in October 2018 that has a principal business address at 51 Manilla St., East Brisbane Qld 4169 Australia. Except for owning us and certain affiliate entities (some of which are disclosed below), our Parent has not (a) offered or awarded franchises or licenses in any line of business, or (b) engaged in any other material business activities.

Our affiliate, Fitstop Australia Pty Ltd (the "Affiliate Franchisor"), is a company formed under the laws of Australia in 2014 that has been offering and awarding franchises for the right to own and operate a franchise under the Proprietary Marks that is substantially similar to the Franchised Business offered in this Disclosure Document. Affiliate Franchisor shares a business address with our Parent and has offered such franchises since January 2017. As of December 31, 2023, there were 125 franchises open and operating under the Proprietary Marks pursuant to an agreement with Affiliate Franchisor. The Affiliate Franchisor has not offered franchises within the United States.

Both we and Affiliate Franchisor have the right to license the Proprietary Marks in connection with our respective franchise systems pursuant to a license agreement with our affiliate, Fitstop IP Pty Limited (the "TM Owner"), an Australia company with a business address at 51 Manilla Street, East Brisbane, Queensland 4169, Australia. TM Owner holds the ownership rights associated with the Proprietary Marks and certain other System intellectual property, and licenses the same to us as disclosed more fully in Item 12 of the Disclosure Document.

Except as specifically disclosed above, neither of these two (2) affiliates has (a) offered or awarded franchises or licenses in any line of business, or (b) engaged in any other material business activities.

Description of Franchised Business

Our franchise offering is for the right to independently own and operate a franchised System Business that is authorized to offer, sell and/or provide the Approved Services and Approved Products utilizing our then-current (a) system of operations developed by us, our parent and our affiliates (the "System"), and (b) Proprietary Marks, pursuant to our current form of franchise agreement attached to this Disclosure Document as Exhibit A (the "Franchise Agreement").

The Franchised Business is, at its core, a functional group fitness training facility. Our standard franchise offering expects and assumes that a typical Franchised Business will primarily offer the Approved Services via membership agreements and packages that allow a client/member to attend and participate in a certain number of group fitness training sessions or "classes" each month at the Franchised Business.

The only individuals that may actually provide fitness training and instruction (the primary Approved Services) at the Franchised Business (each, an "Authorized Instructor") must: (i) demonstrate that they have all appropriate licenses, certifications or approval to serve as a "Personal Trainer" or equivalent role under the laws and regulations where the Franchised Business is located; and (ii) successfully complete our role-specific training course(s) that are designated to teach and inform a prospective instructor with respect to conducting fitness training and classes in a format and using a curriculum that is consistent with our then-current System standards and specifications (the "Instructor Training" and collectively with subpart (i), the "Instructor Criteria"). As noted more fully in Item 11 of this Disclosure Document, our standard franchise offering assumes and accounts for us providing the System Instructor Training, which is currently provided remotely via an online learning management system (or "LMS"), in connection with up to (5) individuals – including you or, if Franchisee is an entity, its operating principal (or "Franchise Operator") – prior to the opening of your Franchised Business without charging any additional training tuition or fee(s), as detailed more fully in Items 7, 8 and 11 of this Disclosure Document.

You must operate the Franchised Business from a premises that you propose and we approve in writing before you secure the same (the "Premises"). As of the Issue Date, our standard franchise offering expects and assumes that your Premises will: (i) be between 1,800 and 3,000 square feet in size; (ii) have ample parking (shared or otherwise) for Members and other patrons of the Franchised Business; and (iii) be located in a larger shopping venue as an in-line or, provided the lease terms are commercially reasonable, an end-cap location. We will approve any site you propose as the Premises for your Franchised Business as disclosed more fully in Item 11 of this Disclosure Document.

As part of our current standard offering, we expect and intend to award you a geographical area wherein: (i) you must locate and secure an approved Premises; and (ii) we will afford you certain territorial rights as disclosed more fully in Item 12 of this Disclosure Document (your "Designated Territory"). Once you secure an approved Premises within that Designated Territory within the timeline set forth in your Franchise Agreement, we may mutually agree to amend the boundaries of the Designated Territory in a separately-signed addendum to provide territorial rights within the area that immediately surrounds the actual Premises where the Franchised Business is being operated.

Our brand and concept are designed to attract the "everyday athlete", those people in the community looking to level up their performance, get back to their sporting roots, or feel part of a game-changing team environment. More than this, our brand commitment is "Move more to Live more." Training at FITSTOP® may help your life improve outside of Fitstop, too. With many competitors in the boutique fitness space focusing on high-intensity interval training, our brand and System Businesses set themselves apart with their high-caliber strength and conditioning training.

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Our performance-based product is strengthened by our technology that has made us competitive on a global scale. It all starts with the custom-built FITSTOP® App, which controls the entire member journey whilst linking to an ecosystem of performance tools for franchise owners to grow their businesses. Being custom-built and not owned by third parties has allowed us to be adaptive, strategic and elevates our member experience, education, performance, and gamification to be industry leading.

Relevant Market

The general market for functional fitness group training facilities is fitness enthusiasts seeking to take their performance to the next level. Services offered by the franchise include membership-based group training, personal training, and lifestyle transformation challenges. Additionally, franchisees sell a range of approved products such as supplements and clothing. The market for the services you will provide is well developed and extremely competitive.

Industry Specific Regulations

You must comply with all local, state, and federal laws that apply to fitness and exercise businesses as well as businesses with membership models such as our franchise. Additionally, there are other laws that apply generally to all businesses you must comply with including, but not limited to, the Americans with Disabilities Act, OSHA's workplace safety regulations, employment laws, and other laws. We encourage you to make further inquiries about these laws and other laws that affect the fitness and exercise industry.

ITEM 2: BUSINESS EXPERIENCE

The names and titles of our directors, trustees, general partners, principal officers, and other individuals who will have management responsibility relating to the sale or operation of the franchises offered by this disclosure document are listed below, together with their principal positions and employers during the past five (5) years:

Chairman: Stuart Cook

Mr. Cook has served as our Chairman since our inception. Mr. Cook joined the Affiliate Franchisor in Brisbane, Australia as its Chairman in 2018 and continues to serve in that capacity through the present. Mr. Cook also serves in several other capacities at various entities including: (i) since 2020, the founding partner of TWIYO Capital and Advisory in Sydney Australia; (ii) since 2020, the co-CEO of Flave in Sydney, Australia; (iii) since 2021, Chairman of the Board of OzHarvest Ventures Co. Sydney, Australia where he had previously served on the Board of Directors since 2018 and (iv) Chairman of AirSeed Technologies in Sydney, Australia. From 2016 to 2022, Mr. Cook served as Chairman of Native Travel in California.

Director: Paul Early

In 2021, Mr. Early joined Lift Brands as its Chief Financial Officer. From 2019 to 2021, Mr. Early served as Chief Administrative Officer for Gold Gym International, Inc. in Dallas, Texas. From 2017 to 2019, Mr. Early served as Chief Financial Officer for Bread Zeppelin Management, LLC in Dallas, Texas. Mr. Early has over 16 years of experience in the financing and franchising industry.

President: Russell Beauchamp

Mr. Beauchamp has served as our President and Global CFO for our Parent, primarily performing those duties from Australia, since September 2023. Prior to then, Russell served as Group CFO for the Poolwerx

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Group, located in Brisbane, Queensland Australia and Dallas, Texas, from September 2017 to July 2023.

Founder, Owner, and Managing Director: Peter Hull

In 2013, Mr. Hull founded the FITSTOP® brand and concept in Australia. Mr. Hull has served as Managing Director of the Affiliate Franchisor since 2013 and has served as our Managing Director since our inception in 2022.

Director of US Training and Expansion: Peter Kent Pisani

In 2022, Mr. Pisani joined us as our Director of US Training and Expansion. From February 2018 to April 2021, Mr. Pisani served as Global Performance Director for F45. From May 2021 to July 2022, Mr. Pisani served as US Head of Fitness for F45.

ITEM 3: LITIGATION

We do not have any litigation or comparable proceeding information that must be disclosed in this Item.

ITEM 4: BANKRUPTCY

We do not have any bankruptcy or comparable proceeding information that must be disclosed in this Item.

ITEM 5: INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee amounting to $50,000 (the "Initial Franchise Fee"), which is due in a lump sum immediately upon execution of your Franchise Agreement. The Initial Franchise Fee is deemed fully earned upon execution of your Franchise Agreement, and is not refundable under any circumstances.

In the event you wish to develop multiple Franchised Businesses, then you may be offered and awarded the right to open and operate such businesses by either (a) entering into a separate form of our then-current franchise agreement for each such location, or (b) indicating that a single form of franchise agreement will govern more than one (1) Franchised Business in a form of exhibit or addendum to your initial Franchise Agreement at the time it is executed. The Initial Franchise Fee shall be due in connection with each Franchised Business you are awarded to develop, unless we agree otherwise in writing, and all other disclosures above will apply to such payments.

We expect and intend to impose the Initial Franchise Fee above uniformly on our new System franchisees.

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ITEM 6: OTHER FEES

TYPE OF FEE	AMOUNT	DUE	REMARKS
Royalty Fee	The greater of (a) 7% of Gross Revenue[1] generated by the Franchised Business over the preceding reporting period, (b) or $1,500 per month (the "Minimum Royalty")	Your Royalty Fee will be due and owing immediately in connection with Gross Revenue once such revenue is (a) collected by our Current Billing/POS Provider, and (b) the provider remits such revenue to Franchisee's designated bank account (the "EFT Account") less the Royalty Fee (and other amounts due to us at that time).	Your Royalty Fees, as well as other amounts you must pay or remit to use and/or our affiliates under your Franchise Agreement, will be remitted to us directly by the third-party Approved Supplier that is utilized to: (i) collect all membership and/or other revenue generated from the sale of Approved Services and Approved Products via the Franchised Business at the point of sale (POS); (ii) otherwise provide POS functions via cloud-based software that System franchisee must use to record all such revenue and sales; and (iii) subsequently remit such revenue to the appropriate System Business owner, less your Royalty Fee and any other amounts due to us or our affiliates under your agreement (the "Current Billing/POS Provider"). Please note the definition of "Gross Revenue" in Explanatory Note No. 1 following this Chart. Your Minimum Royalty is over the six-month period following (a) the date you actually open your Franchised Business, or (b) the date your Franchise Agreement is required to be opened under your Franchise Agreement, whichever is sooner (the "Minimum Royalty Waiver Period").
Contribution to Brand Development Fund (the "Fund")	2% of the Gross Revenue generated by your Franchised Business over the preceding reporting period	Same time and manner as your Royalty Fee (currently remitted to us by the Current Billing/POS Provider)	Please see Item 11 of this Disclosure Document for additional information. We expect and intend to establish a brand development fund (or "Fund") for purposes of promoting, marketing, advertising and otherwise developing the System, Proprietary Marks, Approved Services/Products and/or our brand generally, as we determine appropriate in our discretion.
Local Marketing Requirement	You must expend a minimum amount equal to 1% of the Gross Revenue generated by the Franchised Business over the preceding calendar month (the "Local Marketing Requirement" or "LMR")	As invoiced and/or otherwise agreed with provider	This is the minimum amount you must expend on the local promotion, marketing and advertising of your Franchised Business within your Designated Territory – but we encourage and advise that you expend additional amounts on such local activities as you determine appropriate in your discretion. We may require that you expend any portion of your LMR on services and/or collateral that is acquired by one (1) or more Approved Suppliers.

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Training Fee(s)	Our then-current training fee for the type of training requested or other assistance/training requested by you and/or required under your Franchise Agreement (our "Training Fee") Currently, our Training Fee(s) are as follows: (i) $1,500 for the training that we provide and afford access to each individual that you wish to engage and appoint as an Authorized Instructor that will be eligible to provide Approved Services at your Franchised Business (the "Instructor Training"); and (ii) $500/day per trainer utilized in connection with all other training we provide beyond the Initial Training Program we conduct with you (plus any out-of-pocket costs we incur)	On demand and as directed by us.	Please see Item 11 of this Disclosure Document for additional information. As previously noted in Item 1, as of the Issue Date we are willing to provide the System Instructor Training remotely to you and up to four (4) additional individuals that you determine to engage and wish to appoint as your initial Authorized Instructors of the Franchised Business, provided these individuals complete such training before undertaking or performing any Approved Services to any Franchised Business clientele.
Technology Fee	Our then-current technology fee for any technology and related products/services we determine to associate with our then-current System (the "Technology Fee") Currently, our Technology Fee amounts to: (i) 2% of Gross Revenue generated by your Franchised Business over the preceding reporting period; and (ii) if applicable, an additional $12 to $15 per month for a second and each additional System-associated email account provided to or requested by System franchisee.	Same time and manner as your Royalty Fee	Currently, your Technology Fee is used to cover and/or defray the costs associated with various technology that we have associated and, in some cases, developed for us in connection with the System, including: (i) your initial System-associated email address; (ii) certain website maintenance; (iii) the required POS software and certain related services provided by our Current Billing/POS Provider; and (iv) possibly additional software that we are or may designate for use in connection with the operation of your Franchised Business (collectively, the "Required Software"). We may modify our Technology Fee – the amount and/or the technology services or Required Software access we determine to provide as part of said fee – upon at least 60 days' prior written notice via the Manuals or otherwise in writing.

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Transfer-Related Fees	- $5,000 if a System franchisee wishes to amend the territory and/or site selection area to a different geographical area wherein it has located a site it wishes to propose and, if approved by us, secure; - a reduced fee amounting to $750 in the particular situation where an existing System franchisee is (a) an individual that wishes to assign to a wholly-owned entity that will serve as the "Franchisee" moving forward, or (b) looking to effectuate a transfer in the event of death or disability, which will be used to help defray the administrative/legal costs that we will incur in this context; or - $25,000 (per franchise) in all other assignments where System franchisee wishes to transfer the franchise agreement, Franchised Business or its operating assets and/or any ownership interest in the Franchisee entity	Prior to our approval of any proposed transfer or assignment	There are transfer fees that you must meet and/or satisfy as pre-conditions to Franchisor approving any request or proposal you submit for transfer/assignment. Please see Item 17 of this Disclosure Document for additional information. - $5,000 if a System franchisee wishes to amend the territory and/or site selection area to a different geographical area wherein it has located a site it wishes to propose and, if approved by us, secure;
Renewal Fee	$20,000	On each renewal of the term of the Franchise Agreement.	Renewal is optional and there are other pre-conditions you must meet or satisfy in order for us to approve any request for renewal in connection with the franchise rights awarded under your original Franchise Agreement.
Attorneys' Fees and Costs; and Documentation Fee	Will vary under circumstances, but we reserve the right to seek our attorneys' fees and other costs incurred in connection with (a) any claims we bring via proceeding, and/or (b) any actions we undertake due to your default(s) under your Franchise Agreement	As incurred by you.	Payable only if you fail to comply with the Franchise Agreement and we have to enforce it against you. Such attorney fees' and costs amount to up to $5,000 depending on the kind of franchisee proposal, analysis and/or preparation of documents required (the "Documentation Fee") in connection with any addendum, transfer and/or assignment and/or other contacts that we agree to enter into at our request or proposal after the Franchise Agreement is executed.

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Indemnification	The costs and expenses we incur in connection with your breach or default under your Franchise Agreement or otherwise in the ownership and operation of your Franchised Business.	As incurred by you.	You are solely responsible and must indemnify and hold us harmless for all loss, damage, claims or demands arising from your Franchise including, but not limited to, any joint employment claims.
Annual Convention Fee	We expect this amount to be around $1,500 to $2,000 per attendee	Paid monthly by you.	You will also be responsible for covering the costs that attendees incur in connection with attending any such event.
Merchant payment processing costs	Then-current amount charged by our Approved Supplier (if applicable) Currently, these fees are estimated to be between 2% and 4% of Gross Revenue generated by your Franchised Business on an ongoing basis	Payable immediately once collected by the Current Billing/POS Provider	These amounts are payable to our third-party Approved Supplier for such services as of the Issue Date.
Interest and/or Late Fees	The lesser of (i) 18% per annum, and (ii) the highest rate permitted for commercial transactions under applicable law	If and as incurred and invoiced	Please note that the maximum interest rate in the State of California amounts to 10% per annum. These amounts may be charged in connection with any fees or amounts that are past due and owing under the Franchise Agreement.

Explanatory Notes to Item 6 Chart Above

1. *Definition of Gross Revenue.* For purposes of this Disclosure Document, the term "Gross Revenue" shall mean the total amount of consideration, whether cash, credit, or payment in kind, received by you for all goods sold and services (including all membership fees and other revenue generated from the sale of Approved Services and Approved Products), including barter (exchange of tuition for services or products), and excluding refunds, uncollectible debts, taxes collected and paid to a tax authority, and tuition credits for staff children. There shall be deducted from Gross Revenue the price of goods returned by customers for exchange, provided that such returned goods shall have been previously included in Gross Revenue, and provided that the sales price of goods delivered to the customer in exchange shall be included in Gross Revenue. Gross Revenue shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by you to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when you shall receive payment (whether full or partial) therefor.

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ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Initial Franchise Fee[1]	$50,000	Lump sum	Upon execution	Us
Initial Marketing Spend[2]	$10,000	Lump sum	Prior to opening	Approved Supplier for digital/online marketing; Third-Party Provider for other expenditures
Other Initial Marketing and Promotional Activities[2]	$1,000 to $10,000	As arranged	As invoiced or agreed	Approved Supplier and/or other Third-Party Providers (videographer, etc.)
Training-Related Costs and Expenses[3]	$1,000 to $7,500	As arranged	Prior to Opening	Third-Party Providers for Travel, Lodging, Meals and Local Transportation
Site Selection Assistance	$0 to $10,000	Lump sum	Prior to opening	Approved Supplier or other Third-Party Provider
Security Deposit and other Pre-Opening Amounts under Lease for Approved Premises[5]	$8,000 to $75,000	As arranged between you and the landlord.	As negotiated and agreed in the lease	Third-Party Landlord
Design and Layout	$3,000 to $10,000	As arranged	Prior to opening	Approved Supplier(s) and/or Other Third-Party Provider(s)
Operational Equipment and Supplies Package[6]	$70,000 to $100,000	Lump sum	Prior to opening	Approved Supplier(s)
Leasehold Improvements[7]	$100,000 to $325,000	As arranged	As invoiced	Third-Party Contractor and Other Third-Party Vendors/Providers
Signage: Exterior/Interior[8]	$10,000 to $50,000	As agreed	As invoiced	Approved Supplier(s)
Computer System and Required Software – Initial Costs[9]	$3,000 to $7,000	Lump sum	As invoiced and prior to opening	Approved Supplier(s)
Other FFE	$0 to $10,000	As arranged	As incurred	Approved Supplier(s) and/or other Third-Party Vendor(s)
Utility Deposits (water, electricity, gas)	$1,000 to $3,000	As incurred	Prior to opening	Utility Providers
Insurance Premiums	$2,000 to $10,000	As arranged	As incurred and invoiced	Third-Party Insurance Carrier/Provider
Business Licenses & Permits	$500 to $10,000	Lump sum	Prior to opening	Local, state, and/or federal government agencies

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Professional Fees	$1,000 to $10,000	As arranged	As invoiced	Third-Party Professional(s) – Lawyer and Accountant
Music Licensing Subscription[10] *(for play, not synch)*	$500 to $1,000	As arranged	Ongoing basis	Approved Supplier
Other Miscellaneous Pre-Opening Expenditures	$0 to $5,000	As arranged	As incurred	Approved Supplier(s) and Third-Party Suppliers/Providers
Rent – 4 Months after opening[11]	$20,000 to $50,000	Lump sum	Prior to opening	Third-Party Landlord
Additional Funds – 4 Months Following Opening[12]	$25,000 to $70,000	Various	As incurred	Personnel of the Franchised Business; Approved Supplier(s) and/or Other Third-Party Providers; other vendors; state agencies; etc.
Total Estimated Initial Investment	**$306,000 to $823,500**			

Explanatory Notes to Item 7 Chart Above

General Note. The estimated investment ranges were prepared based upon and accounting for: (i) various sources of information, including (a) the experience of our affiliates developing two (2) System Businesses (each, an "Affiliate Business") over the past 18 months, (b) the experience of our Affiliate Franchisor and its System franchisees that have Franchised Businesses operating or under development in Australia, (c) information we have received from our current third-party Approved Suppliers for certain investment items or categories above, (d) information and data that we have received from various real estate brokers and/or other sources for information with respect to current real estate and commercial leasing markets, and (e) various other due diligence; and (ii) a number of expectations and reasonable assumptions that we make as part of our standard franchise offering, such as franchisee (a) securing an approved Premises and opening the Franchised Business within the prescribed timelines set forth in your Franchise Agreement (and on or before the Rent Commencement Date under the lease for the Premises), and (b) ensuring that the Premises is built out in accordance with our current System standards, specifications and processes, and (c) using our Approved Suppliers for certain Required Items as set forth in the Chart above and in Item 8 of this Disclosure Document below.

1. *Initial Franchise Fee.* Please see Item 5 of this Disclosure Document for additional details regarding this initial fee and the terms associated with the same. This amount must be paid in connection with each Franchised Business you are awarded the right to independently own and operate at the time such rights are awarded, and such amounts are deemed fully earned upon payment under your signed Franchise Agreement.

2. *Training-Related Costs and Expenses.* This is the estimated range of costs that a new System franchisee can expect to incur in connection with attending the Corporate Training portion of our Initial Training Program at our designated corporate training location (currently located in California). The low end of this estimate assumes that you or your operating principal will be the only person attending the Corporate Training and that the franchisee resides close enough that no major flight costs will be incurred. The high end of this estimate assumes that you and possibly one (1) other person (either your Designated Manager and/or lead Authorized Instructor) will attend the Corporate Training and that the attendees' travel costs will include standard airfare and lodging at one (1) of the hotels that we recommend nearby the Corporate Training location.

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3. *Initial Marketing Spend; Other Initial Marketing and Promotional Activities.* The $10,000 Initial Marketing Spend will be expended as we direct in the Manuals or otherwise in writing, consistent with our System standards and practices, and we expect that all or substantial portion of this spend will be remitted to our designated Approved Supplier for online marketing and promotional services. In addition to this Initial Marketing Spend, we expect and may require that you expend up to an additional $1,000 to $10,000 on marketing, advertising and promotional services and/or collateral that we prescribe or approve in the Manuals to increase the visibility of your Franchised Business within your Designated Territory. Please see Item 9 of this Disclosure Document for additional information.

4. *Site Selection Assistance.* The low end of this estimated range assumes that the third-party provider you engage to assist in your review and analysis of potential sites for your Franchised Business for you to consider will provide such services and ultimately be compensated by the landlord of the site that you submit and we approve as the Premises of your Franchised Business – which seems to be the common practice amongst many national real estate brokers such as CBRE®. The high end of this estimate assumes that "Site Selection" costs will include some type of payment to your site selection assistance provider, while also accounting for some additional out-of-pocket costs you might incur on preliminary buildout analysis or other information you submit as part of your site proposal package.

5. *Lease: Security Deposit and other Pre-Opening Payments.* These are estimated amounts of your security deposit under the lease for the Premises, which our standard franchise offering expects will be between 1,800 to up to 3,000 square feet. We expect that the lease terms, including rent, will vary substantively amongst our System franchisees based on (a) demand in the Designated Territory, (b) the population and other demographics of the Designated Territory and surround region, and (c) the terms you are responsible for negotiating with landlord with respect to rent (and/or free rent) and other primary business/payment terms under the lease for the Premises. These amounts will vary by market and may be refundable (as determined by the landlord). The low end of this estimate assumes a Premises in a suburban or rural area that is not in a city or other densely populated area or metropolitan area, with a security deposit amounting 1-2 months of rent. The high end of this estimate assumes that the Premises is located in a higher-end real estate market and/or more densely populated area, with a security deposit amounting to 2-3 months of rent. The range here is based on (a) the experience of our affiliates opening two (2) franchised locations in CA, (b) the experience of our Affiliate Franchisor and its franchisee network when securing a premises to operate a System Business in Australia, and (c) information we have received from third-party real estate brokers and consultants.

6. *Operational Equipment and Supplies Package.* This estimated range is designed to cover the initial operational equipment, supplies and inventory necessary to outfit the Premises and Franchised Business with the Required Items necessary for Authorized Instructors to provide the Approved Services, as well as certain other Required Items that will be utilized to buildout and/or operate the Franchised Business. The exact package components will be detailed more fully in our Manuals or otherwise in writing. The costs of the applicable package for your Franchised Business may vary from other System franchisees based on the location, design, layout and size of your Franchised Business – as well as any upgrades or other variances you request and we allow in connection with your buildout.

7. *Leasehold Improvements.* You may need to construct improvements or "build out" the Facility at which you will operate your Franchised Business. You may be able to negotiate various terms with

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your landlord, including paying for some of the build out costs for your space. Also, you may seek to finance some or all of your build out costs through your landlord or other financing sources. A variety of factors may affect the availability of landlord and other financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs. Your landlord may also agree to provide you with a tenant improvement credit, whereby the landlord credits some of the costs you incur in building out the Premises towards your monthly rent. This estimate is based on our standard franchise offering that assumes that the approved Premises for your Franchised Business will be between 1,800 and 3,000 square feet in size.

8. *Signage.* This estimated range is designed to cover the costs you will incur in connection with acquiring the exterior signage, as well as any interior signage and/or window decals, which bear the Proprietary Marks and are used to identify and associate the Franchised Business with our brand. As of the Issue Date, our standard franchise offering assumes that you will acquire this signage from our designated Approved Supplier.

9. *Computer System and Required Software*. This estimated range is designed to cover the costs associated with acquiring the Computer System hardware and other components disclosed more fully in Item 11 of this Disclosure Document, as well as any initial costs associated with setting up that Computer System so that it runs all Required Software prior to opening.

10. *Music Licensing and Limitations.* This is the estimated amount charged by our current Approved Supplier for music licensing that permits a System franchisee to stream and play music at the Premises for the enjoyment of both your personnel and clientele.

11. *Rent – 4 Months Post-Opening.* Rent for each franchised business is dependent on size, quality and position of Premises and local market conditions. This amount will vary depending on Lease negotiations between the landlord and the franchisee (as tenant) and, again, our standard franchise offering and Chart above assumes that your Premises will be between 1,800 and 3,000 square feet is size. For certain premium location(s) in urban areas, you or other System franchisees may choose to expend more than the amounts suggested herein – but such a decision would need to be approved by Franchisor and may be beyond the scope of Franchisor's standard franchise offering (and this range disclosed this Chart).

12. *Additional Funds – 4 Months Post-Opening.* These figures are estimated and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how well you follow the Franchise System and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for fitness services; and competition. This range, as well as out Item 7 Chart generally, does not account for any (i) the costs associated with any debt services (which are within your sole discretion), or (b) any salary or other compensation for the Franchise Operator or any other Franchise Owner. We have relied on our years of experience in the industry to compile these numbers. YOU SHOULD REVIEW THESE FIGURES CAREFULLY IN LIGHT OF LOCAL CONDITIONS AND THE LOCAL ECONOMY, AND CONSULT YOUR ACCOUNTANT.

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ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services

You may only market, offer, sell and provide the Approved Services, as well as any Approved Products we authorize, from or through your Franchised Business using the curricula, methodologies, guidelines and overall culture that are consistent with our System standards and specifications. We will provide you with a list of our then-current Approved Services and Approved Products, along with any corresponding instruction or guidelines and/or directives for how to offer and provide the same, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

It is important to understand that our franchisees and other System owners help ensure and guarantee the satisfaction of our customers. Therefore, if a customer complains about a given experience that took place at the Franchised Business, we may establish certain procedures you are required to follow to resolve the concern – which may include directives regarding customer refunds and/or provision of discounts for future services to be conducted at the Franchised Business.

If you wish to offer any product or service at your Premises or otherwise in connection with the Franchised Business other than our Approved Products and Approved Services - or use any item in connection with your Franchised Business as a substitute or in addition to any Required Item we designate – then you must obtain our prior written approval as described more fully in this Item 8.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate – which we refer to as an "Approved Supplier" and may include us or our Affiliate(s). We will provide you with a list of our then-current Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

We are not currently the Approved Supplier for any Required Items you must acquire or use in connection with your Franchised Business, except: (i) any technology services we determine to provide as part of any Technology Fee we determine to establish in the future; and (ii) any ongoing Additional and/or Refresher Training, and/or new or replacement Instructor Training, that occurs once you have opened your Franchised Business, and for which we may charge our then-current Training Fee for the kind of training at issue; and (iii) any services we determine to provide as part of our current Fund.

As of the Issue Date, we expect and intend to have Approved Suppliers for the following items you must purchase in connection with your Franchised Business as of the Issue Date of this Disclosure Document: (i) certain furniture, fixtures, equipment and supplies you must purchase to buildout and/or operate your Franchised Business; (ii) site selection and other real estate services (recommended, but not necessarily required); (iii) software and technology we designate for use in connection with the System; (iv) signage furniture, fixtures, equipment, supplies and inventory comprising the Start-Up Equipment and Supplies

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Package (detailed more fully in Item 8); (v) other inventory items and paper goods; (vi) branded items and retail merchandise, including certain Approved Products; (vii) certain marketing materials and services, which may include digital marketing and collateral such as flyers, coupons, banners, flags and similar promotional items; (viii) music licensing services (for use at your Premises); and (ix) project management and related services associated with the buildout and design of your Franchised Business (optional, not required).

Except as disclosed in this Item, (i) neither we nor any of our affiliates is currently an Approved Supplier for any other Required Item; and (ii) none of our officers own an interest in any third-party Approved Supplier.

We reserve the right to appoint ourselves, our affiliate(s) and/or any third party as the designated or Approved Supplier for any Required Item in the future, which we will communicate via the Manuals or other prior written notice.

Method of Approving Suppliers or Non-Approved Products

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product or service evaluation fee when submitting your request. If you make such a proposal, we reserve the right to charge you the greater of (a) the costs/expenses we incur in evaluating/testing your proposal, and (b) $1,000 per proposal. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies, services or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we may consider not only the quality of the product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 90 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed service, item and/or supplier. If you do not receive a notification from us within that 90-day period, the proposed service, item and/or supplier is deemed disapproved. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee the performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or service or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously approved product, service or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier or offer the revoked service.

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Right to Derive Revenue

We and our affiliates may derive revenue from the sale of products, supplies, services and equipment to you by us, our affiliates and our other Approved Suppliers.

Neither we nor our affiliates derived any revenue from System franchisees' required purchases in our respective past fiscal year(s) ending December 31, 2023.

Required Purchase(s); Percent of Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 65% to 85% of your total costs incurred in establishing your Franchised Business, and approximately 25% to 65% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these ranges for "Required Purchases" include the lease for your approved Premises given that it must meet our then-current site selection criteria and specifications.

Purchasing or Distribution Cooperatives; Right to Receive Rebates/Consideration

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all the System Businesses. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliates may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. As noted above in this Item, neither we nor our affiliate(s) derived any rebates/consideration from any third-party suppliers or providers – or any other revenue – over our respective past fiscal year(s) ending December 31, 2023.

We do not currently have any purchasing or distributing cooperatives as of the Issue Date, but we reserve the right to create such cooperatives in the future.

Insurance (Minimum Requirements)

You must acquire and maintain, at your expense and by advance payment(s), during the entire term of the franchise the following minimum insurance policies, which minimums may be adjusted periodically in our Manuals or otherwise by prior advance writing:

Type of Insurance	Limits
Employee Dishonesty /"3-D" Comprehensive Crime Insurance	$300,000 (per Occurrence)

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Comprehensive General Liability	$2,000,000 (General Aggregate) $2,000,000 (Products/Completed Operations)
Comprehensive General Liability	$1,000,000
Business Automobile Liability, including owned, hired and non-owned automobile insurance	$1,000,000 (per Occurrence)
Excess or Umbrella Insurance	$5,000,000 (per Occurrence & Aggregate)
Workers Compensation Insurance Employment Practices Liability Insurance	Statutory Limits $1,000,000/$1,000,000/$1,000,000

These policies will insure both you and us and our officers and directors and nominees as additional insureds against any liability which may accrue by reason of your ownership, maintenance or operation of the franchise business wherever it may be located. These policies will stipulate that we will receive a 30-day written notice of cancellation, modification or termination. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us must be furnished to us together with proof of payment within 30 days of issuance. These insurance coverage requirements are only minimums. You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate.

If you fail to obtain insurance and keep the same in full force and effect, we may obtain this insurance at our discretion, and you will pay us the premium costs upon our demand. Failure to obtain and maintain the required insurance constitutes a material breach of the franchise agreement entitling us to terminate the agreement. You must also procure and pay for all other insurance required by state or federal law. We may periodically increase the amount of coverage required and/or require different or additional coverage. We do not derive revenue as a result of your purchase of insurance.

Computer System

You are required to purchase and maintain in good working order a laptop or desktop computer with standard productivity software and access to the Internet for use in the back office in connection with (i) managing and reporting your Franchised Business, and (ii) working with our Current Billing/POS Provider and associated Required Software. We do not currently have an Approved Supplier for the computer hardware you must utilize, but you will need to have a dedicated computer for POS and a printer that meets our System standards and specifications. Since you accept credit cards as a method of payment at your Franchise, you must comply with payment card infrastructure ("PCI") industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers that the credit card processing service approved or provided by us or our affiliate is compliant, whether or not certified, with the PCI Data Security Standards.

Premises

You must secure a Premises that we approve in accordance with our then-current site selection criteria, to the extent such criteria are reduced to writing and provided to you as part of the Manual(s) or otherwise.

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You must obtain approval before you use any advertising or promotional materials, signs, forms, and stationary unless we have prepared or approved them prior to their proposed use unless they conform with the advertising standards identified in the Operations Manual. You may purchase advertising and promotional materials, brochures, fliers, forms, business cards, and letterhead form from us or our approved vendors.

You must maintain your facility and all fixtures, furnishings, signs, and equipment in good order and condition, and in conformity with our System Standards, as set forth in our Manuals or other written directives, plans and/or designs that we provide to you at or around the time you secure a lease for your approved Premises (and, if applicable, any time after you have signed your lease).

ITEM 9: FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section(s) in Franchise Agreement	Item in Disclosure Document
Business selection and acquisition	§2	Item 7
Pre-opening purchases/leases	§9	Items 5 and 7
Business development and other pre-opening requirements	§2	Items 7 and 11
Initial and ongoing training	§ 4	Items 6 and 11
Opening	§§4, 5, 6, 7, 8, 11, 12, 13	Item 11
Fees	§§4, 13	Items 5, 6 and 7
Compliance with standards and policies/Manual	§§ 6, 9.7, 11, 12	Item 8, 11
Trademarks and proprietary information	§§ 2, 3	Items 13, 14 and 16
Restrictions on products/services offered	§ 12	Item 8, 12 and 16
Warranty and customer service requirements	§§ 4, 5, 8, 9, 10, 11	Item 1, 8 and 11
Territorial development and sales quotas	§§2, 9	Item 12
Ongoing product/service purchases	§§ 4, 5, 6, 12 and 13	Item 8
Maintenance, appearance & remodel requirements	§§9, 11	N/A
Insurance	§ 8	Item 7 and 8
Advertising	§§ 6, 7	Item 11
Indemnification	§ 17	Item 6
Owner's participation/management/staffing	§10	Items 1 and 15
Records/reports	§§ 11 and 13	N/A
Inspections/audits	§ 13.11	Item 11
Transfer	§ 15	Item 11 and 17
Renewal	§ 14	Item 17

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Obligation	Section(s) in Franchise Agreement	Item in Disclosure Document
Post-termination obligations	§§ 14, 15, 16, and 18	Item 17
Non-competition covenants	§ 18	Item 17
Dispute resolution	§ 19	Item 17

ITEM 10: FINANCING

We do not provide or arrange financing for you or guarantee your obligations to third parties. We do not receive direct or indirect payments for placing financing with any person or company.

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

A. Pre-Opening Assistance

Except as disclosed below, we need not provide any assistance to you.

1. We will designate your Designated Territory in the Franchise Agreement prior to execution, unless the parties agree otherwise in a separate agreement (Franchise Agreement, Section 2);

2. We will provide any site selection guidelines and assistance in connection with selecting the Premises, to the extent the same has been reduced to writing in the Manuals or otherwise. We will also review, and subsequently approve/reject, any site you propose as a potential Premises as detailed more fully below in this Item. (Franchise Agreement, Section 9);

3. We will provide on-site assistance and training at your Premises (the "On-Site Assistance"), as detailed more fully in this Item below. (Franchise Agreement, Section 4);

4. We will provide you with a list of our Approved Products, Approved Services, Required Items and Approved Suppliers (to the extent we have designated the same), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 11);

5. We will review and approve your signage, the proposed layout and design of your Premises (which must be prepared by our Approved Supplier unless we agree otherwise in writing), as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Sections 9, 10 and 11); and

6. We will provide our Initial Training Program to you and up to two (2) additional of your initial management (or principal) team, as disclosed more fully below under the next heading of this Item.

B. Initial Training Program (Franchise Agreement, Sections 4, 11 and 16)

We will provide our initial training program comprised of: (i) certain "Classroom Training" that you and any individual you wish to serve as a Designated Manager (as defined in this Disclosure Document) will have remote access to and must view and/or otherwise complete online via video instruction or other learning management system we designate to (a) monitor/track participation and progress, and/or (b) test competency levels, if and as we determine appropriate (collectively, the "Remote Training"); (ii) training

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that we will provide to you and up to two (2) additional individuals at our corporate training location (or headquarters), currently located in California (which we refer to as our "Corporate Training"); and (iii) on-site training,assistance and support that you, your management, you, your initial management team and our Franchised Business personnel that will be involved in the initial operations (the "Initial Trainee Team") must participate and complete to our satisfaction (the "Initial On-Site Training"), which we may expect to provide at or around the time of Franchised Business has its contemplated soft opening.

1. *Use of Remote Training for Certain Instruction.* Certain portions of the Classroom Training hours (as detailed in the Chart below) may involve instruction provided by video or other digital technology while at our designated corporate training location.

2. *Pre-Conditions to Us Providing Corporate Training or On-Site Initial Training.* We may condition your ability to attend our Corporate Training and/or us providing you with any Initial On-Site Training on you: (i) expending the required amounts on the marketing and pre- opening sales activities we designate or otherwise approve in connection with your initial marketing plan, your lead generation efforts and the Initial Training Team's participation in the Initial On-Site Training that will be provided at your Premises; (ii) undertaking all steps to establish and provide us with access to your EFT Account consistent with your Franchise Agreement, including providing Franchisor and/or its designee with a signed and completed copy of the authorization form attached to your Franchise Agreement as an Exhibit, as well as any other authorizations and approvals necessary for us or our designee to access such EFT Account; (iii) demonstrating that you have obtained all required insurance coverages as set forth in this Agreement and our Manual; and (iv) providing us with completed and signed copies of all agreements and contracts that are attached as Exhibits to your Franchise Agreement, to the extent such documents have not been signed or need to be updated or completed at that time (collectively, the "On-Site Training Pre-Conditions").

3. Any individual that you determine to engage and appoint as the individual that will handle the day-to-day operations and management of your Franchised Business (which we refer to as a Designated Manager or General Manager in this Disclosure Document) must participate in and complete all components of the initial training program that we designate, and we may require that you ensure at least two (2) such individuals (including you or, if Franchisee is a business entity, the Franchise Operator) complete all Initial Training Program components prior to opening your initial Franchised Business.

4. You must ensure that any individual personnel you wish to appoint and serve as an Authorized Instructor at the outset of your Franchised Business operations (a) participates in and successfully completes our proprietary Instructor Training program (currently provided remotely), and (b) attends all portions of the Initial On-Site Training we provide to you and your Franchised Business personnel at or around the time of your contemplated opening.

5. You are also solely responsible for all costs and expenses you (and your personnel) incur in connection with completing the appropriate Remote Training, Corporate Training and Initial On- Site Training, including personnel and other trainee wages.

6. We do not currently have a set training schedule, but we expect and intend to provide Corporate Training on an as-needed basis once each franchisee has completed any introductory Remote Training and otherwise complied with the Pre-Training Conditions, and Initial On-Site Initial Training on an as-needed basis to each franchisee and its initial Authorized Instructor team after the you have completed the Corporate Training and otherwise demonstrated that all other

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pre-opening requirements under your Franchise Agreement have been satisfied. We expect to provide Initial On-Site Assistance around the time of your contemplated soft opening or in the week preceding the same.

7. Instructional materials, including components of the Manuals, remote training modules/content (online), job aids and checklists will be provided to you and used as necessary as you proceed through the Initial Training Program. The initial training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well as changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained.

8. We will not typically provide any Initial On-Site Training until you demonstrate to us that you have secured a Certificate of Occupancy with respect to your Premises and have otherwise undertaken all steps and actions necessary to otherwise open your Franchised Business to the public. We typically require that you and your management and initial staff of Authorized Instructors (the "Initial Training Team") complete Initial On-Site Training when it is being provided around the opening of your Franchised Business. Failure to complete all required initial training to our satisfaction may result in default and, if not cured, termination of the Franchise Agreement.

9. As of the Issue Date, our Initial Training Program in the United States will typically be supervised by Peter Pisani, our athletic director for North America, who has (a) been with our brand and System since August 2022, and (b) over 12 years of experience in the Franchised Business industry generally and the topics of instruction detailed in the Chart below.

10. We reserve the right to appoint and substitute for other individuals to assist in providing training, but all of our training personnel will typically have at least one (1) year in the subject matters that they teach. We will provide you with access with one (1) copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop.

Below please find a Chart providing a high-level overview of our Remote Training content and curriculum we expect and intend to use with new System franchisees as part of our Corporate Training:

TOPIC	CONTENT
WELCOME TO FITSTOP	THE ACADEMY - YOUR STAGES TO OPEN
	FITSTOP STORY - OUR WHY
	PRODUCT - OUR TRAINING METHODOLOGY
DEVELOPMENT	LEASING - UNDERSTANDING SITE SPECIFICATIONS
	BUILD - UNDERSTANDING FITSTOP REQUIREMENTS
	COMPLIANCE - SITE OBLIGATIONS
	PROJECT MANAGEMENT - UNDERSTANDING TIMELINES

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PRE-OPEN	TEAM
	MARKETING STRATEGY
	MEMBERSHIP SALES
	PRODUCT & BRAND STANDARDS
	TECHNOLOGY
	OPEN DAY EVENT
	POST OPEN OPERATING RHYTHM
	UNDERSTANDING BUSINESS ANALYTICS & REPORTING
POST OPEN	DEVELOPING YOUR 90 DAY PLAN
	CAMPAIGN STRATEGY AND CYCLES
	ONGOING TRAINER EDUCATION AND DEVELOPMENT
	LEAD MANAGEMENT
	PATHWAY TO PURCHASE
	MEMBER RETENTION
	SOCIAL MEDIA BEST PRACTICE
	LEADERSHIP
	BUSINESS PLANNING & GOAL SETTING
	ONGOING WORKSHOPS & ANNUAL CONFERENCE

C. Operations Manual (Franchise Agreement, Section 5)

We will loan you one copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. Most of the Operations Manual content is available and provided electronically, rather than in paper format. Our current Operations Manual contains over 1,000 pages of digital and/or other content, consistent with the Table of Contents set forth in Exhibit B.

We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. We may periodically amend, update or replace the contents of the Manuals. Beginning on the 30th day (or any longer time we specify) after our delivery of written notice, you will comply with each amended,

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updated or replaced provision. Revisions to the Manuals will be based on what we, in our sole discretion, deem is in the best interests of the System, including promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving our and our franchisees' profitability.

D. Site Selection (Franchise Agreement, Section 9)

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing a Premises; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. We do not typically own the premises and/or lease (or sublease) it to you, but we reserve the right to do so. In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar fitness services within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site. We must also have the opportunity to review any lease or purchase agreement for the proposed Premises before you enter into such an agreement.

We may condition our approval of any site you propose on a number of conditions, including: (i) providing a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business throughout the term of your Franchise Agreement; and (ii) you and landlord executing an appropriate form of addendum/rider to the Lease for the Premises in a form that affords Franchisor any lease terms that we prescribe in our Manuals (the "Prescribed Lease Terms").

We will make reasonable efforts to approve or reject any proposed location within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected.

You must secure a Premises within six (6) months of the date you enter into your Franchise Agreement with us. If you are unable to find a suitable site within this timeline, then we will have the right to terminate your Franchise Agreement upon written notice.

Regardless of the above, our approval of a site you proposed for a given Franchised Business only means that the site meets our minimum requirements for a typical Franchised Business. It does not, and may not be construed to, constitute any kind of guarantee, promise, representation or other affirmative statement or judgment that your Franchised Business will achieve any certain level of revenue when operating from said location.

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E. Time to Open Your Business (Franchise Agreement, Section 9)

The length of time we estimate between your signing of the Franchise Agreement and opening the Franchised Business governed by that agreement will typically be between six (6) and 12 months. You must open your Franchised Business no later than 12 months after you sign the Franchise Agreement. If you fail to open within the required time period, then we may terminate your Franchise Agreement upon written notice.

F. Post-Opening Obligations (Franchise Agreement, Sections 2, 3, 4, 10 and 14)

1. We may require you and, if applicable, your Designated Manager to attend annual additional/refresher courses, as we deem necessary in our sole discretion ("Additional Training") and/or remedial training as part of the actions necessary to cure your noticed default under the Franchise Agreement ("Remedial Training"). We may require that you pay our then-current Training Fee, which is currently $500/day per trainer for this kind of training, for any Additional/Remedial Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional/Remedial Training.

2. We may provide instructional training to Authorized Instructors that you wish to appoint amongst your personnel and that will be authorized to provide the Approved Services at your location, consistent with our then-current System standards and specifications as we set forth in the Manual or otherwise in writing – which, as of the Issue Date, we expect and intend to provide remotely and reserve the right to charge our then-current Training Fee to provide to any Authorized Instructor beyond the Initial Instructor Team noted above (currently, $1,500).

3. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, or intranet communication, as we deem advisable and subject to the availability of our personnel.

4. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading "Advertising and Marketing."

5. We will approve or disapprove of your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers.

6. We will schedule and hold an annual conference, as and when we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), as well as applicable attendance/registration fees disclosed more fully in Item 6 above.

7. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote our brand, our Proprietary Marks and other Franchised Business locations, provided you follow the terms of your Franchise Agreement. We will also have the right to discontinue operation of the Website at any time without notice to you. We may require that you maintain and utilize a specific e-mail account in connection with the Franchised Business. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or email

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address that in any way concerns, discusses or alludes to us, the System or your Franchised Business without our written consent. The Proprietary Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Proprietary Marks, or the Franchised Business that (a) does not comply with our social networking guidelines described in the Operating Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Proprietary Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Proprietary Marks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer-generated advertising or communication arrangement which we may create. Subject to the terms of the Franchise Agreement and Operations Manual, we may make available to you a sub-page on the Website that will be located at a sub-domain of the Website to be specified by us (the "Subpage"). You will be permitted to upload content onto the Subpage solely to promote and provide customers with information related to your Franchised Business. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, "Subpage Standards") issued by us. The Subpage may not contain content which references any other Franchised Businesses other than your Franchised Business. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. We may also design the Website for taking delivery orders from customers and routing that to you. We will be solely responsible for the development of all online ordering. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage shall immediately cease, and we may cease to make the Subpage available to you. Please see below in this Item 11 under the heading "Advertising and Marketing" for further information.

8. We also may maintain one or more social media sites (e.g., www.instagram.com, www.facebook.com, or such other social media sites). You may not establish or maintain any social media sites utilizing any usernames, or otherwise associated with the Proprietary Marks, without our advance written consent. We may designate from time to time regional or territory-specific usernames/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all your employees to adhere to said policies.

9. We will establish, administer and maintain a brand development Fund for the benefit of the System, as we deem appropriate in our sole discretion and set forth more fully below in this Item.

10. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications as well as to consult in the development and growth of your Franchised Business. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of your Franchised Business, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. If any inspection reveals any deficiencies, you will be responsible for our costs in conducting such an inspection.

11. We may supplement, revise or otherwise modify the Manuals, as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet.

12. If we deem appropriate, establish and maintain a Mystery Shopper Program and/or other Quality Assurance Program, as we deem appropriate at our discretion.

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13. We may: (i) research new equipment, products, services and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided as Approved Products (and/or Approved Services) at or from a Franchised Business, including proprietary products and services sold under the Proprietary Marks or other marks we designate.

G. Advertising and Marketing (Franchise Agreement, Sections 6 and 15)

Advertising and Marketing Generally

All advertising and promotion materials that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities.

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least ten (10) days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 30 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved, and you may not use such materials. Once approved, you may use the proposed materials unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time.

Initial Marketing Spend; Other Initial Promotional Activities

You are required to spend a minimum of $10,000 in various online and/or other marketing activities that we prescribe as part of our System and that we expect will be paid to our Approved Supplier (the "Initial Marketing Spend"). Typically, we expect that you will be required to expend these amounts 30 to 90 days prior to opening and continuing through the grand opening of your Franchised Business – as we discuss and specify prior to any opening or operation of your Franchised Business in the Manuals or otherwise in writing. We may require that you expend all or any portion of the Initial Marketing Spend on materials/services that are purchased from our Approved Supplier(s).

As detailed in Item 7, we estimate that you will expend an additional $1,000 to $10,000 on other promotional activities designed to increase the visibility of your Franchised Business prior to and around the time of your anticipated opening. We may provide further directives to you via the Manuals or otherwise in writing on how we suggest or, in some cases, require our System franchisees to expend these funds.

Local Marketing Requirement

Separate from the Initial Marketing Spend, you will be required to expend such amounts as we may designate from time to time for advertising and marketing the Franchised Business within the Designated Territory (your "Local Marketing Requirement"). Currently, you are required to spend one percent (1%) of monthly Gross Revenue of the Franchised Business on Local Marketing Requirement.

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We may require that you expend any portion of your Local Marketing Requirement on services and/or materials that you acquire and purchase from one (1) or more of our Approved Suppliers. We must approve all advertising, marketing and/or other promotional materials you wish to use in connection with your Franchised Business that (a) are not designated by us in our then-current Manuals, or (b) have not otherwise been approved by us in the 12-month period preceding the contemplated use of such materials/content.

We may request that you provide us with invoices and/or other evidence sufficient to demonstrate you are expending the appropriate LMR in connection with your Franchised Business upon 30 day's prior written notice, and your failure to (a) provide such evidence, and/or (b) expend the minimum LMR, in a given month shall constitute a material default under your Franchise Agreement that you will be afforded a 30-day period to cure as detailed more fully in your Franchise Agreement.

Brand Development Fund

We currently expect and plan to administer a brand development fund (the "Fund") for the benefit of the entire System. We use the Fund to meet certain costs related to 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. Your current Fund Contribution will be two percent (2%) of the Gross Revenue generated by your Franchised Business.

Currently, affiliate-owned locations may – but are not obligated to – contribute to the Fund in the same amount and manner as System Franchised Businesses. Other System franchisees' respective Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Fund fees.

We have full discretion to settle or forgive any accrued and unpaid Fund contributions owed by a franchisee. With any advertising funds paid, we have sole discretion as to how and where the money is spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and internal personnel to assist in developing the brand name and average unit volumes, expenses associated with listings in telephone books, subsidies of premiere/marquis locations designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of Proprietary Marks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials), market research, developing training tools designed to assist System franchisees, the cost of developing and maintaining an Internet website and other digital marketing tools, developing and deploying mystery shopper programs and for any other use we determine. Additionally, we can use the Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of our primary brand website. We are not required to spend any advertising funds in your specific area or territory. Materials provided by the Fund to all Franchisees may include video and audio tapes, mats, posters, banners, and miscellaneous point-of-sale items. You will receive one sample of each at no charge.

We may occasionally provide for placement of advertising on behalf of the entire franchise system, including Franchisees. However, most placement is on a local basis, typically by local advertising agencies hired by individual Franchisees or advertising cooperatives. While we have not yet done so, we have the right in the future to use advertising fees paid by our Franchisees to place advertising in national media (including broadcast, print or other media). Advertising funds are used to promote the products sold by Franchisees. A brief statement regarding the availability of information regarding the purchase of a franchise may be included in the advertising and other items produced using the Fund, with the understanding that will not use Fund amounts in connection with marketing that is designed to principally to sell franchises.

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Currently, any Fund Contributions are payable to us. We have the right to establish in the future a non-profit corporation or other business entity to collect Fund advertising contributions from our Franchisees. The Fund is administered by our accounting and marketing personnel under our direction. We may have the Fund borrow from us or other lenders to cover any Fund deficits. We may have the fund invest any surplus for the Fund's future use. You will be able to obtain an accounting annually upon written request to our President at our principal place of business 120 days after our latest fiscal year end. We claim no power to require that advertising cooperatives be formed, changed, dissolved or merged. (Franchise Agreement - Section 9.)

We will not be required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an unaudited accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, any excess funds will rollover into the Fund for use during the following year. We will have the right to modify or discontinue the Fund (if established), as we deem appropriate in our sole discretion.

As we have not yet established a Fund, please be advised that we neither collected nor expended any Fund Contributions in the fiscal year ending December 31, 2023.

Regional Cooperatives

We reserve the right to establish regional cooperatives that are comprised of a geographical market area that contains two (2) or more Franchised Businesses (whether a Franchised Business or Affiliate-owned) (each a "Cooperative"). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Franchised Business owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Franchised Businesses within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the Issue Date of this Disclosure Document and have not contemplated how much a Franchised Business might be required to contribute to such a Cooperative. We will have the right to establish, modify, merge and dissolve Cooperative as we deem appropriate. Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement.

Franchise Advisory Council

While we are not required to do so, we may establish a Franchise Advisory Council ("FAC"). If established, we expect that such a FAC will provide advice to us on various matters, including advertising. The FAC will serve in an advisory capacity only and will have no operational or decision-making power. In the event we determine to establish an FAC, we will provide you with information related to the composition and selection of FAC members and other relevant information via the Manuals or otherwise in writing, to the extent we are required to do so by applicable laws.

H. Computer / Point of Sale System (Franchise Agreement, Section 6, 11 and 14)

We require that all System franchisees acquire and only use the Required Software, including the POS cloud-based software associated with our Current Billing/POS Provider, in connection with all sales, client record management and/or other business records in connection with the Franchised Business operations. We do not have specific brand or model requirements for the type of laptop or other computer you must acquire and dedicate to the operation of your Franchised Business only, but we may designate the same in the future via the Manuals. The computer hardware must be capable of running all Required Software and,

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unless we agree otherwise in writing, we expect that you will purchase new model computer(s), tablet(s) and a printer/scanner, consistent with any more specific directives set forth in the Manuals.

As of the Issue Date, we estimate that the pre-opening costs associated with acquiring the required computer hardware components of our System's computer system ("Computer System") will between $3,000 and $7,000. Please note that this range does not account for any other electronics or security system you must and/or determine to purchase in connection with the Franchised Business buildout, which are covered more fully in Item 7 above. We expect that access to all current Required Software will be afforded to our System franchisees as part of the Technology Fee (which is currently 2% of Gross Revenue as detailed more fully in Item 6).

We will have independent and electronic access to the information and data collected or generated by the Required Software and other Computer System components. There are no contractual limits on our rights to do so. We may require updates and upgrades to the Computer System and/or Required Software from time to time during the term of the franchise agreement. We require updates and upgrades to your hardware, software and other Computer System components as such become available, at your expense, upon providing you with reasonable advance notice via the Manuals or otherwise in writing (i.e., typically 60 or more days). There are no contractual limitations to the frequency and cost of the obligation to upgrade and maintain these items. With that said, we do not currently have any specific ongoing maintenance and/or support contract requirements other than working with our third-party Approved Supplier for billing/collection and related services. We estimate that you may spend an average of between $500 and $1,500 (per year from the date you acquire the same) on annual updates and maintenance to the Computer System hardware, including any non-material upgrades.

If not part of the POS system, at your cost and expense, you must investigate and ensure that you comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. You are responsible for using all required tools, systems, and vendors to complete ongoing PCI requirements including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, such as security threats, breaches, and malware. It is your responsibility to alert us, not later than 24 hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect customer data and notify relevant parties. You are not permitted to collect, store, transfer, etc. any unnecessary customer information.

We reserve the right to require that you purchase a security system to protect your Franchised Business and provide us with notice once it has been installed. We may require you to install a compliance monitoring system in your location at reference points designated by us. We may also require you to install a compliance monitoring system, which is not a security system but is a management and quality assurance tool. Both you and we will have the right to online access to the compliance monitoring system. By installing the compliance monitoring system, you and your employees are waiving any rights to privacy. You agree to require all your employees to sign a waiver of their right to privacy with respect to the use of any such compliance monitoring system. Please note that while we reserve the right to require this system to be implemented at your Franchised Business in the future, we do not typically require this kind of system as part of our Required Items as of the Issue Date.

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ITEM 12: TERRITORY

Designated Territory

As of the Issue Date, we expect and intend to grant you certain territorial rights within a geographical area that will be designated in your Franchise Agreement at the time you execute the same, which we refer to as your "Designated Territory" throughout this Disclosure Document.

Subject to our reserved rights set forth more fully below in this Item, we will not open or operate, or license any third party a license to own or operate, a System Business that operates under the Proprietary Marks from a premises that is physically located within your Designated Territory. You will be afforded this territorial right until such time that the Franchise Agreement governing the Designated Territory at issue expires or is terminated.

As of the Issue Date, we expect that a typical Designated Territory will contain a population of approximately 40,000. We do not, however, have a minimum geographical area that we must afford to a given System franchisee, and we expect that your Designated Territory will vary from the territory granted to other System Business owners due to variance in the population, demographics, corporate/work population and density, proximity of competitors and/or related historical market saturation information. When analyzing and/or determining your Designated Territory on population, we will use publicly-available data and information published as part of the U.S. Census Bureau or comparable source/ organization when analyzing the population and other demographics of the area surrounding your Designated Territory.

In certain situations where you have not secured an approved Premises at the time your Franchise Agreement is executed, we may determine to (i) designate a Designated Territory wherein you must locate and secure that Premises, and (ii) adjust the boundaries of the Designated Territory to a comparable geographical region that immediately surrounds the Premises, which we will provide to you in writing as part of our response to our site proposal so you can evaluate before securing the proposed site (if and as we determine appropriate). Otherwise, we may not modify the boundaries of your Designated Territory unless the parties mutually agree to the same in a separate agreement.

Approved Premises and Relocation

You must operate your Franchised Business from an approved Premises that you must secure within the Designated Territory granted to you at the time you execute your Franchise Agreement with us.

Once we agree upon and you secure your Premises, we will designate the same and, if applicable, any adjustment to the Designated Territory, in an amendment to the Franchise Agreement that you will be required to execute at or around the time you execute a lease for said Premises. You may not relocate the Premises of your Franchised Business without our written consent, which we will not unreasonably withhold provided: (i) the new location is located within your Designated Territory and meets our then-current criteria for a System-associated Premises; and (ii) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, proximity of competition, parking, as well as any other related factors we deem appropriate. These are the same kinds of factors we consider when evaluating your initial Premises.

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Rights Within and Outside Designated Territory

There are no territorial restrictions from accepting and providing the Approved Services to customers/patrons that reside/work or are otherwise based outside of your Designated Territory, provided you only perform such Approved Services to the customer base from the Premises of your Franchised Business. Other System Businesses and franchisees will have these same rights. You will not be required to pay us any additional consideration for accepting clientele from those that reside outside of your Designated Territory, provided all Approved Services and revenue is generated at and from the approved Premises.

You may not use alternative channels of distribution, such as the internet, catalog sales, telemarketing or other direct marketing, to make any sales outside of your Designated Territory (including the sale of any Approved Products). You are also prohibited from actively soliciting customers outside of your Designated Territory without our prior written consent. We are not required to pay you any compensation for soliciting or accepting orders inside your Designated Territory. Your Franchise Agreement does not provide you with any right of first refusal, option or any other rights to acquire additional franchises.

Reserved Rights

We reserve all rights not expressly granted to you. These include the right to: (i) establish and operate, and license any third party the right to establish and operate, other Franchised Businesses using the Marks and System at any location outside of your Designated Territory; (ii) market, offer and sell products and services that are similar to the Approved Products and Approved Services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory; (iii) use the Marks and System, other such marks we designate, to distribute our Approved Products and/or Approved Services (including private label products that we may develop in the future) in any alternative or dissimilar channels of distribution, within or outside the Designated Territory (including by electronic means, such as the internet and by websites we establish, direct mail, wholesale stores, etc.); (iv) engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, 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 Designated Territory, provided that in such situations the newly acquired businesses may not operate under the Proprietary Marks in the Designated Territory; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement.

We also reserve the right to open and operate and/or license others the right to operate a System Business under the Proprietary Marks from a captive venue or other non-traditional location, including by way of example, academic institutions, military bases, “big box” gyms, hotels and/or airports (each, a “Non-Traditional Venue”).

Your Franchise Agreement does not grant you any right to (a) engage in any of the activities outlined in the preceding paragraph, or (b) share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. We have no obligation to provide you with any compensation for soliciting or accepting orders inside your territory.

Given we reserve the right to locate System Businesses within Non-Traditional Venues located with your Designated Territory, please note that we must disclose the following statement: Your territory is not exclusive. You may face competition from company-owned or other System franchisees.

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Additional Disclosures

Your Franchise Agreement does not provide you with any right or option to open and operate any additional Franchised Businesses. As previously discussed, each Franchised Business you are awarded the right to open and operate must be governed by its own specific form of Franchise Agreement unless we agree to add that subsequent franchise to your existing agreement via a form of addendum. We have not established other franchised or company-owned outlets or another distribution channel for offering or selling products/services that are similar to the Approved Products and Approved Services under a different trademark. Neither we nor our affiliates have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Approved Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13: TRADEMARKS

We grant you a limited, non-exclusive license to use our then-current Proprietary Marks (or "Marks") we designate to identify your Franchised Business, such as our current primary mark FITSTOP® and certain other Marks we authorize at this time provided you use these Marks as outlined in your Franchise Agreement(s) and our Manuals.

As of the Issue Date our affiliate, Fitstop IP Pty. Ltd. (the "TM Owner"), owns the following marks that are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Registration No.	Registration Date
FITSTOP®	7,077,393	June 13, 2023
FITSTOP®	7,288,609	January 23, 2024

As of the Issue Date, we have worked with TM Owner to file any affidavits and other documents with the USPTO to maintain the federal registrations described above.

We have the right to use, and license our System franchisees the right to use, the registered marks above and other Proprietary Marks in connection with the franchise system and System Businesses pursuant to a perpetual, royalty-free license agreement with TM Owner entered into in 2022– which provides, among other things, that the TM Owner will continue to license such Proprietary Marks directly to System franchisees in the event this agreement is terminated for any reason. Except for this license agreement, we are not aware of any contract or agreement that significantly limits our right to use, or license the use of, the Proprietary Marks that are material to the franchise being offered.

You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Marks. The goodwill associated with our Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with our Marks during the term of the Franchise Agreement will benefit us. All rights to use our Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

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As of the Issue Date of this Franchise Disclosure Document, there is no litigation pending arising out of our Marks, and we are not aware of any superior rights in, or infringing uses of, our Marks that could materially affect your right to use these marks. Presently, there are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition or cancellation proceedings or any material litigation involving the Marks. There are no agreements in effect that significantly limit our right to use, or license the use of, the Marks that are material to the franchise.

You may not use all or any portion of our Marks as part of your company name and, without our prior written consent, as part of your trade name or "d/b/a". You may not modify the Marks with words, designs or symbols, except those that we license to you. You may not use our Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the terms "Fit" or "Stop" and/or any similar phrase.

You must immediately notify us in writing if you become aware of any unauthorized use of our Marks or other proprietary information and you must permit us to participate in any litigation involving you and our Marks. We will take the action we think appropriate. We will indemnify, defend and hold you harmless in connection with any third-party claims that are brought against you that arise solely out of your authorized use of any Marks in the manner we prescribe, provided you notify us of the proceeding within three days and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding.

We will not reimburse you for your expenses and legal fees for separate, independent legal counsel, unless we approve of your use of such counsel in writing prior to you engaging counsel. We will not reimburse you for disputes where we challenge your use of our Marks.

You must modify or discontinue using any of the Marks, and add new names, designs, logos or commercial symbols to the Marks as we instruct. We may, at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signage, marketing displays, trade dress and other advertising), at your sole expense.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any registered patents or pending patent applications that are material to the franchise. We and our affiliate (Fitstop IP Pty Limited a/k/a TM Owner) do claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, advertising, and business materials. TM Owner owns such intellectual property rights and, similar to the Proprietary Marks, licenses this intellectual property to us.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. If you learn that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our

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discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or any time after that, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the "Confidential Information"). You may divulge such Confidential Information only to your employees who must have access to it in order to fulfil their employment obligations.

You must require your Designated Manager and any personnel having access to any of our Confidential Information to sign our then-current form of Confidentiality and Non-Competition Agreement set forth in our then-current Manuals or form of franchise agreement, where these individuals agree that they will maintain the confidentiality of information they receive in connection with their employment and restrict their right to work for a competitor while they are employed by you. This confidentiality agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise Agreement provides that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any System Business, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

We may modify, revise and/or supplement any of our Manual(s) and/or other copyrighted materials at our discretion and require that you cease using any outdated item or portion of the Manuals. Below please find a summary of the intellectual property covered above in this Item.

Type of IP	Description
Copyright Material	All copyright in any operations manual, training manuals, program manuals, advertising and promotional materials used in connection with a Fitstop franchised business and in any other documents, forms, manuals, policies, processes, prescribed standards of conduct, software and materials including, in particular, the contents of the Franchise Agreement.

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Confidential Information	All confidential information and know-how relating to the administration and operation of a Fitstop franchised businesses including all systems, processes, procedures, software, databases, logos, manuals, advertising information and promotional materials (Confidential Information).
Other	Includes the telephone and facsimile numbers, email addresses and internet domain names (including www.fitstop.com) and all other trade names, trademarks, reputation, know-how, techniques, systems and procedures, business plans, Customer Information, information technology process, hardware or programs and any computer software (including mobile applications) developed by or for the Franchisor.
IP Improvements	Any works, marks, symbols, ideas, logos, trade secrets, and other creations which are developed by the Franchisee or other Franchisees from use of the Intellectual Property or otherwise during the operation of the Franchised Business.

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

We encourage but do not require you to personally supervise the Franchised Business and prefer to select Franchisees who favor and appear committed to a "hands on" and well-informed approach to the business. We strongly recommend that you devote a substantial amount of time to your franchised location, whether or not you engage a Designated Manager.

Franchisees who do not devote their full time and efforts to the establishment and operation of their franchised facilities may have lower Gross Revenue, higher operating costs and lesser name recognition in their areas than those franchisees who do devote their full efforts to the business. Examples of the types of functions which you might perform include supervision of employees, inventory checks, review of sales and costs, bookkeeping and all reasonable efforts to ensure smooth and efficient operations.

The Franchised Business must be directly supervised and managed by a person, identified to us who has undergone our training program. Based on his/her/their experience, we may choose to waive this requirement in our sole discretion. If you are not willing to be the full-time operator of your business, then you will be required to engage a manager and have them complete our training program (the "Designated Manager"). The Designated Manager is not required to hold an equity interest in the franchisee entity.

Any and all Designated Manager(s) must sign our then-current prescribed form of Confidentiality and Non-Competition Agreement. If and when a Designated Manager leaves his/her/their employment at your Franchised Business, you must recruit a new Designated Manager within thirty (30) days and submit the replacement's qualifications to us for our review and approval (which may be conditioned on completion of certain "Management Criteria") before substituting a new Designated Manager at any of your locations (unless you resume taking over the day-to-day operations of the Franchised Business on a full-time basis).

Your Franchised Business must always be managed and staffed with at least one (1) individual who has successfully completed the components of the Initial Training Program associated with being an owner/operator or, if appropriate, Designated Manager. In the event you develop more than one (1) System

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franchise, you must have a properly trained Designated Manager at each Franchised Business you have the right to own and operate (but are not serving as its on-site manager).

In addition to the Franchise Agreement, both you and your spouse will be required to sign guarantees of performance in which you will guarantee the performance of the Franchisee entity's obligations to us under that agreement. The only restriction we place on the manager of your business is that the manager must execute a confidentiality and non-competition agreement similar to the one you will execute if you purchase a franchise from us.

We expect that you will keep your Franchised Business open and operating during those hours where the majority of our System businesses are open or as otherwise recommended in our Operations Manual, but as an independent contractor you may deviate from our recommended hours if (a) there are local regulations or landlord restrictions that affect your ability to actively operate your Franchised Business, or (b) you otherwise provide us with notice in writing of your hours of operation and an explanation regarding any material deviation from our recommended hours of operation.

Each of your principal owners and their spouse must sign the franchise agreement as either (a) the franchisee under the Franchise Agreement itself, or (b) a guarantor under the form of personal guaranty attached to said agreement. In either event, by signing the franchise agreement each franchisee owner and their respective spouse(s), as applicable, agree to perform, and guarantees, all the franchisee's obligation to us and our affiliates (including the obligations under this Agreement) and agrees to be bound by the restrictive covenants, the confidentiality provisions and certain other provisions contained in the Franchise Agreement.

You may not use any Proprietary Mark as part of any corporate name or with modifying words, terms, designs, or symbols except for those licensed by us. You may not use any Trademark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us.

You will be solely responsible for all employment-related decisions associated with your Franchised Business personnel, including hiring, firing, scheduling and compensation. Nothing in the Franchise Agreement is intended, or may be construed to, establish or create any kind of employer-employee or joint employer relationship between (a) us, and (b) you and your personnel.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all the products which we require and only the products which we authorize for the System, in the manner we prescribe. You will not offer to sell or provide at or through the Franchised Business any merchandise, products or services that have not been approved in advance in writing or use the premises for any other purpose other than the operation of the Franchised Business. You may not use nor sell any products, materials, supplies, paper goods, uniforms, fixtures, furnishings, signs, or equipment which do not meet our standards and specifications as a substitute for any Required Item designated by us in the Manuals or otherwise in writing.

You must ensure that: (i) only Authorized Instructors provide the fitness training and certain other Approved Services to Members and other clientele of the Franchised Business; and (ii) such Authorized Instructors perform and provide the fitness training classes and other Approved Services in accordance with (a) our Instructor Training Program, (b) the instructor pre-qualifications and (b) other System standards and specifications, methodologies, curricula and/or ongoing training materials (to the extent reduced to writing) and/or other techniques, as we identify during training or on an ongoing basis in the Manual(s)

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(electronically or otherwise). We have the right to require you to offer and sell additional goods or services as we may designate. There are no limits on our right to do so. You are not allowed to solicit customers outside of your Designated Territory without our prior written approval. You will always maintain sufficient levels of inventory to adequately satisfy consumer demand. You must stop using or offering disapproved products or services immediately upon notice that such services or products have been discontinued. You must and may only offer and sell all Approved Products we designate, which may include privately branded or otherwise proprietary retail apparel, merchandise and/or other retail products. We reserve the right to charge you a fine up to $500/day per occurrence if you sell or offer disapproved products or services. If the law prohibits the use or sale of any product or service, you must cease all offer, sale and/or provision of such products/services immediately upon your receipt of written notice of said prohibition.

Your grant of a Franchised Business does not include: (i) any right to offer any services via e-commerce except through a website designated by us; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; or (iii) any right to distribute, market, or implement our services in any channel of distribution not specifically identified in the Franchise Agreement.

You will be obligated to offer and sell any new or replacement products and/or services we designate, and you must participate in all local, regional and promotional program initiatives and campaigns adopted by us in which we require you to participate. We have the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The table below briefly summarizes certain important provisions of the franchise agreement and related agreements. You should read the complete provisions in the documents attached to this disclosure document.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2.1	Initial term of 10 years
b. Renewal or extension of the term	Section 14	Franchisee will have the right to seek renewal of the franchise rights for up to two (2) consecutive renewal terms
c. Requirements for franchisee to renew or extend	Section 14	The Franchisor will not unreasonably withhold its consent to a request for a renewal of the Franchise

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		Agreement subject to certain conditions being met, including (but not limited to) payment of a renewal fee, no outstanding breach or default under the current Franchise Agreement; at Franchisor's option, executing our then-current form of franchise agreement to govern the renewal term and/or a form of general release in favor of Franchisor and related parties; franchisee establishing that it is entitled to a lease of the premises for the duration of the renewal term or has a right to occupy other premises approved by the Franchisor for the renewal term; refurbishment of the premises; all franchise owners and principals of the Franchisee remaining bound under the form of personal guaranty attached to the franchise agreement.
d. Termination by franchisee	N/A	No early termination by you.
e. Termination by franchisor without cause	N/A	No termination by us without cause.
f. Termination by franchisor with cause	Section 16.1	Franchisor can terminate if you are in breach of any term of the Franchise Agreement, if you are in default, if you fail to satisfactorily complete the Training, or if you fail to locate a Premises in the specified period of time.
g. "Cause" defined—curable defaults	Section 16.2	We can terminate you for engaging in conduct that reflects unfavorably on the operation and reputation of the Franchise System and if you fail to cure such default within 24 hours of our notice to you. The following defaults, if not cured within 30 calendar days after we have given you written notice, may result in termination: failure to comply with any provisions of the Franchise Agreement or other agreement between us and you; failure to pay any monies due us or suppliers when due; entering into a contract with or take payment directly from a customer without our approval; failing to submit required financial information to us or a government entity or making false statements about your financial statements to us or a government entity; failing to pay all taxes and employee related withholdings relating to the operation of your franchise; failing to keep your business entity active and in good

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		standing; failing to maintain the standards that we require in the Franchise Agreement or Manuals; failing to obtain any required approvals; misusing our Marks.
h. "Cause" defined—non-curable defaults	Section 16.1	Non-curable defaults include being convicted of, pleading guilty or no contest to, or receiving deferred adjudication for a felony, crime of moral turpitude, or certain other crimes; attempts to hack or crack our computer software; disclosure of confidential information; abandonment; unauthorized transfer; material misrepresentations when you purchase the franchise; repeated failure to comply with Franchise Agreement or Manual requirements, even if corrected; or if you are declared insolvent or bankrupt.
i. Franchisee's obligations on termination/nonrenewal	Section 16	You must: (i) immediately cease use of all our Proprietary Marks, Confidential Information, trade secrets, and all aspects of the Franchise System; (ii) immediately return to us all advertising materials, products, or writing that contain, bear or otherwise use and of the Marks and IP, as well as all materials containing Confidential Information; (iii) pay all outstanding amounts due and owing to us under the Franchise Agreement; (iv) assign all telephone numbers and domain names associated with the Franchised Business to us (at our option) or otherwise cancel any registration for the same; (v) afford us (directly or via an operating affiliate) the right to (a) assume the lease for your Approved Premises, and/or (b) acquire all other operating assets associated with the Franchised Business at net depreciated book value, as detailed more fully in your Franchise Agreement; and (vi) comply with all confidentiality, non-disclosure and other post-term restrictive covenants detailed more fully below in this Item 17 Chart.
j. Assignment of contract by franchisor	Section 15.1	The Franchise Agreement is fully assignable by us.
k. "Transfer" by franchisee—definition	Section 15	Includes transfer of contract or assets or ownership change.
l. Franchisor's approval of transfer by franchisee	Section 15.2	We have the right to approve all transfers.

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m. Conditions for franchisor approval of transfer	Section 15.11	Conditions include: you must be in full compliance with your Franchise Agreement; you must pay us all amounts due; transferee and its managers must satisfactorily complete our training program; transferee executes our then-current form of Franchise Agreement; you or transferee must pay transfer fee; we must approve written agreements regarding transfer; you must supply us with any additional information we reasonably require regarding the transfer; you must provide, as a personal covenant to the transferee, in addition to your covenants to us, an agreement not to seek to divert business from us and/or our franchisees; and you must sign a general release and other documents we require. Please also see post-term covenants described below in this Item 17 Chart.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15.2	We have a right to acquire your business under the same terms you are offering to a third party.
o. Franchisor's option to purchase franchisee's business	Section 15.3	You must notify us if you plan to transfer your business to a third party. After you notify us, we will notify you whether we will purchase your business under the same terms you are offering to a third party.
p. Death or disability of franchisee	Section 15.12	Subject to transfer rules; however, an administrative fee, not a transfer fee, is charged if the transfer is to a family member.
q. Noncompetition covenants during the term of the franchise	Section 18.2	You may not have an ownership interest in, financial interest in, or perform services for related businesses anywhere. You also must not divert or attempt to divert any business or customer from us or our franchisees, influence your previous customers or our other franchisees, injure our goodwill, or employ or solicit our employees subject to applicable noncompetition covenants, common law duties of good faith and fair dealing or other applicable business practice laws, and state law.
r. Noncompetition covenants after the franchise is terminated or expires	Section 18.3	For two years, you must not: divert or attempt to divert any business or customer from us or our franchisees or injure our goodwill; employ or solicit our employees; influence or attempt to influence your previous customers or other franchisees. You must not use the name "Fitstop"

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		permanently (same restrictions after transfer).
s. Modification of the agreement	Sections 5.2, 20.4	No modifications generally except by written agreement, but we may change the Operations Manuals and Franchise System standards at any time. You will be required to implement these changes at your own cost.
t. Integration/merger clause	Section 20.2	Only the terms of the Franchise Agreement (including the Operations Manuals) are binding (subject to state law). Any other promises may not be enforceable. No claim made in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 19.1.1 Section 19.1.2	You must submit any disputes, claims and/or causes of action you have arising out of or related to the Franchise Agreement to our management for review and subsequent discussions regarding the same, and you agree to attempt to resolve any such matters internally prior to submitting any such matter to mediation. We have the irrevocable right to submit all matters that are not resolved via internal dispute resolution procedures set forth in the Franchise Agreement to non-binding mediation that will be conducted at Franchisor's then-current headquarters and in accordance with the Commercial Mediation Rules promulgated by the AAA. We will have 30 days from the date we receive written notice of any dispute or claim to advise Franchisee in writing that we will be exercising our right to submit this matter to mediation.
v. Choice of forum	19.4	Except as otherwise provided in this Chart, any dispute or claim arising out of or related to the Franchise Agreement must be initiated and brought only in the federal or state court encompassing – or closest to – Los Angeles, California. Both parties irrevocably submit to the jurisdiction of such courts, subject to the IDP and mediation provisions set forth above.
w. Choice of law	75	California law applies without reference to choice of law principles (subject to State law), except that the post-term covenants against competition set forth in the Franchise Agreement that shall be governed by the laws where the Franchised

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		Business is located.

ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote our franchise as of the Issue Date.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Total Outlets	**2021**	**0**	**0**	**0**
	2022	**0**	**0**	**0**
	2023	**0**	**1**	**+1**

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Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2021 to 2023

	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 4
Status of Company-Owned Outlets
For Years 2021 to 2023

	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**

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	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2022	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**1**	**0**	**0**	**0**	**1**

Table No. 5
Projected Openings

Projected Openings as of December 31, 2023			
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
CA	1	1	1
PA	3	3	0
Totals	**4**	**4**	**1**

Exhibit D to this Disclosure Document contains a list of: (i) our current franchisees as of the December 31, 2023; and (ii) any franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date. Please note that we did/do not have any System franchisees to disclose in Exhibit D as of December 31, 2023 or the Issue Date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. As a new franchise offering, we have not entered into an agreement with any System franchisee in the past three (3) fiscal years that would limit their ability to speak openly with you about their experience with us.

As of the Issue Date, we are not aware of any trademark specific franchisee organization associated with our system which is required to be disclosed in this item.

ITEM 21: FINANCIAL STATEMENTS

Our audited financial statements for our fiscal year ending December 31, 2023 and December 31, 2022, as well as our opening day balance sheet as of November 2022, are attached to this Disclosure Document as Exhibit C. We have not yet been franchising for three (3) fiscal years and, as such, we are not in position to disclose any additional financial statements typically required in this Item.

ITEM 22: CONTRACTS

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Exhibit A: Franchise Agreement and Corresponding Exhibits

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Exhibit G:	Sample Form of General Release (not a required signing at franchise award)
Exhibit :	State-Specific Addendum to FDD and Franchise Agreement (if applicable)
Exhibit J.	Receipt Page(s)

ITEM 23: RECEIPTS

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date and return one (1) copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

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EXHIBIT A. FRANCHISE AGREEMENT

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FITSTOP USA, INC.
FRANCHISE AGREEMENT

This FranchiseAgreement (this "Agreement")) is made and entered into in the city of _____, County of _____, State of California by and between FITSTOP USA, INC., a Delaware corporation, hereinafter referred as "Franchisor," "Fitstop," "our," "us," or "we" and the following party(ies) (referred to as "you" or "Franchisee"):

Franchisee Name(s): _____

Franchise Operator: _____

Principals of Franchisee (or "Franchise Owners"): See Data Sheet attached as Schedule 1.

Street Address: _____

City: _____

State: _____

Zip Code: _____

Telephone Number: _____

Email Address: _____

State of Formation: [ ] Corporation incorporated in _____

[ ] LLC organized in _____

Federal Tax ID#: _____

Hereinafter referred to singularly or collectively, as "Franchisee," "you," or "your."

The Franchisee and the Franchisor shall be referred to as the "Parties" and individually as a "Party."

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FRANCHISE TERMS SUMMARY

Effective Date: _____ Term of Franchise in Years: _____

Initial Franchise Fee: $50,000

Renewal: [ ] Yes [ ] No Designated Territory: See Schedule 2.

Section 1: Background

1.1 We have the right to license and we administer a system (the "Franchise System") that offers and awards franchises (the "Franchise") for the right to indepenedently own and operate a fitness facility (each, a "System Business") that features, offers, sell and/or provides: (i) membership-based and other fitness classes combining strength training, nutritional information and other fitness-related instruction and training; (ii) access to various fitness and gym equipment; (iii) group fitness training and any other services that we designate or authorize in our proprietary manual(s) (the "Manual(s)") and/or otherwise in writing (collectively with subparts (i)-(ii), the "Approved Services"); and (iv) any fitness apparel, merchandise, nutritional items, branded and/or privately-labeled retail items that we designate or otherwise approve in writing (collectively, the "Approved Products").

1.2 Each System Business is authorized to operate (a) under the then-current proprietary marks, logos, associated taglines, names and/or trade dress that we designate now or in the future, including our current primary mark FITSTOP® (collectively, the "Proprietary Marks"), and (b) the system that we and our affiliates have developed for use in connection with the establishment of a System Business (the "System").

1.3 Based on the financial and/or other representations you made in your franchise application package and subsequent correspondence, upon which we have materially and reasonably relied, we are willing to award you the right to own and operate a franchised System Business (the "Franchised Business") from a specifc location that you propose and we approve (the "Premises"), subject to and in accordance with the terms and conditions set forth in this Agremeent.

1.4 You agree and acknowledge that: (i) you will pay all fees and other amounts payable by you as set out in this Agreement as and when required in connection with the Franchised Business; and (ii) the payments of any amounts to us constitute reasonable consideration for the franchise and other rights you are awarded in connection with your Franchised Business during the term hereof.

1.5 The Parties and any third party body which the Parties may call upon to interpret this Agreement shall interpret the provisions of this Agreement to give effect to the intent of this Agreement to strictly adhere to and act in conformity with the System, as it now exists and as we may modify them from time to time via the Manuals or other prior written notice.

Section 2: Franchise Award; Premises and Designated Territory

2.1 **Franchise Award; Approved Premises.** We award you the right, and you undertake and accept the obligation, to independently own and operate the Franchised Business from the location you propose, we approve and you secure in accordance with the terms of this Agreement (the "Premises"). You

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acknowledge that the rights granted in this Agreement only award you the right to: (i) operate the Franchised Business in accordance with our System standards and specifications from the specific Premises that we approve in writing; and (ii) market, advertise and promote the Franchised Business within the geographical area we designate in Schedule 2 to this Agreement (your "Designated Territory"). The Premises, once approved by us and secured by you, will be set forth in the Data Sheet attached as Schedule 1 to this Agreement (the "Data Sheet").

2.2 **Territorial Rights within Designated Territory; Related Rights and Limitations.** During the term of this Agreement, we will not open or operate, or license any third party the right to open or operate, another System Business under the Proprietary Marks from a physical location within the Designated Territory. The territorial rights in this Section 2.2 shall be subject to our reserved rights detailed below in this Section. You may accept business and inquiries from prospective and existing members and customers (each, a "Member") via your Franchised Business, provided you: (i) only provide the Approved Services and Approved Products at and from the Premises, unless we agree otherwise in a separately-signed agreement; and (ii) do not market the Franchised Business or otherwise solicit any potential customers or members outside of your Designated Territory.

2.3 **Reservation of Rights**. Notwithstanding anything contained in this Agreement, we and/or our affiliates hereby reserve the exclusive right to: (i) establish and operate, and license any third party the right to establish and operate, other System Businesses using the Proprietary Marks at any location outside of the Designated Territory; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory; (iii) use the Proprietary Marks and System, other such marks we may designate, to distribute the Approved Products in any alternative channel of distribution, within or outside the Designated Territory (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and/or Approved Services (but under different marks), within or outside the Designated Territory; (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Agreement and; and (vi) own and operate, or license third parties the right to own or operate, a System Business from a premises that is located within a "Non-Traditional Venue" that is any captive venue or comparable location, including without limitation, academic institutions, military bases, hotels and/or other resorts, "big box" gyms, corporate office buildings and/or complexes, sports arenas and stadia, train stations, casinos and/or other comparable venues, both within or outside the Designated Territory.

2.4 **No Additional Franchises and/or Franchise Rights.** Unless we agree otherwise in a form of addendum to this Agreement, you are not entitled to any right or option to develop any additional Franchises at any location other than the Franchised Business. During the Term, you may, by written notice to us request our approval for you to open one or more additional franchises in your Designated Territory, but we are under no obligation to award you the same.

2.5 **Initial Term.** The term of this Agreement shall begin on the date that the Parties fully execute this Agreement (the "Effective Date") and continue for a period of 10 years thereafter (the "Term"), unless terminated by us at an earlier date in accordance with the terms of this Agreement.

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2.6 **Initial Franchise Fee.** You must pay us an initial franchise fee amounting to $50,000 (the "Initial Franchise Fee") immediately upon execution of this Agreement, which is deemed full earned by us and non-refundable upon payment.

Section 3: Proprietary Marks and System Intellectual Property

3.1 We have a license to use, and license System Business owners the right to use, the Proprietary Marks and other intellectual property associated with our Franchise System (collectively, the "Marks and IP").

3.2 You agree that you must use our Marks and IP strictly in compliance with this Agreement, Franchise System and Manual (s), as we may update, supplement and/or otherwise modify in writing as we determine appropriate from time to time.

3.3 You shall take no action which will interfere with any of our Marks and IP.

3.4 You shall not make an application for registration or other protection of any of our Marks and IP, and/or any item or items similar thereto, without our prior written consent.

3.5 You shall not contest our ownership of, nor the legal validity of any Mark and/or IP we determine to license or otherwise associate with the Franchise System and provide you with access to under the Agreement at any time during the Term hereof;

3.6 You shall immediately notify us of any claim of infringement resulting from any use of the Marks and IP. We have sole discretion as to what action to take, if any, regarding such matters. If we elect to take legal or administrative action in any such matter, you promise to join as a party to such action, or to allow us to bring the action solely in the name of your Franchised Business, but only as and if we so direct. In any such event, we shall bear the legal fees and court costs of prosecuting or defending any such action.

3.7 We, in our sole discretion, may modify or discontinue the use of our name, symbols, designs, trademarks, service marks, and patents, or any item or items similar thereto. In such event, we will not reimburse you for the tangible out of pocket costs which you incur in connection with making the necessary changes in accordance with our directives and timetables.

3.8 You shall not use any name in the operation of the Franchised Business, other than those which we specifically authorize in writing.

3.9 All directory listings, letterhead, or any other visual or printed matter that you use to communicate with anyone shall conform to our brand standards and the Manual(s).

Section 4: Training: Initial Training Program and Ongoing Training

4.1 We have expended significant time and resources developing operating procedures, methods, techniques, and or processes that are not generally known to the public that are critical to the Franchise System. We convey this information to you through multiple means including through our training.

4.2 You agree to enroll in the training at our headquarters or at such other training center we designate within 14 calendar days of the Effective Date of this Agreement ("Initial Training Program"),

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which we will provide to you and up to 2 additional individuals – including any individual you designate to manage the day-to-day operations of the Franchised Buisness (a "General Manager" or "Designated Manager") – without charging any Traiing Fee, provided you and, if applicable, your General Manager attend and complete all components of the Initial Training Program to our satisfaction at the same time prior to (a) the opening your Franchised Business, or (b) otherwise providing the Approved Services and/or Approved Products in any manner.

4.3 If, at any time, you have a change in your Franchise Operator and/or any General Manager in the future, such individual must enroll in, attend and successfully complete the requisite components of the Initial Training Program. We have the right to charge our then-current Training Fee in connection with any training that is provided under this Section.

4.4 You must ensure that any Franchised Business personnel that you wish to provide any kind of fitness training/instruction, classes or any other Approved Services that involve fitness training (each, an "Authorized Instructor") participates in and successfully completes our proprietary training program for such instructors (the "Instructor Training") prior to providing any of such Approved Services at or in connection with the Franchised Business. The Parties agree and acknowledge that: (i) we will provide Instructor Training to up to five (5) prospective Authorized Instructors that you expect will be providing the Approved Services when the Franchised Business opens and commences operation (the "Initial Instructor(s)") tuition-free as part of your Initial Franchise Fee; and (ii) you must ensure that any replacement or new personnel you wish to serve as an Authorized Instructor for the Franchised Business both (a) are noticed to us in writing, and (b) completes the Instructor Training prior to providing any Approved Services in connection with the Franchised Business, which we will provide via our then-current remote training or otherwise and may charge our then-current Training Fee for such Instructor Training.

4.5 If, at any time, you request or we determine that you require any additional training beyond what this Agreement describes herein, we will provide at our then-current training fee (our "Training Fee") for the kind of training or instruction requested by you or required hereunder (collectively, the "Additional Training"), which will be set forth and updated in the Manual(s) from time to time as we determine appropirate.

4.6 We may convene seminars and supplementary trainings for the network of franchisees whenever we reasonably consider it necessary or appropriate. The location, agenda, duration, and all procedures and formats of each seminar and supplementary training are determined by us. You and your General Manager must attend all seminars and supplementary trainings and you are solely responsible for the payment of all fees and costs related to seminars and supplementary trainings.

4.7 We may convene meetings, conferences and annual conventions for franchisees or groups of franchisees. We will determine the location, agenda, duration and all procedures and formats of each meeting, conference and annual convention. We will give you reasonable written notice of meetings, conferences and annual conventions. You and your General Manager must attend all meetings, conferences and annual conventions and you are solely responsible for the payment of all fees and costs related to meetings, conferences and annual conventions. To assist you in managing the costs of the annual convention, you will remit a monthly contribution to the convention as described more fully below in this Agreement. If you or your General Manager do not attend the annual convention, an amount equal to their attendance fee will be forfeited and you will be in material default of this Agreement.

4.8 You shall pay all traveling, living, compensation, or other expenses you, your General Manager and/or other personnel incur in connection with the initial training, supplementary trainings,

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seminars, meetings, conferences and annual conventions. None of the fees, expenses, or charges associated with the initial training, supplementary trainings, seminars, meetings, conferences, and annual conventions are refundable.

4.9 You acknowledge that we own all proprietary rights in and to the information and methodology of our training, in its entirety, and that the training constitutes our confidential trade secrets. Without our prior written consent, you will not disclose the information or methodology of our training to any person, except to your employees solely for purposes of operating the Franchise. You shall not reprint or reproduce any information we may provide to you as part of any training, in whole or in part, for any purpose except in connection with instruction of your employees in the operation of the Franchise. You acknowledge that any training methodology or information we convey to you, your General Manager, or your employees will at all times be and remain our property.

Section 5: Operations Manual and Other Manuals; Related Provisions

5.1 We have expended significant time and resources developing operating procedures, methods, techniques, and or processes that are not generally known to the public that are critical to the Franchise System. We convey this information to you through multiple methods including through our manuals including, but not limited to, the Manual(s).

5.2 We will provide you with access to the Manual(s). You agree to review, adopt, and exclusively use the operating procedures, methods, techniques, and processes of the Manual(s) as it exists now and as we may modify from time to time. It is your responsibility to ensure that you are operating in accordance with the then current operating procedures, methods, techniques and processes of the Manual(s).

5.3 You acknowledge the Manual(s) will be in the English language. You are solely responsible for ensuring that a representative that is fluent in the English language reviews and conveys the information in the Manual(s) to your employees who do not speak English and that the representative is available for any translation necessary during the operation of the Franchise.

5.4 At our discretion and at a reasonable cost, we may make other manuals and other materials relevant to the operation of the Franchise available for use and adoption by you.

5.5 The Parties incorporate by reference all Manual(s)s then in effect, and as modified from time to time, in this Agreement.

5.6 You acknowledge that we own all proprietary rights in and to the Manual(s), in its entirety, and that the Manual(s) is confidential and includes our trade secrets. Without our prior written consent, you shall not disclose the information in the Manual(s) to any person, except employees of the Franchise for purposes related solely to the operation of the Franchise, nor shall you reprint or reproduce the Manual(s), in whole or in part, for any purpose except in connection with instruction of employees in the operation of the Franchise. You acknowledge that the Manual(s) and information in the Manual(s) that we may proivde to you or your employees will at all times be and remain our sole property.

Section 6: Marketing/Advertising and Technology

6.1 **Marketing, Advertising and Promotion Generally.** We may develop general marketing, advertising or promotional activities or campaigns for all franchises in the network including the Franchise. You must comply with the terms of and actively participate in all sales, marketing, or promotional

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campaigns, programs or activities conducted, or reasonably required, by us. You will have access to marketing, promotional, and presentation material including template emails, scripts, presentation packs via the online system and Manual(s). You shall fully cooperate with us in connection with, and participate in, all of our market research programs. We will pay the costs of such campaigns, programs, and activities using the Marketing Fees paid by you and other franchisees but we reserve the right to request additional payments from you and other franchisees upon reasonable demand.

6.2 **Use of Prescribed Materials.** You must display on or about the premises only those signs, posters, and other advertising material we approve. You must maintain all signs, posters and other advertising material in a clean and satisfactory condition and good state of repair. Without prejudice to any other remedy available, we may, through our employees and agents, remove from the premises any printed matter, signs, posters, or other advertising material which we have not approved or which is not in a clean or satisfactory condition and state of repair.

6.3 **Initial Marketing Spend; Other Initial Marketing/Promotional Efforts.**

6.3.1 *Initial Marketing Spend.* You are required to spend a minimum of $10,000 in various online and/or other marketing activities that we prescribe as part of our System and that we expect will be paid to our Approved Supplier (the "Initial Marketing Spend"). Typically, we expect that you will be required to expend these amounts 30 to 90 days prior to opening and continuing through the grand opening of your Franchised Business – as we discuss and specify prior to any opening or operation of your Franchised Business in the Manual(s) or otherwise in writing. We may require that you expend any portion of the Initial Marketing Spend on materials/services that are purchased from our Approved Supplier(s).

6.3.2 *Other Initial Marketing/Promotional Efforts.* We strongly recommend, and may require, that you expend up to an additional $10,000 on other promotional activities designed to increase the visibility of your Franchised Business within the Designated Territory prior to or around the time of your contemplated or required opening. We may provide further directives to you via the Manuals or otherwise in writing on how we suggest or, in some cases, require our System franchisees to expend these funds.

6.4 **Local Marketing and Local Marketing Requirement (or "LMR").**

6.4.1 You must market and promote the Franchised Business at your cost, including using your best endeavors to actively promote the Franchise and in particular must regularly canvass members and potential members and follow up any leads you receive or that we may provide. You must not arrange, authorize, or carry out any advertising in relation to the Franchise unless we approve the form and content of the advertising in writing or it is in conformance with the Manual(s). You shall ensure that all marketing and promotional activities conform to the standards of ethical marketing and the policies prescribed by us and are not in any way misleading or deceptive.

6.4.2 You must expend the minimum amount equal to 1% of the Gross Revenue generated by the Franchised Business during the preceding calendar month of operations to market, promote and advertise the Franchised Business within the Designated Territory (the "Local Marketing Requirement" or "LMR"). We may require that all or some portion of your LMR be expended on services/collateral that you must acquire from one (1) or more of our then-current Approved Suppliers. Upon our request, you must provide us with invoices or other proof of your monthly expenditures on local advertising and marketing. You must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other System Business); and (ii) the Franchised Business is listed in the appropriate Internet-based directories that we designate in the Manual(s) or otherwise.

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6.4.3 You may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein you wish to advertise is contiguous to the Designated Territory and that area has not been granted to any other System Business or System franchisee/developer, and (b) we otherwise provide our prior written consent.

6.5 **Brand Development Fund**. We have established or expect to establish a brand development fund (the "Fund") designed to promote, advertise, market and/or otherwise develop the System, Proprietary Marks, System Business(es), Approved Services/Products and/or our brand generally. You will be required to contribute to the Fund an amount equal to two percent (2%) of the Gross Revenue of the Franchised Business ("Fund Contributions"), which shall be remitted to us at the same time and in the same manner as your Royalty Fees (unless we designate another method upon at least 30 days' prior written notice via the Manual(s) or otherwise). All Fund Contributions are non-refundable upon payment, and we will account separately for all sums paid to the Fund.

6.6 **System Marketing Material and/or Promotional Campaigns.** We will direct all advertising programs and have sole discretion to approve or disapprove the creative concepts, materials, and media used in the programs. Based thereon, we will have sole discretion to administer the marketing fees this Agreement describes herein. Subject to the exceptions this Agreement identifies and the Manual(s), you shall use only advertising and advertising materials we provide. Where your advertising campaign is not in conformance with the Manual(s), you will submit to us all advertising plans and advertising materials of any type, including, but not limited to, any digital media communication methods such as websites, blogs, instant message services, social media sites (i.e., Facebook, Twitter, Instagram, TikTok) and any comparable digital media communications at least 30 calendar days prior to publication, including any advertising on the internet, for our approval which we may grant or withhold in our sole judgment or modify at our discretion.

6.7 **Ownership Acknowledgement.** The approval by us of your advertising plans or advertising materials shall not, directly or indirectly, require us to pay for such advertising plans or advertising materials. Moreover, we can, at our discretion, adopt such advertising plans or advertising materials and use them for our own benefit or disseminate them for use by other franchisees.

6.8 **Telephone and Communications Systems.** You must, if requested in writing by us at any time during the Term, at your cost: (1) install and use in the Franchise telephone and other communications systems (including point of sale hardware and software) specified by us for the operation of the Franchise; (2) change or upgrade any telephone and communications systems used in the Franchise which we consider obsolete or superseded, including installation of new telephone and communication systems specified by us; and (3) ensure that all telephone and communications systems are secure from unauthorized access or use. You: must (1) pay on time all charges payable to any telecommunications service provider or to any other person in connection with the use of these systems; and (2) change, substitute, or discontinue the use of any communications number when requested by us. We can require you, at any time and for any reason, to execute a transfer of any communications number to be held by us.

6.9 **Computer System; Required Software.** You must at your cost: (1) install and use in the Franchise computer hardware and software which satisfies the functionality and specification requirements specified by us; (2) acquire and maintain software licenses in respect to all Required Software, whether covered by the Technology Fee or otherwise; and (3) change or upgrade any computer hardware or software used in the Franchise which we reasonably consider is obsolete or superseded, including installation of new computer hardware or software which satisfies the then current functionality and specification requirements specified by us. For the purposes of this Section, we may, at any time during the Term, require you to purchase computer hardware or license software specified by us directly from us or, subject to law, certain

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suppliers which we may approve. You must allow us to have access to your computer hardware and software and to all information that is stored in it including by any instantaneous means of telecommunication or internet protocol, unless prohibited by state or federal law. If we introduce a point-of-sale system, you must install the point-of-sale system approved by us that meets our performance standards. You must permit us or our duly authorized agents at all times, and from time to time, to copy any information contained in your point-of-sale system to a computer system operated by us, our nominee, or agents. You must ensure that connectivity is maintained and available at all times to allow all data generated by the point-of-sale system to be captured by us. If for any reason copying is not possible, then without in any way limiting the obligations herein, we may require you to download the information required by us into machine readable information compatible with the system operated by us.

6.10 **Right to Audit and/or Inspect.** In addition, we reserve the right to audit your financial information quarterly upon reasonable demand and require that you provide to us on or before April 15 of each year a copy of the Franchise's financial statements, including profit and loss statements, that are reasonably requested by us.

6.11 **Required Software (including CMS) and Use of Approved Supplier for Billing/Collection and Point of Sale (POS) Software and/or Services.** You must at your cost: (1) acquire and install the software necessary to access the CMS, as well as any other cloud-based or other software program, we require you license and/or use in connection with your Franchised Business (collectively, the "Required Software"); (2) pay all fees and costs to our then-current Approved Supplier, for such Required Software; (3) acquire and install all other software required to operate the Franchise as directed by us; and (4) acquire and use computer hardware and other electronic equipment as set forth in the Manual(s) or otherwise in writing, whether prior to opening or thereafter (the "Computer System"); and (5) utilize our then-current Approved Supplier that will (a) provide billing and collection services with respect to all membership fees and other revenue generated by the Franchised Business, and (b) remit the appropriate amounts to you and other System franchisees, less the applicable Royalty Fees, Fund Contributions and other recurring amounts due under this Agreement. To the extent access to a given Required Software is afforded as part of your then-current Technology Fee, the Applicable Provider(s) of such Required Software will either (a) provide you with login credentials to initially access such software directly, or (b) work with us to ensure you are provided with said credentials.

You must (1) access and use the Required Software and the CMS to operate the Franchise strictly in accordance with our direction; (2) have permanent 24 hour internet access (subject to black out and telecommunication network difficulties); (3) submit reports electronically to us in a format compatible with the Required Software and the CMS; (4) keep the Required Software, the CMS and required computer hardware and electronic equipment secure from unauthorized use and in good working order and repair; (5) ensure that the Required Software, the CMS, and the data uploaded or downloaded thereon, is used only for their authorized purpose and are not modified, altered, varied, changed, copied, reproduced or reverse engineered; (6) comply with all of our reasonable requirements made from time to time relating to the use of Required Software and the CMS; (7) give us access at all times to your Computer System and Required Software, including providing details of any access passwords and other access codes required, to enable us to upload or download information and to monitor and audit the Franchise's data and reports; (8) enter all information onto the Required Software and the CMS as required by us and ensure all information required by us is inputted on receipt of the information as expediently as possible and in any case by 5 p.m. local standard time of the next calendar day of the request; and (9) upgrade the computer hardware and electronic equipment and the Required Software or other software necessary to access the Required Software and the CMS as we reasonably require.

The Required Software and the CMS must only be used by you and your employees in the course of operating the Franchise. You are responsible for the use, supervision, management and control of the

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Required Software and CMS and must take all action reasonably within your control to ensure that the Required Software and CMS are protected at all times from misuse, damage, destruction or any form of unauthorized use. You must reasonably prevent your employees from disclosing or recording the username and password to the Required Software and the CMS. You must ensure that the Required Software and the CMS are only accessed by specific users who have been nominated by you and approved by us. You may at any time, by notice in writing to us, request approval of an additional approved user or the termination authority of an existing user.

We reserve the right to limit or remove the access of the Franchise and/or any employee to the CMS in the event you breach this Agreement. You agree to indemnify us for any failure by you to comply with this clause, or for any loss caused by or resulting from your non-compliance except to the extent we have acted with gross negligence or willful misconduct. You must notify us in writing within 48 hours (1) if any approved user ceases to be associated with the Franchise or (2) of any breach of the conditions of use or security of the CMS.

6.12 **Conduct and Promotion of Franchised Business Online.** We may conduct business and advertise for business on the internet. We may offer for sale products and services via the internet and we are not liable to you for any money or benefits received by us or any person or entity related or affiliated with us in connection with the sales. You must cooperate with us in our conduct of business on the internet including by: (1) advertising the domain name specified by us on the shopfront of the Premises, other locations in the Premises, and on all of Franchisee letterheads, business cards, invoices, statements and carry bags; (2) accepting gift vouchers, returns and exchanges from members who have made purchases of products and services via the internet or from another franchisee in the network; and (3) fulfilling orders for products from members who have placed orders via the internet or from another franchisee in the network.

6.13 **Social Media Use and Participation.** You must adhere to our social media policy as described more fully in the Manual(s). Any social media activity proposed to be undertaken by you that is not in conformance with the Manual(s) must be approved in writing by us in advance. You must comply with our directions in relation to such activity and if the relevant social media activity is not removed after being directed by us to be so removed, you authorize us to remove any social media activity that is not approved or authorized by us. You must not disparage us or any of our other franchisees on social media and must not post anything to social media that brings harm or disrepute to the Franchise System. Doing so is a material breach of this Agreement.

6.14 **Member Loyalty Program**. We may, in our discretion, establish and operate a Member Loyalty Program from time to time. You must participate fully in any Member Loyalty Program which we decide to establish and implement. The terms on which you will participate in the Member Loyalty Program will be set out in the Manual(s) from time to time but for the avoidance of doubt will be necessary to protect or promote our legitimate commercial interest. You must purchase from us the cards, application forms, and other materials for use in connection with the Member Loyalty Program prior to its commencement date and as and when required in the operation of the Franchise in accordance with the Manual(s). We may, in our reasonable discretion, by written notice to you at any time: (1) vary the terms of the Member Loyalty Program or (2) withdraw from supply the cards, application forms and other materials for use in connection with Member Loyalty Program.

6.15 **Ongoing Consultation.** We will make staff available to you for consultation on operations, advertising, and promotion, and administration, as we determine appropriate in our discretion. We will provide continuing assistance to you in the development and operation of the Franchise with scheduled meetings which may occur weekly, monthly, and/or quarterly with dedicated business performance coaches. We will not and cannot, however, provide you with consultation related to employment practices

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or procedures as this is explicitly within your purview to determine and to ensure that you are in compliance with federal, state, and local laws.

Section 7: Confidential Information and Non-Disclosure

7.1 We have expended and continue to expend significant time and resources developing in connection with the Franchise System certain brand standards, confidential information, and know-how relating to the administration and operation of a franchised businesses including all systems, processes, procedures, software, databases, logos, manuals, advertising information and promotional materials ("Confidential Information"). Such Confidential Information includes, but is not limited to, (i) our Manual(s), forms, the information contained and compiled therein, and the updates and memoranda thereto; (ii) training information and methodology; (iii) advertising plans and methodology; (iv) names of contractual arrangements with agents, suppliers, and customers, and their requirements, specifications, and preferences; (v) the contractual arrangements with agents, suppliers, and customers; (vi) the financial details (including but not limited to credit and discount terms) of relationships with our agents, suppliers, or customers; (vii) the names of prospective customers and their requirements, specifications, and preferences; (ix) the software; (x) information concerning and presented at our seminars, conferences, or conventions; (xi) security access information; (xii) information provided through initial and supplementary training; and (xiii) our business plans and strategies, names of agents, suppliers, and customers and their requirements, specifications, and preferences.

7.2 You acknowledge that we own all proprietary rights in and to the Confidential Information, in its entirety, and that the Confidential Information constitutes our confidential trade secrets. Without our prior written consent, you shall not disclose the Confidential Information to any person, except employees of the Franchise for purposes related solely to the operation of the Franchise, nor shall you reprint or reproduce any Confidential Information we may provide to you, in whole or in part, for any purpose except in connection with instruction of employees in the operation of the Franchise. You acknowledge that any Confidential Information we provide to you or your employees will at all times be and remain our property.

7.3 You acknowledge that, whether or not we denote, label, or mark the Confidential Information as confidential you shall treat the Confidential Information as confidential and should take the utmost precautions to ensure that neither you or any of your employees disseminate it to the public.

7.4 You acknowledge that any materials, concept, process, or improvement you develop in the operation or promotion of the Franchise will at all times be and remain our property. You agree to give us prompt notice of and all necessary information related to such development(s).

7.5 We claim property rights in all the information about the operational, sales, promotional methods and techniques, and marketing methods and techniques of the Franchise System. We claim proprietary trade secret rights in information like lists and files, and other compilations of information pertaining to the Franchise System, which information includes (a) our manuals and forms, the information contained and compiled in the manuals and forms, and the updates and memoranda relating to the manuals and forms; (b) names of our agents, suppliers, and customers, and their requirements, specifications, and preferences; (c) the contractual arrangements between us and our agents, suppliers, and customers; (d) the financial details (including but not limited to credit and discount terms) of our relationship with our agents, suppliers, or customers; (e) the names of prospective customers and their requirements, specifications, and preferences; (f) information concerning the remuneration paid by us to our employees; (g) our computer software and any part of its coding; (h) information concerning and presented at our meetings; (i) security and access information; (j) information provided through initial and ongoing specialized training; (k) our business plans and strategies; and (l) similar information. All such lists, files, other compilations of

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information, and the information contained in such materials (whether or not denoted, labeled, or marked as confidential) is considered confidential and will be and remain our exclusive property, even if compiled or developed by you in connection with your business under this Agreement. You must provide us, upon our request, with a list of all customers you are servicing and copies of their respective contracts. You must not use or communicate, either during or after the term of this Agreement, the contents of any trade secrets or confidential information about the operation of the Franchise or of the Franchise System, except as provided for in this Agreement. You must also use all reasonable efforts to maintain this information as secret and confidential, and you must not duplicate, copy, record, or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person without our written permission. Any effort to crack, hack, or otherwise disseminate this information will result in the immediate default of your Franchise Agreement.

7.6 **Member/Customer and Personnel Information.** You must provide digital or paper forms to all customers, members, employees and other Franchised Business personnel which will enable them to provide to you, if they so desire, information in a form and manner from time to time prescribed by us or government entities ("Personal Information"). You must comply with federal, state, and local privacy laws, our privacy policy, and all of our directives related to the retention of Personal Information at your own cost. You must:

7.6.1 Only use Personal Information for the purposes of this Agreement or the Franchise unless (a) we have consented to that other use (which consent may be withheld by us in our sole discretion), and (b) you have complied with the requirements of any applicable privacy laws;

7.6.2 Ensure that the only persons with access to Personal Information are those necessary to enable you to perform the obligations under this Agreement and who are aware of your obligations under this clause;

7.6.3 Notify us immediately if you (a) are aware of or suspect any unauthorized use, copying, or disclosure of Personal Information or (b) become aware that the disclosure of any Personal information that may be required by law;

7.6.4 Comply with any reasonable written directions given by us to (a) protect Personal Information from unauthorized access or use or (b) take any action we consider necessary to assist us or you in compliance with applicable privacy laws; and

7.6.5 Obtain all the necessary consents from individuals providing Personal Information to enable you to fully comply with your obligations under this Section and this Agreement generally.

7.7 **Member Information and Ownership.** Subject to any applicable laws, you must (1) collect the information from members specified in the Manual(s) or otherwise in writing by us; (2) collect member information only in the manner specified in the Manual(s) or in writing by us; (3) not otherwise store or keep member information in the form of an external document or database; and (4) provide us with all member information, in the form specified by us, at the end of each calendar month or within 24 hours after receiving a written request from us. You acknowledge and agree that the member information is our property.

7.8 **Customer Database.** We may establish and maintain a member database to store member information.

7.9 **Improvements to System.** You agrees to disclose promptly to us any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by

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you, your Franchise Owners or Franchised Business personnel that are in any way related to the establishment or operation of the Franchised Business and/or related to our System or Franchise System generally (collectively, the "Improvements"), all of which shall be automatically and without further action owned by us without compensation to you (including all intellectual property rights therein). Whenever requested by us, you agree to promptly execute any and all applications, assignments, or other instruments that we deem necessary to apply for and obtain intellectual property protection or to otherwise protect our interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that we are not entitled to automatically own certain of the Improvements that may be developed under applicable law(s), then you hereby agree to grant us and our affiliates a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

Section 8: Insurance

8.1 You shall, prior to operating the Franchise, acquire and maintain in effect such insurance with such coverages as the federal, state, and local law as well as this Agreement may require, and in any event, you shall acquire and maintain in effect not less than the following coverages in the following minimum amounts set forth below, as we may update, supplement and/or otherwise modify from time to time via the Manuals or other prior written notice:

Type of Insurance	Limits
Employee Dishonesty /"3-D" Comprehensive Crime Insurance	$300,000 (per Occurrence)
Comprehensive General Liability	$2,000,000 (General Aggregate) $2,000,000 (Products/Completed Operations)
Comprehensive General Liability	$1,000,000
Business Automobile Liability, including owned, hired and non-owned automobile insurance	$1,000,000 (per Occurrence)
Excess or Umbrella Insurance	$5,000,000 (per Occurrence & Aggregate)
Workers Compensation Insurance Employers Liability Insurance	Statutory Limits $1,000,000/$1,000,000/$1,000,000

8.2 You shall comply with the following requirements for all insurance policies that you acquire and maintain:

8.2.1 You shall name us and any party we designate as additional insureds, as their interests may appear in this Agreement. The additional insured status of us and any party we designate shall be primary and there shall be no requirement for us or any party we designate to financially contribute to or be liable for the insurance coverage. For purposes of Comprehensive General Liability and Excess or Umbrella Insurance, the status of us and any party we designate as an additional insured shall apply to both ongoing and completed operations coverage.

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8.2.2 You shall provide evidence of payment of premiums of the aforementioned insurance policies and duplicate copies of policies to us no less than 30 calendar days prior to the date that you open for business and/or 30 calendar days prior to the expiration date of an existing policy of insurance.

8.2.3 Your insurance policies shall be in effect on or prior to the date that you begin servicing members.

8.2.4 You shall cause the insurer to include as a provision in all insurance policies that the insurer must give written notice to us no less than 30 calendar days prior to any cancellations of or material changes to the policy.

8.2.5 You shall cause the insurer to include as a provision in all insurance policies a waiver of subrogation favoring us, our officers, and our directors.

8.2.6 You shall obtain all insurance policies from a reputable insurance company licensed to do business in the state in which your Franchise is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless the we approve otherwise.

8.3 In the event you shall fail to obtain such insurance with such coverages as the federal, state, and local law as well as this Agreement requires, we may, but are not obligated to, purchase said insurance, deducting these amounts from any payments made to you. We may relieve ourself of all obligations with respect to the purchase and administration of such insurance coverage by giving 10 calendar days written notice to you.

8.4 The various limits of the insurance that federal, state, and local law as well as this Agreement requires may be increased or circumstances may dictate that you add new types of coverage.

Section 9: Securing Approved Premises

9.1 Obligation to Secure an Approved Premises

9.1.1 Unless we have already agreed upon a location for the Premises at the time we execute this Agreement, you must use your best efforts to locate and enter into a lease agreement for a Premises within the Designated Territory that we approve within six (6) months of the Effective Date. As part of that process, it is your responsibility to: (i) inspect prospective premises; (ii) report back to us on a weekly basis with details of the prospective premises inspected in the prior seven (7) calendar days; (iii) consider any potential premises we may suggest; and (iv) if we deem necessary, engage an agent we approve to assist you in locating an appropriate premises within the Designated Territory.

9.1.2 If you have not located an appropriate premises by the time specified above, we may in our discretion (i) agree to terminate this Agreement or (ii) agree to extend the time you have to locate an appropriate premises.

9.2 Approval of Approved Premises.

9.2.1 You irrevocably authorize us and our legal practitioners to access the premises.

9.2.2 We accept no responsibility for the suitability of the Premises for the conduct of the Franchise.

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9.2.3 If the Premises is not at the date of this Agreement already in use as one of our franchises, then you must not conduct the Franchised Business from the Premises until: (1) we have confirmed in writing that the Premises has been erected or converted and improved with equipment and furnishings to our reasonable specification; and (2) you have obtained all consents necessary for the conduct of the Franchised Business from the Premises.

9.2.4 You must not relocate or substantially change the size or layout of the Premises without our prior written approval.

9.3 **Lease of Premises.**

9.3.1 You are solely responsible for locating, proposing and securing a lease for the Premises we approve in writing prior to you securing the right to occupy and use such Premises for purposes of developing and operating the Franchised Business.

9.3.2 You must ensure that the lease for the Premises (the "Lease") contains and integrates the provisions and covenants set forth in this Section or that we designate in the Manuals at any time prior to you securing any Premises (the "Prescribed Lease Provisions"), with said Lease subject to our review and approval with respect to any markup or negotiated changes to said provisions as part of our overall right to approve the Premises itself.

9.3.3 You must perform and observe at all times the terms (including conditions and covenants) of any lease or other agreement affording you access to and use of the Premises.

9.3.4 You will be liable to pay all amounts owing in connection with the Lease and Premises governed thereby, and your failure to cure any defaults you have with respect to Tenant's (or its guarantors) monetary or non-monetary obligations under the Lease within the applicable cure periods set forth therein shall constitute a material default and, if the Lease is terminated or subject to termination, grounds for immediate termination of this Agreement by us upon written notice to you.

9.3.5 Where you have entered into a lease in respect of the Premises: (1) we may at any time during the Term notify you in writing that we require you to assign the lease of the Premises to us or our nominee; and (2) you must within seven (7) calendar days of such request assign the lease of the Premises to us or our nominee and sign all documents and take all necessary steps to effect the assignment of the lease of the Premises.

9.4 **Prescribed Lease Terms.** You must use your best efforts to negotiate with the landlord that owns or controls the Premises to integrate the Prescribed Lease Provisions, including a collateral assignment of lease in favor of us in the event this Agreement or the Lease is subject to termination, as specifically set forth in our then-current Manual(s). We may condition our approval or consent to any site you propose as a potential Premises for your Franchised Business on the Lease containing such provisions or substantially similar language affording us the rights detailed in our Prescribed Lease Provisions at the time of such proposal.

9.5 **Build-Out and Establishment of Franchised Business at Approved Premises.**

9.5.1 This section applies only in respect of the initial build-out of the Premises and does not apply to the purchase of an existing Franchise or to the refurbishment or upgrade of the Premises, in which case the Sections below (as relevant) will apply.

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9.5.2 You must undertake the build-out of the Premises. We may at our reasonable discretion organize the build-out of the Premises. Irrespective of whether we or you undertake the build-out, we shall be entitled to review, approve and confirm the design and build-out of the Premises. In consideration for those services, you must pay us for any reasonable project design and site approval fees upon demand from us.

9.5.3 You (and, if applicable, your Franchise Owners) are solely responsible for the buildout and any construction required in connection with the development of your Franchised Business in order to ensure that the Premises complies with all System standards and specifications, including the (a) design and layout of the Franchised Business, and (b) the corresponding package of furniture, fixtures, equipment and/or other Required Items we designate in the Manuals for the buildout and equipping of the Franchised Business. You must also:

9.5.3.1 utilize all Approved Suppliers that we designate for any Required Item (product or service) in connection with the buildout of the Franchised Business at the Premises, as we may designate in the Manuals or otherwise in writing;

9.5.3.2 provide us with updates and reports throughout the buildout of your Franchised Business and Premises on the interval we set forth in the Manuals or, in the event no specific timeline is provided therein, not less than once every two (2) calendar weeks;

9.5.3.3 provide us with, and receive our consent with respect to, the plans for the build-out including the plans, design, contractors employed, budget and time frame for the completion of the build-out;

9.5.3.4 engage competent, licensed contractors to complete the works in a proper and workmanlike manner and in a manner to ensure timely completion of the buildout;

9.5.3.5 manage, supervise, and ensure that the buildout is completed by competent, licensed tradesmen in a proper and workmanlike manner;

9.5.3.6 secure appropriate insurances in connection with the buildout;

9.5.3.7 correct any defects in the buildout;

9.5.3.8 ensure the build-out complies with all requirements we specify in the Manual(s) and any government regulatory requirements;

9.5.3.9 verify compliance with all laws and regulations that may be imposed by local, state, and federal agencies in relation to the buildout; and

9.5.3.10 ensure that you pay any and all amounts due in connection with the buildout and other development activities associated with establishing the Franchised Business at the Premises, which may include amounts due to our Approved Supplier(s) and/or us.

9.6 **Use of Premises.** During the Term, the Premises must be used and operated by you exclusively for the purpose of operating the Franchise. You must keep the Premises open to the public and operate the Franchise during the hours set out in the Manual(s) or as prescribed by us in writing from time to time. You must conduct the Franchise only from the Premises and must not change the Premises from which the Franchise is conducted without our prior written consent.

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9.7 **Condition, Maintenance and Refurbishment of Premises and Equipment.** You must at all times keep the Premises clean and tidy. At your cost, you shall ensure that the Premises are maintained and equipped according to our specifications. You shall ensure that the Premises and all fixtures, fittings and equipment used in the Franchise comply at all times with our reasonable requirements and professional standards. You shall ensure that the Premises and the equipment are at all times operated and maintained in first class condition and repair including keeping them clean and safe in compliance with the industry standards and you must promptly correct any deviations from those standards. You shall replace flooring as specified by us if we deem it necessary. You shall repair and replace fittings, fixtures, equipment and lighting to comply with: (1) if the Premises are subject to a lease, any requirements under the lease; and (2) our standards of presentation required for all franchises in the network. You shall, in order to maintain the Franchise System and the professional image of the network, refurbish the Premises to our then-current specifications as reasonably requested by us and as stated more fully herein. If the provisions of a lease require you to refurbish the Premises more frequently, you must comply with the lease.

9.8 **Upgrading Premises, Furniture, Fixture, Equipment ("FFE") and/or Other Required Items.** Where reasonably necessary to protect our legitimate commercial interest, we may change any brand standard so as to require an upgrade of the Premises, FFE and/or any other Required Item used to initially build out and equip the Franchised Business. When this occurs, we require you to perform these upgrades at your cost within 180 calendar days of when we notify you of such upgrades via the Manuals or otherwise in writing to similarly-situated System franchisees.

9.9 **Relocation.**

9.9.1 If the lease expires during the Term or is terminated through no fault of you, the Premises are destroyed or are unable to be used for at least 70 consecutive calendar days, or if in our reasonable opinion, there is a change in the character of the location of the Premises which is detrimental to the potential of the Franchise to warrant relocation, then you may nominate new premises, which will be subject to the prior written approval of us or we may endeavor to locate a suitable alternative new Premises.

9.9.2 If relocation is approved by us, you must propose a suitable new premises for approval by us by no later than 70 calendar days from the date on which you vacate the Premises.

9.9.3 The parties will negotiate and agree in good faith the time in relation to your entering into the lease in respect of the new Premises and relocating the Franchise (including the build-out of the new Premises in accordance with Franchise Agreement).

9.9.4 You acknowledge and agree that: (1) compliance with this section is at your sole cost and expense; (2) it is in the best interests of both parties that the Franchise be open for trade from the new Premises as soon as possible; and (3) subject to relevant laws, the new Premises are to be fitted out at your cost to conform with the then prevailing image and otherwise in accordance with this Section.

9.10 **Acknowledgements Regarding Subsequent Changes to Premises or Lease.** You are liable for all costs incurred in association with the following events (including, but not limited to, negotiations and amendments to the lease or entry into a new or renewed lease and costs and fees we may incur in response):

9.10.1 where you, the landlord, or licensor of the lease requests an amendment to the terms of the lease;

9.10.2 where there is an assignment of the lease or event that necessitates an assignment lease; or

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9.10.3 where there is a renewal of the lease or an event that necessitates the renewal of the lease.

Section 10: Ownership and Management of the Franchised Business

10.1 You identify in Schedule 1 to this Agreement the identity of and other necessary information related to your Principals. You certify and warrant that all of the Franchise's owners, shareholders, members, managers, partners, officers, and directors listed in Schedule 1, will execute the Guaranty attached as Schedule 3 to this Agreement, and will execute such other documents as necessary.

10.2 If you are a business entity, then you must: (i) identify each individual or other entity that owns or holds any ownership interest in the Franchisee in Schedule 1 (each, a "Franchise Owner" or "Principal"); and (ii) ensure each Franchise Owner executes the form of Personal Guarantee attached to this Agreement as Schedule 3 (the "Personal Guaranty" or "Guaranty").

10.3 The individual you identify in Schedule 1 as the "Franchise Operator" shall have authority to speak for and bind you in all matters pertaining to the operation of the Franchise.

10.4 You warrant to us that we may rely on the authority of the Franchise Operator until such time as you notify us in writing by a majority vote of those with an ownership interest in the Franchise that you have assigned a different owner with no less than a 25% ownership interest in the "Franchisee" as the Franchise Operator with respect to the Franchised Business.

Section 11: Compliance With Franchise System

11.1 As this Agreement notes herein, we have expended significant time and resources developing operating procedures, methods, techniques, and or processes that encompass the Franchise System and have expended significant time and resources causing said Franchise System to have value.

11.2 You shall not appropriate, use, or duplicate the Franchise System, or any portion thereof, for use at any other similar business and you shall not disclose or reveal any portion of the Franchise System to a non-franchisee other than to your employees as an incident of their training.

11.3 Critical to the success of the Franchise System is the adherence by you to our brand standards and policies that provide for the uniform operation of all franchises. The working relationship with us in the conduct of the Franchise, your accountability for performance of the obligations this Agreement contains, and your adherence to the Franchise System are thus necessary to the success of the Franchise. Based thereon, the Parties agree that compliance with the Franchise System requires the following:

11.3.1 You are either a corporation or a limited liability company, as indicated on the Franchise Summary, duly incorporated or formed, validly existing and in good standing, under the laws of its state of incorporation or formation, as indicated on the Franchise Summary. You certify and warrant that all owners, shareholders, members, managers, partners, officers, and directors are listed in the attached Schedule 1.

11.3.2 You shall hire and train sufficient numbers of personnel to adequately handle the Franchise and to provide courteous and capable assistance to your customers. We may, when we consider it necessary, engage a Mystery Shopper to evaluate the conduct of the Franchise.

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11.3.3 You shall, within twenty four (24) hours of receipt of notice from us, correct any defects, deficiencies, or unsatisfactory conditions in the appearance or conduct of the Franchise. You shall establish and maintain an image and reputation for the Franchise consistent with the standards set forth in this Agreement, the Manual(s), and as otherwise specified by us.

11.3.4 We may send a representative or representatives to visit the Premises at such times as we may determine in our sole and absolute discretion. You shall be present during such visits if we request upon prior notice of such visits and shall cooperate fully with our personnel during such visits. You shall make available to our representatives any information, reports, accounts, books, records, orders, receipts, statements, and such other information we request and shall allow us to access the Franchise's computers and computer records. Such visits shall be during your normal business hours and will take place at the Franchise unless the Parties agree otherwise.

11.3.5 We have the right to visit, inspect, observe, and report on the operation of the Franchised Business, with or without notice to you, at such times, with such frequency, and for such durations as we may determine in our sole discretion. You shall ensure that your employees cooperate fully with our representatives visiting the Franchised Business operations . You agree to furnish us with such evidence as we may request, from time to time, for the purpose of assuring that you are conforming with the Franchise System. You shall cooperate with any and all other evaluation programs that we may implement.

11.3.6 You shall maintain communications with us and with the members that you are servicing.

11.3.7 You shall, within twenty four (24) hours of your receipt of a complaint from us or a member that you are servicing, remedy that complaint and provide documentation to us no less than seventy two (72) hours thereafter demonstrating that you have remedied such complaint to our satisfaction.

11.3.8 You shall have installed in the Premises, at your cost, all required components of the Computer System and all Required Software;

11.3.9 Prior to operating the Franchise, you shall duly execute any associated document with this Agreement and procure the execution of any guarantees required by us and under any lease.

11.3.10 Prior to the Effective Date, you shall have fully and fairly disclosed to us in writing all facts concerning your qualification to be a franchisee, including your financial position and past business history, which could reasonably be considered relevant to our decision to grant the Franchise to you.

11.3.11 You must cooperate with other Franchise System franchisees and/or System Business owners as we direct in the Manuals or otherwise in writing, including without limitation, all policies and procedures set forth with respect to (a) Members and their corresponding membership contracts, and (b) any Member reciprocity, loyalty and/or reward programs we determine to establish, implement or otherwise administer.

11.3.12 *Employment Law Compliance, Audit, and Self-Certification.* Without limiting the other provisions contained herein, if we reasonably request you to do so, you must allow our representative (including an accountant, auditor or other third party engaged by us), to inspect or audit, and copy your payroll records, employee entitlements or other related labor or employment records, whether located on the Premises or elsewhere or stored electronically. Our reasonable costs in undertaking an audit under this section will be paid for by you. You must (a) immediately comply and cooperate with any audit or investigation undertaken by any employment regulatory authority or its agents or by us; and (b) immediately

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on becoming aware of an audit or investigation undertaken by any employment regulatory authority, advise us; and (c) at our request, provide us with all relevant information and documents. In addition to the other obligations in this section, you will certify to us on an annual basis and by a date advised by us, that you are in compliance with all applicable workplace laws. If it comes to our attention, through an audit or otherwise, that there are systematic or substantial fraudulent activities on your part (such as falsifying pay records provided to us and/or an employee or fraudulently representing the minimum pay rates to an employee), we reserve our rights to terminate this Agreement for cause on the basis that you have acted fraudulently in connection with the operation of the Franchise.

11.4 You acknowledge that the goodwill of the Franchise System may be diminished by the acts of a franchisee. Based thereon, the Parties agree that the protection of the Franchise System requires the following:

11.4.1 Prior to opening the Franchised Business, you must submit proof of registration with all taxation authorities to which you will be responsible for paying taxes, including submitting a Federal tax identification number, and any state and municipal tax identification numbers you have obtained or shall obtain within the necessary timeframes, all necessary permits, approvals, authorizations and licenses to enable you to properly operate the Franchise in accordance with this Agreement and all federal, state, and local laws, ordinances, and regulations affecting the operations of the Franchise.

11.4.2 At your own expense, you shall ensure that you are in compliance with all federal, state, and local laws, ordinances, and regulations affecting the operations of the Franchise.

11.4.3 You shall pay all taxes, liens, assessments, costs, expenses, debts, salaries, accounts, liabilities, charges, duties, imposts, premiums, fees, damages, and any and all other outlays or responsibilities involving the payment of money or performance of every other nature incurred in, related to, or resulting in any way from, the construction, maintenance, operation and/or discontinuance of the Franchise, and shall provide proof of such action thereof to us, on request.

11.4.4 The Parties agree and understand that you will be at all times an independent contractor under this Agreement and will not, at any time, directly or indirectly, hold yourself out as an agent, servant, employee or joint employee of Franchisor. NOTHING IN THIS AGREEMENT CREATES A PARTNERSHIP, JOINT VENTURE, AGENCY, EMPLOYMENT, JOINT EMPLOYMENT OR FIDUCIARY RELATIONSHIP OF ANY KIND. NEITHER FRANCHISOR NOR FRANCHISEE WILL CONSIDER ANY OF YOUR EMPLOYEES TO BE OUR EMPLOYEES OR JOINT EMPLOYEES. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee or joint employee for any purpose and you shall defend and indemnify us against any such claim.

11.4.5 Neither party shall guarantee the obligations of any other or in any way become obligated for the debts or expenses of any other unless agreed to in writing. We do not not have any ownership or equity interest in you (though shareholders in us, acting in their individual capacities, are not so prohibited). We shall not regulate the hiring or firing of your employees, working conditions of your employees, except to the extent necessary to protect the Marks and goodwill associated therewith. The conduct of the Franchise shall be determined by your own judgment and discretion, subject only to the provisions of this Agreement and the Manual(s)s as they exist now or may be revised from time to time. You shall post promptly and maintain any signs or notices specified by us or by applicable law indicating the status of the parties as described in this paragraph.

11.4.6 You shall obtain and maintain at your expense all licenses and permits necessary for the operation of the Franchise.

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11.4.7 You shall comply immediately with any and all orders, laws, regulations, rules, and directives of any federal, state, county or municipal authorities with regard to the Franchise, including OSHA and other health or safety requirements, and shall notify us within twenty four (24) hours of legal requirements or developments affecting the Franchise and of any government orders, the reasons therefore, and the corrective action taken or to be taken by you.

11.4.8 You must ensure that any fitness training, classes and/or other instruction, as well as certain other Approved Services involving fitness instruction, are only peformed and provided by an individual that has completed the Instructor Training and meets all other criteria to serve as an Authorized Instructor (the "Instructor Criteria") as set forth in the Manuals or otherwise in writing.

11.5 You agree that we may change the Franchise System including, without limitation, brand standards, the adoption and use of new or modified trademarks and service marks, Confidential Information, products, and services. You agree to be bound by these changes and promptly comply with all such additions, modifications, and changes at your sole cost and expense except as this Agreement otherwise permits herein.

Section 12: Required Items, Approved Suppliers and Related Obligations

12.1 **Required Items.** Unless we agree otherwise in a separately-signed writing, you must acquire and/or license and/or lease: (i) the furniture, fixtures, equipment, supplies, inventory, Required Software and services we designate in the Manuals or otherwise in writing to (a) build-out and otherwise establish the Franchised Business at the Premises, and (b) operate that Franchised Business on an ongoing basis (collectively, the "Required Items"), in accordance with our then-current System standards and specifications; and (ii) such Required Items from the Approved Supplier, if any, we designate in our Manuals or otherwise in writing.

12.2 **Ongoing Obligations.** To ensure you may service members, you must purchase and maintain in accordance with the specifications set forth in the Manual(s)s such additional supplies and equipment necessary. We may make changes in these standards and specifications. The changes may require you to purchase equipment, supplies, furnishings or other products. You must promptly use the modified standards and specifications at your own expense and as specified in this Agreement within 180 days of the date we provide notice of a formal roll-out with respect to all similarly-situated System franchisees.

12.3 **Right to Designate and Update List of Approved Supplier(s).** We may, but are under no obligation, appoint oursevles and/or our affiliates or any other third party as an Apporved Supplier for one (1) or more Required Items associated with the Franchised Business upon prior written notice via the Manuals or otherwise.

12.4 **Approved Services and Approved Products**

12.4.1 **Approved Products**. The Manual(s) will set forth a list of the Approved Products we authorize for offer and retail sale at the Franchised Business.You must and may only use or sell the specific Approved Products at all times at and from the Premises, and must not discontinue or fail to use or offer any Approved Product unless (a) we agree otherwise in writing, or (b) you provide us with prior written notice that such Approved Product is not authorized for sale under applicable law(s) where the Franchised Business is located.

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12.4.2 **Changes in Approved Products.** We, where reasonably necessary to protect or promote our legitimate commercial interest, may at any time during the Term: (1) designate a product which is not an Approved Product as an Approved Product; (2) designate a product which is an Approved Product as no longer having that status; and (3) change a standard with respect to an Approved Product, and you must implement the change within 30 calendar days of your receipt of written notice of the change from us.

12.4.3 **Quality Control and Purchase of Supplies**. You must use all services, systems, procedures and methods as reasonably instructed by us in writing to ensure adequate quality control of the Approved Products in compliance with the Franchise System.

12.4.4 **Approved Services.** You may and must only offer and provide the Approved Services as we specify in the Manual(s), and not offer or provide other services or product at the Premises or otherwise in connection with Franchised Business unless we agree otherwise in a separate writing. You shall ensure that the services are promoted and provided in accordance with the Franchise System, the Manual(s), and our written direction from time to time. You shall market, promote and provide the services in a proper and professional manner, in conformity with any applicable standards and statutory requirements, and other requirements made known to you from time to time by us in writing. You shall not accept any offer of personal employment or engagement to conduct any services (including any Approved Services) directly or indirectly for a member in contravention of the arrangements specified by us in writing from time to time. Where reasonably necessary to protect or promote the parties' legitimate commercial interest, we may by written notice to you or by amendment to Manual(s) add to the range of services or delete a service from the range of services, in which case you must immediately cease to offer or provide the deleted service.

12.4.5 **Pricing Policies.** You shall comply with any pricing policies and guidelines which we reasonably notify you of from time to time and we are lawfully able to impose including policies under which we specify a maximum price for the Approved Products or services. Where reasonably necessary to protect our legitimate commercial interest, we may change our recommended or maximum retail prices, charges, discounts relating to or affecting any of the Approved Products or services and issue new or changed or modified recommended or maximum price lists upon notice.

12.4.6 **Rebates.** You acknowledge that we may negotiate and/or receive rebates or other financial incentives from the manufacturers and suppliers of any Required Items and/or Approved Products that a System franchisee must acquire and/or offer for sale at the Premises or otherwise in connection with the Franchised Business. You agree that we may retain for our own benefit all rebates or payments received from any Approved Suppliers and/or other providers/suppliers, whether or not such rebates or payments are made as a consequence of purchases by you.

12.4.7 **Proposal to Use Alternate Sources of Supply.** If you wish to purchase supplies from an alternative supplier, you must deliver to us a sample of each item of supplies proposed to be purchased from the alternative supplier. We may check those items to ensure that they are of an appropriate quality for the Franchise. We may notify you if any of the items are unsuitable for the Franchise in which case you must not use such supplies in the Franchise. We will use our best efforts to ensure that either we or a designated supplier will at all times have a supply of Approved Products for sale to you.

12.4.8 **No Vending/Gaming Machines or Other Equipment at the Premises.** You must not install at the Premises vending machines, newspaper racks, juke boxes, gum or candy machines, games, rides, phone boxes or any other type of machine without our prior written approval.

12.4.9 **Stationary and/or Other Promotional/Marketing Materials.** You must only use in the operation of the Franchised Business any specific type(s) of stationery that conforms to the style

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approved by us in the Manuals or otherwise in writing, which may include a condition that such materials contain certain Proprietary Marks, statements, endorsements and/or identification as a member of our Franchise System. You must have the stationery approved by us before you open your Franchised Business, and you must maintain an adequate supply of the stationary we approve from time to time over the Term.

12.5.10 **Acknowledgement Regarding Required Items Provided by Approved Supplier(s) or Other Third-Party Providers.** You acknowledge and agree that we are not liable to you for any costs, including loss of trade or profit incurred or suffered by you as a result of an Approved Supplier's failure to deliver or delayed or incorrect delivery of any supplies ordered by you.

Section 13: Fees; Billing, Reporting and Records

13.1 Billing and Collection: Approved Supplier(s) and System Procedure(s).

13.1.1 *Approved Supplier for Gross Revenue Collection, Billing and Remission of Funds to Franchisee.* Unless we designate a different method in our Manuals or otherwise in writing, the Parties agree that we will designate an Approved Supplier to provide the following services on behalf of you and other System franchisees: (i) collection of membership fees and/or other Gross Revenue generated by the Franchised Business, as well as related merchant processing services; (ii) billing/invoicing services for the amounts due to us and/or any of our affiliates under this Agreement; and (iii) remission of the Gross Revenue, less any amounts due to us and/or our affiliates under this Agreement at the time of each such remission, to you. Our then-current Approved Supplier(s) for such services, like other Approved Suppliers, will be identified in writing by us via the Manuals or otherwise.

13.1.2 *EFT Program Participation; Designated EFT Account.* Regardless of your obligations under Section 13.1.1, you must at all times participate in our automatic debit/credit transfer program as specified by us in our Manuals or otherwise in writing (the "EFT Program") for the payment of any amounts due to us pursuant to this Agreement. You shall execute and deliver to us such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program, including all information and/or materials (i.e., voided check) necessary for us to identify and enroll your account in the EFT Program (your "Designated EFT Account").

13.2 **Definition of "Gross Revenue".** For the purposes of this Agreement, the term "Gross Revenue" shall mean the total amount of consideration, whether cash, credit, or payment in kind, received by you for all goods sold and services (including all membership fees and other revenue generated from the sale of Approved Services and Approved Products), including barter (exchange of tuition for services or products), and excluding refunds, uncollectible debts, taxes collected and paid to a tax authority, and tuition credits for staff children. There shall be deducted from Gross Revenue the price of goods returned by customers for exchange, provided that such returned goods shall have been previously included in Gross Revenue, and provided that the sales price of goods delivered to the customer in exchange shall be included in Gross Revenue. Gross Revenue shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by you to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when you shall receive payment (whether full or partial) therefor.

13.3 **Royalty Fee(s); Minimum Royalty.** Upon the earlier of the date (a) you open your Franchised Business, and (b) the date you are required to open the Franchised Business under this Agreement, you must pay us an ongoing royalty fee (the "Royalty Fee") amounting to the greater of: (i)

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7% of the Gross Revenue generated by the Franchised Business; and (ii) $1,500/month (the "Minimum Royalty"). The Parties agree and acknowledge as follows: (i) the Royalty Fee may be deducted from the Gross Revenue of the Franchised Business by our Approved Supplier for billing/collection services; and (ii) the Minimum Royalty shall be (a) waived over the first six (6) full or partial calendar months the Franchised Business is open and operating provided you timely open the Franchised Business under this Agreement, and (b) subject to annual adjustment consistent with the Consumer Price Index ("CPI") and inflation. In the event the Franchised Business is not timely opened, then the Minimum Royalty shall commence in the first calendar month wherein the Franchised Business was required to open and commence operations hereunder.

13.4 **Technology-Related Recurring Fees and/or Amounts.**

13.4.1 You must pay us (or our Approved Supplier) our then-current Technology Fee as consideration for the technology-related services, development and/or software we determine to (a) be associated with the System, and (b) provide you with access to as part of your System license (the "Technology Fee"). As at the date of execution of this Agreement, our Technology Fee amounts to2% of the Gross Revenue generated by the Franchised Business. The Technology Fee shall be collected at the same time and in the same manner as your Royalty Fees above, unless we designate a different payment interval in the Manuals or otherwise in writing. We may modify the Technology Fee for our System franchisees upon 60 days' prior written notice via the Manuals or otherwise.

13.4.2 You must pay, and we reserve the right to collect, the then-current amount payable in connection with a second and any additional e-mail accounts we afford you with access to that are System-associated, contain the Proprietary Marks and/or are otherwise used in connection with the Franchised Business (each, an "Applicable Email").

13.4.2 In the event you are required to license and use any Required Software that is not covered by the Technology Fee above, then you must ensure that you pay our Approved Supplier directly for such licensing and other fees associated with that Required Software as and when required by that provider.

13.5 **Fund Contribution(s).** You shall contribute to our brand development Fund in an amount equal to two percent (2%) of the Gross Revenue generated by the Franchised Business, which shall be billed and collected at the same time and manner as your recurring Royalty Fee under Section 13.4 above (your "Fund Contribution"). We may adminster and use the Fund for any and all activities we determine appropriate to promote, market, advertise and/or otherwise develop the System, Proprietary Marks, System Business locations, Approved Services/Products and/or our brand generally, as we determine appropriate in our discretion. You acknowledge that we are not required to expend any particular portion of the Fund or your Fund Contributions on marketing or other services that are allocated specifically to your Designated Territory.

13.6 **Annual Conference Contribution(s).** You may be required to remit to ua an amount equal to $150 per month as a contribution to defray the costs associated with any annual conference we determine to establish and conduct for System Business owners (an "Annual Conference"), which shall be payable in the same manner as your Royalty Fee on the date we designate each calendar month once you are required to have your Franchised Business open and operating.

13.7 **Other Fees Payable to Us and Local Marketing Requirement ("LMR").** You must ensure that all payments are timely made and/or payable out of your Designated EFT Account to cover any

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and all Training Fees (whether for Instructor Training for a new/replacement Auhtorized Instructor or fee applicable to any other additional/remedial training, as set forth in our Manuals or otherwise in writing), Transfer Fee(s), Renewal Fee, Local Marketing Requirement and/or other marketing/advertising and/or promotional expenditures, to the extent such amounts are payable to us and/or any of our Approved Suppliers.

13.8 **Other Amounts Payable to Third-Party Approved Supplier(s) and/or Otherwise in Connection with the Franchised Business.** You must ensure that timely payment is made with respect to all amounts due and owing to: (i) any designated or other Approved Supplier for Required Items (products or services) that we designate in our Manuals or otherwise in writing, including our then-current Approved Supplier for merchant processing services, consistent with the applicable Approved Supplier's invoicing, terms and conditions; and (ii) any other third-party landlord, supplier, provider or other vendor that has been used or engaged by you in connection with the establishment and/or ongoing operation of the Franchised Business.

13.9 **Related Acknowledgements.** The parties acknowledge and agree that (i) all payments made by members in respect of Approved Products and/or Approved Services which you provide to members from your Franchise must be processed through our online ordering system via our website or our application; (ii) we may, in our reasonable discretion, allocate discounted or free memberships to members who work at our headquarters, other team members, corporate partners, athletes and ambassadors and sponsors of our brand; (iii) there is no exclusivity of members and members may openly choose to deal with any franchisee, regardless of the member's location; (iv) subject to the below, all payments received by us from members who pay for Approved Products and/or services which you provide from your Franchise through our online ordering system via our website or the application are accepted by us for and on your behalf unless advised otherwise by us in writing at any time during the Term; and (v) all amounts from the sale of the Approved Products and/or services which you provide from your Franchise that we receive from members through our online ordering system via our website or the application are set up to be paid by a third party vendor to you on the third calendar day of each month less:

13.9.1 any merchant fees that we incur upon receipt of the payments referred to within this clause;

13.9.2 any merchant fees that we incur when transferring such payments to you; and

13.9.3 any amount payable by you to us under this Agreement.

13.10 **Collection Rights.** We have the right, but not the obligation, to pursue collections action against members. We are not obligated to pursue collection matters at all or any further than we may choose. If we make an assignment of the right to collect and enforce payment, you will pay all attorneys' fees, court costs, and expenses involved. If you collect monies due on a delinquent member account, you will be responsible to us for any unpaid royalties, management fees, note payments, and other payments (if any) due on the amounts collected. You must keep us advised of any legal or other proceedings which you institute, including the outcome of any proceedings.

13.11 **Interest on Past Amounts Due.** In the event that you are past due on the payment of any amount due to us under this Agreement, including accrued interest, you shall be required, to the extent permitted by law, to pay interest on the past due amount to us for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then 18% per annum. Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

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13.12 **Required Financial Records; Right to Inspect.** You shall keep and preserve full and complete records of Gross Revenue for at least three (3) calendar years in a manner and form satisfactory to us and shall also deliver such additional financial and operating reports and other information as we may reasonably request on the forms and in the manner prescribed by us. You further agree to submit within 90 calendar days following the close of each fiscal year of your operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall, if we shall request certification, be certified by a certified public accountant. You shall at your expense cause your public accountant and certified public accountant, if any, to consult with us concerning such statement and balance sheet. The original of each such report required by this Section shall be mailed to us at our then-current corporate headquarters. We shall have the right to inspect and/or audit your accounts, books, records, and tax returns at all reasonable times to ensure that you are complying with the terms of this Agreement. If such inspection discloses that Gross Revenue actually exceeded the amount reported by you as Gross Revenue by an amount equal to two percent (2%) or more of Gross Revenue originally reported to us, you shall bear the cost of such inspection and audit.

13.13 **Accounting System; Chart of Accounts.** You must establish and maintain an accounting system incorporating the chart of accounts, methods, procedures, forms and equipment satisfactory to us by which you will keep and make available to us your complete and accurate financial records. Without limiting the obligation imposed under this section, you must:

13.13.1 deliver to us (in the form and method prescribed by us) a written statement of Gross Revenue and other consolidated information requested by us for each month within seven (7) calendar days of the end of that month;

13.13.2 deliver to us (in the form and method prescribed by us) member information collected by you;

13.13.3 inform us in writing of changes to your retail price for the services at least 30 calendar days before the price change takes effect;

13.13.4 comply with any other accounting and reporting obligations as set out in Manual(s);

13.13.5 provide us with annual accounts in respect of the Franchise (including balance sheets and profit and loss statements and, if applicable, reports of your auditors) within 90 calendar days of the end of each Financial Year; and

13.13.6 provide us with monthly revenue figures and quarterly copies of your profit and loss statements for the quarter.

13.14 **Certification of Records.** You must, if requested by us, obtain your accountant's certification of any one or more of the financial documents before submission to us.

13.15 **Inspection.** You must permit an officer of ours and, if required by us, our auditor on twenty four (24) hours' notice in writing, to inspect and verify your financial documents. You must give all necessary assistance, information and explanation so that our officer or auditor or both can carry out that inspection and verification and must permit and make available to the officer or auditor the facilities necessary to permit copies of those financial records to be taken.

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13.16 **Solvency Statement.** You must within 24 hours of a demand from us, provide us with a statement that declares that there are reasonable grounds to believe that you will be able to pay your debts as and when they fall due ("Solvency Statement"). You acknowledge that you will be in breach of this Agreement if you fail to provide the Solvency Statement in the time requested.

Section 14: Term and Renewal

14.1 Subject to the below, this Agreement and the Franchise and related licenses we grant herein shall be and remain in full force and effect for a period beginning on the Effective Date and ending upon the expiration of the Term, unless a Party terminates this Agreement pursuant to the terms herein.

14.2 Not less than six (6) months or more than 12 months prior to the expiration of the Term, you must notify us in writing of your intention to renew this Agreement for the Renewal Term.

14.3 Provided you deliver to us the required notice and provided that you are not in default of this Agreement, we may provide you with the option to renew the Franchise for for up to two (2) consecutive, five (5) year terms (each, a "Renewal Term").

14.4 As a condition of and at the time of any renewal, you must do the following:

14.4.1 Execute our then current Franchise Agreement, which may differ substantially from this Agreement under which you have operated, and any other ancillary agreements and documents as we may require;

14.4.2 Execute a general release, in a form prescribed by us, of any and all claims against us, our subsidiaries, and our and their respective officers, directors, agents, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement and any federal, state, and local laws, rules, and ordinances;

14.4.3 Pay us a renewal fee of $20,000 prior to or upon execution of the appropriate renewal form(s) of agreement and/or addendum we, at our option, have the right to require as a pre-condition to any renewal of the franchise and other rights awarded under this Agreement; and

14.4.4 Cure any and all defaults, including any monetary defaults, that exist as of the date your request renewal and the date of renewal.

14.5 If you continue to operate the Franchise without our express written consent following the expiration of the Term of this Agreement, then such operations shall be considered and legally characterized as only a month-by-month extension of this Agreement based on your position as a non-authorized holdover franchisee, which may be terminated by Franchisor at any time upon 30 days' prior written notice.

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Section 15: Assignment of Franchise

15.1 This Agreement is fully assignable by us. You shall not assign or otherwise transfer in whole or in part (whether voluntarily or by operation of law), directly, indirectly, or contingently any interest in this Franchise without our express written consent, and then only in accordance with the express limitations of this Section.

15.2 You shall pay an Assignment/Transfer Application Fee ("Application Fee") of $500.00 to us per application to assign or transfer and then upon approval, you, or if agreed upon between the parties, the subsequent franchisee must pay the Assignment/Transfer Fee ("Transfer Fee") of $25,000.00 before or at the time of transfer or assignment to a new franchisee.

15.3 You shall notify us in writing of the terms and conditions of any proposed transfer, including, but not limited to the interest proposed to be transferred, the purchase price or other consideration to be received therefore, any credit or financing terms being extended by the seller, the date of the proposed transfer, and all other pertinent provisions of the proposed transfer. In addition, a copy of any and all contracts, agreements, memoranda of sale, deposit receipts, letters of intent, side letter agreements and/or the like, must also be forwarded to us as soon as signed by the proposed seller. Following receipt of all pertinent data and documents concerning the proposed transfer, including any additional information concerning the transaction requested by us to you, we have 30 calendar days within which to advise you in writing of our election to have the interest proposed to be transferred assigned to us, or to a third party we may designate so long as it guarantees payments due to the selling entity, on the terms and conditions agreed to by the prospective transferee ("Right of First Refusal").

15.4 If we elect to exercise, or to assign under payment guarantee, the Right of First Refusal, the Parties shall act expeditiously to complete the transfer, provided that the date for the completion of the transfer can be extended at our option for up to an additional 30 calendar days.

15.5 If there are any material changes in the terms and conditions of the proposed transfer after we notify you of our election not to exercise our Right of First Refusal, or after the expiration of the time period within which we can elect to exercise our right, you shall notify us of the changes in writing and we shall then have an additional 10 calendar days within which to elect to exercise our Right of First Refusal.

15.6 If the proposed transfer is not completed for any reason within 90 calendar days after we elect not to exercise or assign our Right of First Refusal, or after the expiration of the time allowed for such election, a new Right of First Refusal commences as to the concerned transaction and any subsequent proposed sales or transfers by you. You shall provide us with written notice of any proposed transfer and shall comply with the provisions of the Right of First Refusal.

15.7 Included with your notice of proposed transfer, unless exempted, shall be your non-refundable Application Fee of $500 payable to us. The Application Fee will be credited toward the Transfer Fee, as defined above, if the transferee is approved but will otherwise be forfeited to defray our expenses in connection with processing the application. The Application Fee is subject to upward adjustment by any change in the Consumer Price Index specified in this Agreement between its date and the date of the transfer.

15.8 Subject to our Right of First Refusal, you may transfer or assign any rights under this Agreement upon our written consent. We may condition transfer on such factors as:

15.8.1 our satisfaction that the proposed transferee meets (and that transferee's officers or partners, if any, meet) the character, business experience, credit rating, financial strength, and other

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standards, criteria, and qualifications then being sought by us from new and other transferee franchisees with due regard to the business potential of the unit; we may withhold consent if we believe in our sole discretion that the number or quality of units to be transferred or the sales price proposed or the terms of payment to you by the prospective transferee are such that successful operation of the Franchise by the transferee might be unreasonably doubtful;

15.8.2 full payment of all your outstanding debts;

15.8.3 execution of a general release of all claims against us and our agents by you (or the transferor, if different) upon the transfer of your (or the transferor's) entire interest in this Agreement, or a material portion thereof;

15.8.4 execution by you of a written acknowledgment that your confidentiality and non-competition covenants, and their application to all covered persons, shall survive any assignment and remain effective as though the assignment had not occurred;

15.8.5 the transferee's covenant to us to enforce, and not to waive, the aforesaid covenant not to compete given to them by the transferor;

15.8.6 the transferee's execution of the then-current form of this Agreement (if the then-current Franchise Agreement is required to be signed by the transferee, no new initial franchise fee will be required and the term of the franchise will be as established under a new Franchise Agreement);

15.8.7 payment by you of the Application Fee;

15.8.8 payment by you of the applicbale Transfer Fee, as defined and described more fully in this Section;

15.8.9 paid attendance and completion by the transferee to our satisfaction of our training courses;

15.8.10 execution by you and the transferee of such transfer documents as we may require, including personal guarantees; and

15.8.11 your good standing for compliance with this Agreement and the Manual(s) prior to and pending the proposed transfer, including cure of all curable defaults and noncompliance. Under no conditions will uncured or incurable noncompliance be excused, even following death or incapacity.

15.9 In the event of the proposed transfer or transfers by the initial owner or owners of over 50% of the interests in a corporation or partnership, we, if we elect to purchase the interest or interests being transferred pursuant to our Right of First Refusal, are hereby granted by you and by all members of a partnership or corporation which owns you, the right to require those who do or would hold the resulting minority interest or interests in you to transfer that interest or those interests to us at a price proportionate to the price being paid for the majority interest or interests. This right shall continue for a period of one (1) calendar year from the closing of the transfer transaction by which we obtain in excess of 50% of the interests in you.

15.10 Our Right of First Refusal will not apply to an approved transfer to a beneficiary in your will or a beneficiary by intestate succession nor to a transfer during lifetime to the spouse or adult child of the transferor. However, we can exercise our Right of First Refusal in the event of a proposed transfer of

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this Agreement by your executor, administrator, guardian, or other personal representative or by the beneficiary who takes under your will or by intestate succession.

15.11 Your interest in this Agreement is transferable by will or by intestate succession upon your death, and this includes the interest of a partner in a partnership or the stock ownership of a shareholder in a corporation which owns you. If you or a shareholder or partner in you is determined by a court of competent jurisdiction to be legally incompetent, the guardian of the concerned person who is appointed by the court may transfer the interest of the incompetent to the extent allowed by law. Your interest in this Agreement, including the interest of a partner in a partnership or the stock ownership of a shareholder in a corporation which owns you, is also transferable during your lifetime to a spouse or adult child of the transferor. However, all such transfers are subject to our conditions and requirements regarding transfers as set forth herein, including, but not limited to, application, approval by us, payment of the application, transfer, and training fees, the transferee's execution of the then-current Franchise Agreement, and to our Right of First Refusal where applicable. However, if the transfer is to a named beneficiary or to the spouse or an adult child of an individual, transfer fees are not payable.

15.12 Conditions for our approval of transfer include, but are not limited to, the following: (1) you are in full compliance with this Agreement; (2) you pay us all amounts due; (3) transferee and its general managers satisfactorily complete our training program, (4) transferee executes our then-current form of Franchise Agreement; (5) the transfer fee is paid; (6) we approve any written agreements regarding transfer; (7) you supply any additional information we require; (8) you provide, as a personal covenant to the transferee, in addition to your covenants to us, an agreement not to seek to divert business from us and our franchisees; and (9) you sign a general release and other documents we require.

15.13 If we do not approve a potential transferee who proposes to take this Franchise as a beneficiary under your will or by intestate succession, your estate may sell the Franchise to a third party transferee who is acceptable to us, provided that the sale and transfer take place within 180 calendar days after the appointment of the executor, administrator, or other personal representative of you, and subject to the terms of transfer herein, including our first right of refusal, which shall apply. If an approved transfer of this Agreement is not completed within said 180 calendar days, we have the right to terminate this Agreement. During any period following the death or declaration of incapacity of you, your estate must comply with the terms and conditions of this Agreement. Under no conditions will such compliance be excused or reduced because of the death or incapacity of you.

15.14 The transfer of this Franchise upon written notice by an individual or partnership to a corporation wholly-owned by the preexisting owner or all preexisting owners of this Franchise shall not require our approval nor the payment of the application or transfer fees. However, the transferring owner or owners must agree to remain personally responsible to us for your performance of the terms and conditions of this Agreement. The absence of any additional written agreements and/or guarantees concerning the transfer will not affect the continuing liability of the transferring owner or owners of this Franchise. We may impose similar requirements on any proposed transfer of this Franchise to a trust.

15.15 If the transfer is an assignment of the Franchise by an individual to a corporation in which you are and, so long as they remain the majority stockholder and the officer responsible for the full-time personal operation and supervision of the Franchise, and the transfer does not result in the cumulative transfer of over 50% of the interest or interests of the original owner or owners, the Application Fee will be charged without the Transfer Fee. However, we require that the transferor, or transferors and each of them, personally guarantee all obligations of the Franchise and reserve the right to reasonably reject such transfer.

15.16 Involuntary transfers of this Agreement or the assets of the Franchise, such as by legal process, are not permitted, are not binding on us, and are grounds for the termination of this Agreement.

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Your use of this Agreement as security for a loan or other similar encumbrance is prohibited, unless we specifically consent to any such action in writing prior to the proposed transaction. You shall not purport to grant a sub-franchise under this Agreement nor seek to franchise, license, or permit others to use this Franchise or any of the rights, assets, or property derived by or licensed to you under this Agreement.

15.17 If a court of competent jurisdiction as a part of a divorce, dissolution, legal separation, or other proceeding, orders you to transfer to your spouse all or any part of your interest in this Agreement and/or in a material portion of the real and/or personal property used in connection with the Franchise, such an order will constitute a transfer of this Agreement and will cause the transferee amd transferor to be subject to all terms concerning transfers set forth above. However, if both spouses are franchisees under this Agreement, such a transfer will not be subject to the transfer requirements herein, unless the spouse to whom this Agreement or the concerned property is being transferred is not actively engaged in the operation of the Franchise, in which case we can declare that the transfer is subject to all transfer terms of this Agreement and may exercise our right of first refusal.

15.18 Our consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. You and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as we may, in our sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this Section, the prevailing fees (i.e., Royalty Fee, Marketing Fee, Technology Fee, Annual Convention Fee, etc.) owing to us after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage required for new franchises issued by us at the time of such assignment or transfer.

15.19 Upon sale, assignment, termination, expiration, or transfer of this Agreement, you shall deliver to us all property belonging to us and/or relating to our business.

15.20 If you purport to transfer this Agreement or ownership in Franchise, in whole or in part, or any of your rights hereunder, or any material portion of any of the real or personal property used by you in connection herewith, without the prior written consent of us, such action shall constitute a material breach of this Agreement and shall be void. This Section applies to the transfer or issuance of shares in, or the merger, consolidation, or other restructuring of a corporate franchisee, and the addition or transfer of any partnership interest in a partnership franchisee. You shall ensure that our approval is a condition of any agreement by you to transfer the Franchise.

Section 16: Material Breach of Franchise Agreement

16.1 **Termination Upon Notice and Without Opportunity to Cure.** The parties agree that the happening of any of the following events shall constitute a material breach of this Agreement and violate the essence of your obligations and, without prejudice to any of our other rights or remedies at law or in equity, we, at our election, may terminate this Franchise for valid cause upon written notice to you, and without an opportunity for you to correct a condition of default, upon the happening of any of the following events:

16.1.1 If you are declared bankrupt or judicially determined to be insolvent, or all or a substantial part of your property is assigned to or for the benefit of any creditor or creditors, or if you admit your inability to pay your debts as they become due.

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16.1.2 If you abandon the Franchise by failing to operate it for at least five (5) consecutive calendar days during which you are required by this Agreement to operate the Franchise, or for any period of less than 5 calendar days after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchise, unless such failure is due to fire, flood, earthquake, or other force majeure.

16.1.3 If you have made any material misrepresentation relating to the acquisition of the Franchise or other rights awarded hereunder.

16.1.4 If you engage in (a) conduct that reflects materially and unfavorably upon the operation and/or reputation of the Franchise or the Franchise System or Proprietary Marks, or (b) other unfavorable conduct which may include, but is not necessarily limited to: any conviction of you or any of your Franchise Owners in a criminal action; judgments against you or your Franchise Owners in civil actions involving allegations of disrepute; libelliously denegrating us, the Franchise System, or your members; purposefully or negligently failing to pay royalties through inaccurate financial records; violating the non-compete provisions of this Agreement; you or your Franchise Owners being "under the influence" of drugs or alcohol while on-site at the Franchised Business; and/or misusing any of the Propreitary Marks, Confidential Information and/or proprietary System materials.

16.1.5 If you fail, for a period of 10 calendar days after notification of noncompliance, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchise.

16.1.6 If the Franchise is seized, taken over, or foreclosed by a government official in the exercise of your duties, or is seized, taken over, or foreclosed by a creditor, lien holder, or lessor of you, provided that final judgment against you remains unsatisfied for 30 calendar days (unless a supersedes bond or other appeal bond has been filed), or a levy of execution has been made upon the Franchise granted by this Agreement or upon a material portion of the property used in the Franchise and the levy is not discharged within five (5) calendar days of the levy.

16.1.7 If we make a reasonable determination that continued operation of the Franchise by you will result in an imminent danger to public health or safety.

16.1.8 If you, after curing any failure as required by this Agreement and/or applicable law(s), as applicable, subsequently engage in the same noncompliance whether or not such noncompliance is corrected after notice.

16.1.9 If you hack or crack or attempt to hack or crack our computer software.

16.2 **Termination Upon Notice and Failure to Cure.** In addition to the grounds for immediate termination set forth above, we can terminate this Agreement for the following violations if the violation is not cured within 30 calendar days after we submit to you at the address indicated in the Franchise Summary a notice of violation:

16.2.1 If you fail to pay any fees or other amounts due to us, our affiliates or any Approved Supplier we designate within the time periods specified for such payments by this Agreement, or the agreement specifying the payment concerned, or in any event after receiving written notice that such fees or other amounts are overdue.

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16.2.2 If you violate any material term of this Agreement or any other agreement between the Parties including, but not limited to, the Manual(s), lease agreement, or licensing agreement.

16.2.3 If you under report Gross Revenue, your gross billings or sales in any amount in any calendar quarter or year.

16.2.4 If you attempt or purport to transfer or assign all or any part of this Agreement, the Franchise, or any material portion of the real or personal property associated with either, except as provided in this Agreement, or attempt or purport to sub-franchise to a third person or entity, or otherwise to allow an unauthorized third person or entity to use any of the rights, proprietary property, and/or assets franchised or licensed to you hereunder, or any portion of the real and/or personal property used by you in connection herewith.

16.2.5 If you for any reason lose or have suspended any license necessary to run the Franchise.

16.2.6 If you enter a contract with or take payment directly from a member without our approval.

16.2.7 If you fail to submit required financial information or make false statements about your financial condition.

16.2.8 If you fail to pay all taxes and employee related withholdings relating to the operation of your franchise.

16.2.9 If you fail to keep your business entity active and in good standing.

16.2.10 If you misuse or undertake any unauthorized use of our Proprietary Marks.

16.2.11 If you operate the Franchise in a manner that we reasonably believe constitutes a violation of federal, state, or local law.

16.2.12 If you permit any fitness training, classes and/or other instruction to be provided as an Approved Service at or in connection with the Franchised Business by any individual other than an Authorized Instructor that (a) meets all Instructor Criteria set forth in the Manuals, and (b) completes our then-current Instructor Training that we will provide remotely or otherwise as we determine appropriate.

16.2.13 For any other reason stated in other Sections of this Agreement, which are incorporated herein by reference.

16.3 **Cure Period and Franchisee's Obligation to Demonstrate Curative Actions.** If the breach concerns this Agreement and does not result in immediate termination, the correction of any default must be accomplished within 30 calendar days after we submit notice to you describing the condition which constitutes the violation, and the corrective action which you must take if any corrective action is possible to cure the default. Should a default under this Agreement be of such a nature that we, in writing, agree more than 30 calendar days is reasonably required to cure, you shall be given such additional time as may be reasonable, provided that corrective action is commenced promptly within the initial thirty (30) day period and is pursued diligently to completion.

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16.4 **Termination Upon Failure to Cure.** If a default in this Agreement is not cured after notice and within any time period allowed for the correction of the default, termination of this Agreement will occur without further notice as of the expiration of the time allowed to cure the default.

16.5 **Post-Termination Obligations.** Upon termination of this Agreement for any reason, you shall immediately bring all accounts with us current and stop using any and all of our trade names, the Proprietary Marks, any proprietary software or resulting Member/Customer Information, other Confidential Information and/or trade secrets, patented items, and other commercial property and symbols; shall discontinue the use of any signs, displays, advertising and/or promotional material, and the like, that are unique or distinctive to Franchise System; return to us the Manual(s) and all copies thereof and all other material obtained by you from or through us; and discontinue the use of all social media accounts associated with the Franchise. You shall refrain from doing anything which would indicate that you are or ever were an authorized franchise or associate of us.

16.6 **Option to Purchase Operating Assets of Franchised Business.** Upon termination of this Agreement, we have the option but not obligation to purchase from you any merchandise on hand or on order by you, and those items of equipment or other tangible items used in the operation of the Franchised Business as may be indicated by us. The purchase price for such items will be equal to their net depreciated book value, without any allowance for your going business value or goodwill. The terms of any purchase will be negotiated at the time of the sale, but must include typical representations and warranties by you with respect to all the rights and other assets being assigned free and clear of all liens and encumbrances.

16.7 **Franchisor Remedies.** In addition to the remedies set forth above, we shall have all other remedies available to us at law or in equity which may apply by virtue of your default.

16.8 **Acknowledgement by Franchisee.** Upon the termination or nonrenewal of this Agreement for any reason, no payment is due to you from any source on account of any goodwill or other equity claimed by you arising from your operation or ownership of the Franchise, or otherwise.

16.9 **Survival of Certain Provision Upon Expiration or Termiantion of Agreement.** All of the provisions of this Agreement, which by their terms or by implication apply following the termination of this Agreement shall indeed survive and apply following the termination of this Agreement.

Section 17: Cost of Enforcement and Indemnification

17.1 If we institute any action at law or in equity against you to secure or protect our rights under or to enforce the terms of this Agreement, in addition to any judgment entered in our favor, we shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

17.2 You agree to be solely responsible for the services and results of services performed at locations where services are performed by you and to hold harmless and indemnify us, including our officers, directors, trustees, shareholders, heirs, executors, administrators, attorneys, successors, assigns, principals, agents, servants, employees, consultants, representatives, parents, owners, brokers, affiliates, subsidiaries, and related entities ("Franchisor Parties"), from any and all claims arising from actions by you, the members you are servicing, or your employees, agents, or representatives including, but not limited to, claims of employment or joint employment.

17.3 If Franchisor Parties shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by you

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or your employees or agents, or by reason of any act occurring at the Premises or in connection with the Franchised Business, or by reason of an omission with respect to the business or operation of the Franchise, you shall indemnify and hold Franchisor Parties harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on Franchisor Parties in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding.

17.4 In connection with your agreement to indemnify and hold harmless Franchisor Parties, you agree to defend Franchisor Parties named in any lawsuit based on such loss or damage and to pay all costs and reasonable attorneys' fees associated with such defense. If any of the Franchisor Parties wishes to retain their own counsel to defend any such action, you agree to reimburse the Franchisor Parties for all reasonable costs and legal fees incurred by the Franchisor Parties for such defense. Said reimbursement shall be made in a timely manner as such fees are incurred and billed to you.

Section 18: In-Term and Post-Term Covenants Against Competition

18.1 Pursuant to this Agreement, we will provide you with valuable consideration that includes the items including, but not limited to, use of the Franchise System, Manual(s), specialized training, and Confidential Information ("Competitive Information") identified in this Agreement.

18.2 **In-Term Covenant Against Competition and Other Restrictive Covenants.** In consideration of the aforementioned valuable consideration, during the Term, you agree to the following:

18.2.1 Without our prior written consent, you shall not disclose the Competitive Information to any person, except your employees for purposes related solely to the operation of the Franchise, nor shall you reprint or reproduce the Competitive Information in whole or in part for any purpose except in connection with instruction of employees in the operation of the Franchise.

18.2.2 Without our prior written consent, you shall not employ or seek to employ any person who is at the time employed by us, any of our subsidiaries, or by any person who is at the time operating a Franchise or otherwise induce, directly or indirectly, such person to leave such employment. This paragraph shall not be violated if such person has left the employment of any of the foregoing parties for a period in excess of 180 calendar days.

18.2.3 Without our prior written consent, you shall not, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any business, which is similar to the Franchise. Such provision shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

18.2.4 You shall not divert or attempt to divert to any competitor, by direct or indirect inducement or otherwise, any member or potential member of the Franchise or any of our other franchises.

18.2.5 You shall not do or perform, directly or indirectly, any other act injurious to or prejudicial to the goodwill associated with us, our trademarks, our trade names, or the Franchise System.

18.3 **Post-Term Covenant(s) Against Competition and Other Restrictive Covenants.** In consideration of the aforementioned valuable consideration, for a continuous, uninterrupted period for 2 calendar years after the Term, commencing upon expiration, termination, assignment, or transfer of this Agreement, regardless of the cause, you agree to the following:

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18.3.1 Without our prior written consent, you shall not disclose the Competitive Information to any person nor shall you reprint or reproduce the Competitive Information in whole or in part;

18.3.2 Without our prior written consent, you shall not employ or seek to employ any person who is at the time employed by us, any of our subsidiaries, or any person who is at the time operating a Franchise or otherwise induce, directly or indirectly, such person to leave such employment. This paragraph shall not be violated if such person has left the employment of any of the foregoing parties for a period in excess of 180 calendar days;

18.3.3 Without our prior written consent, you shall not, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any business, which is similar to the Franchised Business, from a physical location within 25 miles of (a) the Premises, (b) the perimeter of the Designated Territory, or (c) the location of any other System Business that is open or under development as of the date this Agreement is terminated or expires, except that the Parties agree and acknowledge that this covenant shall not be applicable to ownership of less than 2% of the shares of a company whose shares are listed and traded on a national or regional securities exchange by Franchise or any Franchise Owner;

18.3.4 You shall not divert or attempt to divert to any competitor, by direct or indirect inducement or otherwise, any member or potential member of the Franchise or any of our other franchises; and/or

18.3.5 You shall not do or perform, directly or indirectly, any other act injurious to or prejudicial to the goodwill associated with us, the System, Proprietary Marks and/or the Franchise System generally.

18.4 **Enforceability and Reasonable Nature of Covenants.** The Parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction over any final decision to which we are a party that is not appealed, you expressly agree that you will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

18.5 **Interpretation of Restrictive Covenants.** You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section without your consent effective immediately upon written notice to you. You agree that you shall comply with any covenant as so modified, which modified covenant shall be fully enforceable notwithstanding the provisions of any other Sections hereof.

18.6 **No Defense to Violation of Covenants.** You expressly agree that the existence of any claims that you or your employees may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement of us of the covenants in this Section. You agree to pay all costs and expenses (including reasonable attorneys' fees and all costs of court) incurred by us in connection with the enforcement of this Section of this Agreement.

18.7 **Irreparable Harm and Right to Injucntive Relief and Remedies.** You acknowledge that a violation of any of the terms of this Section would result in irreparable injury to us for which no adequate remedy at law may be available. You acknowledge that the Competitive Information described herein has

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been developed and compiled through our time and effort in the fitness industry. Accordingly, you acknowledge that, in addition to our remedies at law, we may seek and obtain preliminary and permanent injunctive relief restraining the breach or threatened breach by you and you consent to the issuance of an injunction prohibiting any conduct by you in violation of this Section.

Section 19: Disputes and Dispute Resolution

19.1 **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or related to the Franchised Business and/or this Agreement to our management after you have provided us with written notice as prescribed in Section 19.6 of this Agreement, and subsequently make every commercially reasonable effort to settle any such dispute or claim internally. You must exhaust this internal dispute resolution procedure before bringing any action or claim before a third-party mediator or other adjudicating party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

19.2 **Mediation.** At our option, all claims or disputes between you and us (and/or our affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between such parties, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 19.1 above, will be submitted first to mediation to take place at our then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us and/or our affiliates with respect to any such claim or dispute, you must submit a notice to us that specifies in detail the precise nature and grounds of such claim or dispute per Section 19.6 below. We will then have a period of 30 days following receipt of such notice within which to notify you as to whether we and/or our affiliates are exercising the right to mediate under this Section (the "Applicable Notice Period"). During the Applicable Notice Period, both parties will attempt to resolve the matter internally per Section 19.1 above. You may and must not commence any action against us or our affiliates with respect to any claim or dispute in any court, unless and until: (i) we fail to exercise its option to submit such claim or dispute to mediation; or (ii) such mediation proceedings have been terminated either (a) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile, or (b) as a result of a written declaration by us. Our option and right to mediate as set forth herein may be specifically enforced by us. Each Party will bear its own cost of mediation, with you and us equally sharing the mediator fees. This agreement to mediate will survive any termination or expiration of this Agreement. The Parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 19.2 if such controversy, dispute, or claim concerns an allegation that a Party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, System, or in any Confidential Information or other intellectual property rights associated with the same; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

19.3 **Injunctive Relief.** You acknowledge and agree that irreparable harm could be caused to us by your violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, we shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) your unauthorized use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) your obligation upon termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise

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involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of our rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by you or your representatives that constitutes a violation of applicable law, threatens the Franchise System or threatens other System franchisees. Your only remedy if such an injunction is entered will be the dissolution of the injunction, should you prevail in such a proceeding.

19.4 **Choice of Venue.** Subject to Sections 19.1 through 19.3 of this Agreement, the Parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court or, if appropriate, federal court closest to or encompassing (as applicable) Los Angeles, California. The Parties acknowlede and agree that this Agreement has been entered into in the State of California, and that you are to receive valuable and continuing services emanating from our current headquarters in California, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consents to the personal jurisdiction of the state and federal courts of California as set forth in this Section.

19.5 **Third Party Beneficiaries.** Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 19, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

19.6 **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within 60 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

19.7 **No Withholding of Payments**. You shall not withhold all or any part of any payment to us or any of our affiliates on the grounds of our alleged nonperformance or as an offset against any amount we or any of our affiliates allegedly may owe you under this Agreement or any related agreements.

19.8 **Limitation(s) of Action.** You further agree that no cause of action arising out of or under this Agreement may be maintained by you against us unless you bring an action/suit against us before the earlier of (a) (1 year after the actual act, transaction or occurrence upon which such action is based, or (b) 1 year after you should have reasonably become or actually became aware of facts or circumstances reasonably indicating that you may have a claim against us hereunder. Any action/suit that you do not bring during this period shall be barred as a claim, counterclaim, defense, or set-off. You hereby waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by us, including without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement.

19.9 **Waiver of Punitive Damages.** You hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent us from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to your default, which the parties agree and acknowledge we may claim under this Agreement.

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19.10 **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE OF ANY REQUIRED ITEMS FROM US AND/OR OUR AFFILIATES.

19.11 **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN (A) YOU OR YOUR FRANCHISE OWNERS, AND (B) US OR ANY OF OUR AFFILIATES/OFFICERS/PERSONNEL, MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER THIRD PARTY.

19.12 **Governing Law**. The Parties understand, acknowledge and agree that this Agreement, as well as all claims arising out of or related to the parties' respective obligations and rights hereunder, shall be interpreted and governed by the laws of the State of California without regards to that state's conflicts of law principles, except for any interpretation or analysis with respect to the enforceability of your post-term covenants against competition set forth in Sections 18.2 and 18.3 of this Agreement which the Parties agree and acknowledge shall be governed by the laws of the state where the Franchised Business is located.

Section 20: Construction of Franchise Agreement

20.1 The submission of this Agreement does not constitute an offer to license. This Agreement shall not be binding on us unless and until it has been fully executed by all of your principals and it has been counter-executed by an officer of us.

20.2 This Agreement constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. Only the terms of this Agreement (including the Manual(s)) are binding (subject to state law). Any other promises may not be enforceable.

20.3 No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon us unless in writing signed by an officer or franchising director of us, and which is specifically identified as an amendment hereto.

20.4 No modification, waiver, termination, rescission, discharge, or cancellation of this Agreement shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

20.5 All references in this Agreement to the singular shall include the plural where applicable.

20.6 The numbers and headings of all Sections and Paragraphs used herein are for convenience and do not affect the substance of the Sections and Paragraphs themselves.

20.7 If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid, illegal, unconstitutional, or unenforceable, such portion shall be deemed severed from this

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Agreement and the remaining parts shall remain in full force and effect as if no invalid or unenforceable provisions had been part of this Agreement.

20.8 In the event that any material provision of this Agreement shall be stricken or declared invalid, we reserve the right to terminate this Agreement.

20.9 No waiver by us or any breach or a series of breaches of this Agreement shall constitute a waiver of any subsequent breach or waiver of the terms of this Agreement.

20.10 The Parties hereby agree to execute such other documents and to take such other actions as may be reasonably necessary to further the purposes of this Agreement, with the Parties to bear their own costs and attorney's fees for these additional actions.

20.11 This Agreement may be executed in one or more counterparts, any one of which shall be binding on any Party signing thereon. Photocopied copies, digitally-executed and time-stamped copies and scanned original documents shall be deemed originals and shall be valid, binding, and enforceable in accordance with their terms.

Section 21: Franchisee Representations and Acknowledgements

You, on behalf of yourself and your Franchise Owners, hereby represent, warrant and convey as follows to Franchisor:

21.1 You have all the requisite power and authority to operate the Franchised Business, and are duly licensed and qualified to transact business as a foreign entity in all jurisdictions in which the nature of the business it conducts makes such qualification as a foreign entity necessary.

21.2 You shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in the case that more than one individual has executed this Franchise as the franchisee, then you shall personally devote full time and best efforts to the operation of the Franchise.You shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business.

21.3 You acknowledge that neither we nor anyone purporting to act for us has made any promises or representations concerning the sales volumes which your Franchise will produce, the profits you will make, your likelihood of success, or any other matter in connection with the proposed Franchise other than those which the Parties set forth in this Agreement and any signed amendments or exhibits or schedules hereto. If we or any of our agents have made such promises, you must ensure that they are set forth in writing in this Agreement or in an amendment, schedule, or exhibit to this Agreement and that we and you sign any such amendment or exhibit. We, in granting this Franchise, are relying on you to see that the Parties reduce to writing all such matters and attach the documentation that describes those representations to this Agreement and to which you considered material to your solicitation. If you do not reduce such representations to writing and attach those documents to this Agreement, you agree that you will not be able to rely in any way on such promises or representations and we will not be bound by them. YOU MUST ENSURE THAT ALL PROMISES AND REPRESENTATIONS FOR PRESENT AND FUTURE RESULTS AND RIGHTS, WHETHER ABSOLUTE OR CONTINGENT, ARE CONTAINED IN THE FRANCHISE AGREEMENT OR THEY MAY BE FOREVER LOST.

21.4 This Agreement awards the right to open a single Franchised Business within the Designated Territory detailed in Schedule 2 to this Agreement and, except for the territorial rights descirbed

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in Section 2.2 hereof, nothing in this Agreement grants any kind of "exclusive," "protected," or other territorial rights in any contiguous or other geographical area.

21.5 You acknowledge and agrees that your name, address, and telephone number will be disclosed, as required by law, in our then-current form of Franchise Disclosure Document (or "FDD") during the term of this Agreement and for one (1) or more years following this Agreement's termination, non-renewal, or transfer.

21.6 This Agreement (a) supersedes any and all other agreements and representations with respect to the Franchise rights and Franchised Business, and (b) contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document timely disclosed to Franchisee (or its Franchise Owners) prior to the execution of this Agreement (the "Applicable FDD").

21.7 You hereby represent that you have received a copy of this Agreement and our current form of Applicable FDD, have read and understand all obligations being undertaken, and have had an opportunity to consult with an attorney with respect thereto at least 14 calendar days prior to execution. You agree and affirm that we have not represented you in negotiating this Agreement and that you enter into this Agreement freely, without duress or coercion, and based on your own judgment and wishes.

21.8 The Franchise and other rights offered and awarded under this Agreement is being offered solely to you (as the Franchisee hereunder) based on the representations and information made by you and your Franchise Owners (Principals) identified in Schedule 1 hereto, which we materially relief upon in entering into this Agremeent and awarding such rights. As such, this Agreement or the rights contemplated herein may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

21.9 Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to you to the address described in the Franchise Summary ("Franchisee Address") or to Franchisor at 2260 S. Centinela Ave., Suite 150, Los Angeles, CA 90064. Either party, by a similar written notice, may change the address to which notices shall be sent.

21.10 Except as specifically provided for in this Agremeent, you agree and acknowledge that we are not responsible for or obligated to you or the Franchised Business in any manner.

IN WITNESS WHEREOF, the Parties hereto have set their hands this _____ day of_____, 20____.

FRANCHISOR:

FITSTOP USA, INC.
a Delaware corporation

By: _____
[NAME], [TITLE]

Date: _____

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FRANCHISEE:

[FRANCHISEE ENTITY NAME]

By: _____
[FRANCHISE OWNER], [TITLE]

Date: _____

SCHEDULE 1

Data Sheet

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DATA SHEET

1. **PREMISES:** _____

2. **FRANCHISE OWNERS/PRINCIPALS:**

Name: _____

Relationship: _____

Taxpayer ID: _____

Address: _____

_____

Telephone: _____

Name: _____

Relationship: _____

Taxpayer ID: _____

Address: _____

_____

Telephone: _____

Name: _____

Relationship: _____

Taxpayer ID: _____

Address: _____

_____

Telephone: _____

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SCHEDULE 2

Designated Territory

SCHEDULE 3

Guaranty

GUARANTY

In consideration by Franchisor of the attached Franchise Agreement ("Franchise Agreement") dated the _____ day of _____, 20____, by and between (i) Fitstop USA, Inc., a Delaware corporation (the "Franchisor"); and (ii) _____ _____ ("Franchisee"), which the parties agreed to in part based on Franchisor's reliance on this Guaranty, the undersigned ("Guarantor") unconditionally guarantees to Franchisor the complete and timely performance by Franchisee of all terms of this Agreement, including full compliance of the non-compete provisions and prompt payment of all royalty, accounting, advertising, and other fees, and all other sums due. In that Guarantor is: (i) a shareholder, officer or director of a corporation which owns interest in the franchise; (ii) a member or manager of a limited liability company which owns an interest in the franchise; (iii) a spouse of anyone included in items (i) or (ii); or (iv) otherwise a principal with a beneficial interest in this Agreement, and thus will be privy to the confidential information and trade secrets of Franchisor, Guarantor agrees to comply with all covenants of this Agreement including the covenants related to the protection of Franchisor's trade and service marks, all noncompetition provisions or other restrictive covenants, financial responsibilities, and all post termination covenants of this Agreement, including the noncompetition provisions and other obligations setout regarding transfer, expiration, termination or non-renewal of this Agreement. Guarantor further agrees that all such covenants shall be binding upon and fully enforceable against Guarantor as though they were fully set forth in this Guaranty and Guarantor accepts all responsibility and liabilities relating to the covenants. This covenant shall survive any dissolution of marriage, resignation or other withdrawal of Guarantor from affiliation with Franchisee.

Guarantor waives notice of acceptance of this Guaranty, waives diligence, presentment, and suit by Franchisor to enforce any covenant of this Agreement or other guarantees herein. Guarantor further waives notice of Franchisee's default under this Agreement, and any notice required to be presented to Franchisee pursuant to this Agreement.

This Guaranty will remain in effect with regard to any renewals, modifications or amendments to this Agreement by Franchisee, without notice or approval of same by Guarantor, provided any transfer of ownership rights relating to this Agreement have been approved by Franchisor in accordance with the terms of this Agreement. This Guaranty shall remain valid until released in writing by Franchisor. No action or inaction by Franchisor shall serve to release this Guaranty.

Franchisor reserves the right to join Guarantor in any action or proceeding commenced against Franchisee. Franchisor may file suit and recover judgment from Guarantor without prior suit or exhaustion of any remedy against Franchisee. If Franchisee is involved in a bankruptcy, reorganization or winding up, no laws, regulations, administrative or judicial determination pertaining to such action shall limit this Guaranty in any way.

This Guaranty shall be binding upon the Guarantor's agents, successors, assigns, heirs, executors, and administrators. Where there is more than one Guarantor, each shall be jointly and severally liable for each obligation of the Guarantor herein. This Guaranty shall not be revoked or impaired as to any Guarantor by the death of the other party.

If this Guaranty is placed in the hands of an attorney for enforcement, Guarantor agrees to pay all of Franchisor's expenses, including reasonable attorney's fees, incurred in its enforcement.

Signed this _____ day of _____, 20____.

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GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

GUARANTOR:

Signature

Print Name

Guarantor's Resident Address

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EXHIBIT B: TABLE OF CONTENTS FOR OPERATIONS MANUAL(S)

FITSTOP® **Operations Manual Table of Contents**	
Topic	Approximate Pages of Content (including Digital)
Brand Welcome	32
Securing an Approved Premises	75
Buildout/Development of Franchised Business	410
Financial Fitness	34
Pathway to Opening	153
Sales Leads and Client Retention	31
Product Fundamental	48
Operations	111
Technology Overview	103
WHS	38
Marketing Fundamentals	101
Campaign Toolkits	200
Performance Program	95
Total	**1,430**

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EXHIBIT C: FINANCIAL STATEMENTS

FITSTOP USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023

FITSTOP USA, INC.
TABLE OF CONTENTS

Independent Auditor's Report	**Page 1**
Balance Sheet	**Page 3**
Statements of Operations and Members' Equity	**Page 4**
Statement of Cash Flows	**Page 5**
Footnotes	**Page 6**

MUHAMMAD ZUBAIRY, CPA PC
Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

To the members
Fitstop USA, INC.

Opinion

We have audited the financial statements of Fitstop USA, INC. which comprise the balance sheet as of December 31, 2023 and 2022, and the related statement of operations and changes in members' equity, and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Fitstop USA, INC. as at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Statements section of our report. We are required to be independent of Fitstop USA, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles gen-erally 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 statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

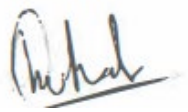
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circum-stances, but not for the purpose of expressing an opinion on the effectiveness of Fitstop USA, INC.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fitstop USA, INC.'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.



Muhammad Zubairy, CPA PC
Westbury, NY
May 23, 2024

FITSTOP USA, INC.
BALANCE SHEETS

ASSETS

	YEARS ENDED DECEMBER 31	
	2023	2022
Current assets		
Cash	$ 9,150	$ 182,375
Prepaid Expenses	21,795	—
Investments	100,000	—
Other Assets	751	—
Total Current Assets	131,696	182,375
Fixed assets, net	319,793	83,179
Rental Deposits	156,150	204,040
	$ 607,639	$ 469,594

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

Current liabilities		
Accounts payable and accrued expenses	$ 189,032	$ 313
Due to related parties	1,663,918	834,932
Loan	5,750	—
Unearned Revenue	50,000	—
Contract Liability	55,000	—
Total current liabilities	1,963,700	835,245
Loan, net of current	65,413	—
Contract Liability, net of current	139,167	—
Members' Equity (Deficit)	(1,560,641)	(365,651)
Total Liabilities and Members' Equity	$ 607,639	$ 469,594

See notes to financial statements

FITSTOP USA, INC.
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	YEARS ENDED DECEMBER 31	
	2023	2022
Revenues		
Franchise fees	$ 25,833	$ —
Other income	48,762	—
Total Revenues	74,595	—
General and Administrative Expenses	1,268,250	365,606
Net Income (loss)	(1,193,655)	(365,606)
Members' Contribution (Distribution)	(1,335)	(45)
Members' Equity (Deficit) -Beginning	(365,651)	—
Members' Equity (Deficit) -Ending	$ (1,560,641)	$ (365,651)

See notes to financial statements

FITSTOP USA, INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2023	**2022**
Operating Activities		
Net Profit(Loss)	**$ (1,193,655)**	**$ (365,606)**
Depreciation	**66,766**	**—**
Adjustments to reconcile net profit(loss) to net cash provided by operating activities:		
Changes in assets and liabilities		
Prepaid Expenses	**(21,795)**	**—**
Other assets	**(751)**	**—**
Accounts payable and accrued expenses	**188,719**	**313**
Due to related parties	**828,986**	**834,932**
Unearned revenue	**50,000**	
Contract Liability	**194,167**	**—**
	112,437	**469,639**
Investing activities		
Loan	**71,163**	**—**
Rental deposits	**47,890**	**(204,040)**
Fixed assets acquisition	**(303,380)**	**(83,179)**
Investments	**(100,000)**	**—**
	(284,327)	**(287,219)**
Financing Activities		
Members' Contribution (Distribution)	**(1,335)**	**(45)**
Net Increase in Cash	**(173,225)**	**182,375**
Cash-Beginning	**182,375**	**-**
Cash-Ending	**$ 9,150**	**$ 182,375**

See notes to financial statements

1. THE COMPANY

FITSTOP USA, INC. is a Georgia limited liability company that was a formed in April 2021. The Company grants franchises to operate restaurants specializing in an all-you can-get pizza buffet and beverage items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of funds.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate franchise business for a specified number of years.

Concentration of Credit Risk- Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2023 and 2022 did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Cash-Cash consists of unrestricted cash on deposit at financial institutions.

Taxes on Income -The Company is a limited liability company for tax purposes. Income for the Company passes directly through to its members and is reported on the members individual income tax returns.

Revenue Recognition — In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)*", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements.

The new guidance changed how the Company records initial franchise fees from franchisees, area developer fees and brand development fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

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3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2019

4. CONTRACT LIABILITY

In compliance with the Financial Accounting Standards Board ("FASB") for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2023, and 2022 were $50,000 and $0 respectively.

5. **RELATED PARTY TRANSACTIONS**

The Company periodically advances funds to its shareholder or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2023, and 2022 the balances due to related parties were $2,217,394 and $1,057,446 respectively.

6. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through. May 23, 2024, which is the date the financial statements were available to be issued.

FITSTOP.

Financial Statements

FitStop USA, Inc.
November 2022

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Basis of Preparation

This report is prepared solely for the confidential use of FitStop USA, Inc.. In the preparation of this report Fitstop HQ has relied upon the unaudited financial and non-financial information provided to them. The analysis and report must not be recited or referred to in whole or in part in any other document. The analysis and report must not be made available, copied or recited to any other party without our express written permission. Fitstop HQ neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on the report or the analysis contained herein.

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PROFIT & LOSS	Nov 2022	2022/2023 (YTD)
Cost of Sales		
Purchase of Apparel/Accessories/Supps	$0	$326
Gross Profit	**$0**	**($326)**
Expenses		
Flights and Accommodation	$6,872	$33,292
Travel Expenses	$6,348	$15,556
Advertising	$0	$750
Bank Fees & Charges	$91	$110
Automobile Expense	$2,000	$2,000
Employee - Salaries and Wage	$16,667	$38,718
Management Fees	$35,328	$184,245
Legal Expenses	$0	$10,000
Consulting Fees	$22,120	$118,930
IT Software and expenses	$363	$749
Office Expenses	$1,397	$2,180
Benefits Expenses	$470	$1,409
Unrealized Currency Gain/Loss	$1,211	$952
Total Expenses	**$92,866**	**$408,890**
Operating Profit	**($92,866)**	**($409,216)**
Tax Expenses		
Payroll Tax Expense	$1,275	$3,242
Earnings After Tax	**($94,141)**	**($412,458)**
Net Income	**($94,141)**	**($412,458)**

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BALANCE SHEET	Nov 2022
ASSETS	
Cash & Equivalents	
Wells Fargo Bank 1202	$193,572
Other Current Assets	
Vendor Deposits	$65,000
Total Current Assets	**$258,572**
Fixed Assets	
Computer & Office Equipment	$19,488
HQ Buildout	$104,735
Total Fixed Assets	**$124,223**
Total Non-Current Assets	**$124,223**
Total Assets	**$382,795**
LIABILITIES	
Accounts Payable	
Accounts Payable	$36,735
Total Current Liabilities	**$36,735**
Long Term Debt	
Intercompany - Fitstop Australia	$357,566
Intercompany - Fitstop Holdings	$400,000
Total Long Term Debt	**$757,566**
Total Non-Current Liabilities	**$757,566**
Total Liabilities	**$794,301**
EQUITY	
Current Earnings	
Current Year Earnings	($412,458)
Other Equity	
Foreign Currency Translation Reserve	$952
Total Equity	**($411,507)**
Total Liabilities & Equity	**$382,795**

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EXHIBIT D: LIST OF CURRENT AND FORMER FRANCHISEES

Current Franchisees with Active Operations as of 12/31/2023

None

Franchisees with Signed Franchise Agreement(s) for Unit(s) Not Yet Open as of 12/31/2023

FRANCHISEE NAME	ADDRESS	CITY	STATE	PHONE NUMBER OR EMAIL ADDRESS
GansFit LLC Franchisee Owners: Ryan Gans and Cassandra Maldonado	TBD	La Jolla	CA	RGans24@hotmail.com
RECH Cherry Hill LLC Franchise Owners: Hannah Cooper and Richard Hopkins	TBD	Cherry Hill	NJ	Cooperhe1231@hotmail.com
RECH Fishtown LLC Franchise Owners: Hannah Cooper and Richard Hopkins	TBD	Philadelphia	PA	Cooperhe1231@hotmail.com
RECH Northern Liberties LLC Franchise Owners: Hannah Cooper and Richard Hopkins	TBD	Philadelphia	PA	Cooperhe1231@hotmail.com

Former Franchisees that Left System in Past Fiscal Year

None

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EXHIBIT E: LISTS OF AGENTS FOR SERVICE OF PROCESS IN VARIOUS STATES

STATE	AGENTS FOR SERVICE OF PROCESS
CALIFORNIA	Stewart Everard Gill 1221 N Kings Road, Suite 303 West Hollywood, CA 90069 Department of Financial Protection & Innovation Los Angeles 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344
DELAWARE	Registered Agent Solutions, Inc. 838 Walker Road, Suite 21-2 Dover, DE 19904
HAWAII	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-1090
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa St. G. Mennen Williams Bldg., 1st Floor

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	Lansing, Michigan 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 296-4026
NEW YORK	Secretary of State of the State of New York One Commerce Plaza 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	Securities Commissioner State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505
RHODE ISLAND	Director of Business Regulation Division of Banking and Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	Clerk of the State Corporation Commission 1300 East Main Street 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703

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EXHIBIT F: STATE ADMINISTRATORS

STATE	STATE ADMINISTRATORS
CALIFORNIA	Commissioner, Department of Financial Protection & Innovation 1-866-275-2677 Los Angeles 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 Sacramento 2101 Arena Boulevard Sacramento, CA 95834 San Diego 1455 Frazee Road, Suite 315 San Diego, CA 92108 San Francisco One Sansome Street, Suite 600 San Francisco, CA 94104
HAWAII	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360

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MICHIGAN	Department of Attorney General Consumer Protection Division Franchising Unit 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-1837
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-4026
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, New York 10005 (212) 416-8285
NORTH DAKOTA	North Dakota Securities Department 600 East Blvd. Avenue State Capitol, Fifth Floor Dept. 414 Bismarck, North Dakota 5805 (701) 328-4712
OREGON	Division of Consumer and Business Services Finance and Corporate Securities 350 Winter Street N.E. Labor and Industries Bldg., Room 21 Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9585
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S. Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-4823

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VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street. 9th Floor Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division - 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Madison, Wisconsin 53703 (608) 266-3364

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EXHIBIT G: SAMPLE FORM OF GENERAL RELEASE

SAMPLE FORM OF GENERAL RELEASE

KNOWN OF ALL THOSE PRESENT: that _____, whose address is _____ _____ in _____, _____, (hereinafter "***Releasor***") for and in consideration of Fitstop USA, Inc.'s (hereinafter "***Fitstop***") [check one] [ ] agreement to renew my Fitstop franchise for another term or [ ] consent to transfer the ownership of my Fitstop franchise, together with such other good and valuable consideration, on behalf of its principals, agents, employees, servants, legal and personal representatives, successors and assigns, hereby fully releases and forever discharges Fitstop, Fitstop Australia Pty Ltd, and their affiliated companies, principals and the heirs, executors and/or administrators, successors and/or assigns, agents, employees and servants of Fitstop and Fitstop Australia Pty Ltd (the "***Released Parties***") from any and all manner of actions, cause and causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands, whatsoever, at law or in equity, Releasor now has or may have against the Released Parties relating to Releasor's ownership, directly or indirectly, of a Fitstop franchise.

Releasor acknowledges that the person(s) executing this General Release have read and understand that this is a General Release and the Releasor (or, as the case may be, each Releasor) intends to be and shall be bound legally by it. The person executing this General Release represents, with the signature below, that they are duly authorized to represent Releasor with regard to the above issues.

Releasor:	Releasor:
_____	_____
Signature	Signature
_____	_____
Print Name/Date	Print Name/Date
Releasor:	Releasor:
_____	_____
Signature	Signature
_____	_____
Print Name/Date	Print Name/Date

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EXHIBIT H: STATE-SPECIFIC ADDENDUM TO THE DISCLOSURE DOCUMENT

STATE ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the states identified below:

FOR THE STATE OF CALIFORNIA

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

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

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Business Oversight, prior to solicitation of a proposed material modification of your Franchise Agreement.

OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

Item 3 of the Disclosure Document is supplemented by the following:

1. Neither the franchisor nor any person identified in Item 2 of the Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A., 78a *et. seq.*, suspending or expelling such persons from membership in such association or exchange.

Item 5 of the Disclosure Document is supplemented by the following:

1. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

Item 17 of the Disclosure Document is supplemented by the following:

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

2. 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).

3. The Franchise Agreement contains a covenant not to solicit our customers or employees which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

5. California Corporations Code section 31512.1 prohibits a franchisor from disclaiming or denying representations made by the franchisor or its agents to a prospective franchisee or a franchisee's reliance on these representations, or disclaiming violations under the law, in any franchise disclosure document, franchise agreement, or related document. If the Franchise Disclosure Document, Franchise Agreement, or any related document or exhibit contains a provision that is inconsistent with the law, the law will control.

6. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

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

8. The indemnification provision in the Franchise Agreement may not be fully enforceable as to punitive damages under California law.

9. The Franchise Agreement contains covenants not to compete that extend beyond expiration or termination of the agreement. This provision may not be enforceable under California law.

10. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to these Additional Disclosures.

FOR THE STATE OF ILLINOIS

Item 17 of the Disclosure Document is supplemented by the following:

1. The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

2. The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

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3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

FOR THE STATE OF INDIANA

Item 17 of the Disclosure Document is supplemented by the following:

1. The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the Franchise Agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the master licensee.

2. If any of the provisions of the Franchise Agreement conflict with this law, this law will control.

3. Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.

4. The Franchise Agreement provides that suit must be brought in California. These provisions may not be enforceable under Indiana law. Indiana franchise laws will govern the Franchise Agreement and any and all other related documents.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

FOR THE STATE OF MARYLAND

Item 5 of the Disclosure Document is supplemented by the following:

1. Based on our current financial condition, the Maryland Attorney General's Office requires that we post a surety bond to guarantee that we will fulfill our pre-opening obligations to you. The surety bond will be on file if and when we offer franchises in Maryland with the Maryland Securities Division.

Item 11 of the Disclosure Document is supplemented by the following:

1. Maryland regulations require that a franchisee be able to obtain an accounting of the marketing fee expenditures. Therefore, you may request and obtain an accounting of the prior years' marketing fee expenditures, by sending to us a written request by certified mail, with an enclosed self-addressed and stamped envelope and a $250 administrative fee.

Item 17 of the Disclosure Document is supplemented by the following:

1. The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

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2. Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

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

FOR THE STATE OF MINNESOTA

Item 13 of the Disclosure Document is supplemented by the following:

1. Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

Item 17 of the Disclosure Document is supplemented by the following:

1. Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80vC.01 – 80C.22.

3. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

4. Injunctive Relief. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota franchise statutes are met independently without reference to these Additional Disclosures.

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FOR THE STATE OF NEW YORK

The Cover Page of the Disclosure Document is supplemented by the following:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3 is deleted and replaced with the following:

1. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a felony, a violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. No additional litigation is required to be disclosed in this Disclosure Document.

Item 4 is deleted and replaced with the following:

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1. Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

The following is added to the end of Item 5:

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

Item 17 of the Disclosure Document is supplemented by the following:

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

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

3. 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.

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

5. We will not assign our rights under the Franchise Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under the Franchise Agreement.

6. The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law. The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement that is inconsistent with that law.

7. You must sign a general release when you enter the Franchise Agreement, upon entering into a successor Franchise Agreement, and in connection with any transfer under the Franchise Agreement. These provisions may not be enforceable under New York law.

8. Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

FOR THE STATE OF NORTH DAKOTA

Item 17 of the Disclosure Document is supplemented by the following:

1. Any release executed will not apply to the extent prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.

2. Any covenants not to compete such as those mentioned herein are generally considered unenforceable in the State of North Dakota.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to these Additional Disclosures.

FOR THE STATE OF RHODE ISLAND

Item 17 of the Disclosure Document is supplemented by the following:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to these Additional Disclosures.

FOR THE STATE OF VIRGINIA

Item 17 of the Disclosure Document is supplemented by the following:

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

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to these Additional Disclosures.

FOR THE STATE OF WASHINGTON

Item 17 of the Disclosure Document is supplemented by the following:

1. RCW § 19.100.180 and court decisions may supersede the Franchise Agreement or Area Development Agreement in your relationship with us, including in the areas of termination and renewal of your Franchise Agreement or Area Development Agreement.

2. In the event of a conflict between the Washington Franchise Investment Protection Act and the law chosen in the Franchise Agreement or Area Development Agreement, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.

3. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

4. 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 in Washington.

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

6. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. In the event of a conflict of state laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

7. Franchisee may have the right to terminate the franchise relationship should the franchisor fail to perform its duties or under applicable law

These provisions shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

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EXHIBIT I: STATE EFFECTIVE DATES

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STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Not Effective
Illinois	Not Effective
Indiana	Not Effective
Maryland	Not Effective
Michigan	Not Effective
Minnesota	Not Effective
New York	Not Effective
North Dakota	Not Effective
Rhode Island	Not Effective
South Dakota	Not Effective
Virginia	Not Effective
Washington	Not Effective
Wisconsin	Not Effective

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.

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EXHIBIT J: RECEIPTS OF FRANCHISE DISCLOSURE DOCUMENT

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RECEIPT (YOUR COPY)

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

If Franchisor offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Franchisor 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 any applicable state agency (as listed in this disclosure document).

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone
Peter Hull	2260 S. Centinela Ave., Suite 150, Los Angeles, CA 90064	(310) 563-8747

I received a disclosure document with an issuance date of May 27, 2024. State registration effective dates are listed on the State Effective Dates page contained in this disclosure document. The disclosure document included the following Exhibits:

Exhibit A.	Franchise Agreement (and Exhibits)
Exhibit B.	Table of Contents for Manual(s)
Exhibit C.	Financial Statements
Exhibit D.	List of Franchisees
Exhibit E.	Lists of Agents for Service of Process in Various States
Exhibit F.	State Administrators
Exhibit G.	General Release
Exhibit H.	State Addendum to the Disclosure Document
Exhibit I.	State Effective Dates Page
Exhibit J.	Receipts of Franchise Disclosure Document

Dated: _____

_____
Printed Name

_____
Signed, individually and as an officer of
[ ] (a corporation)
[ ] (a partnership)
[ ] (a Limited Liability Company)

Dated: _____

_____
Printed Name

_____
Signed, individually and as an officer of
[ ] (a corporation)
[ ] (a partnership)
[ ] (a Limited Liability Company)

[Keep this page for your records]

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RECEIPT (OUR COPY)

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If Franchisor 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 any applicable state agency (as listed in this disclosure document).

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Dated: _____

_____
Printed Name

_____
Signed, individually and as an officer of
[ ] (a corporation)
[ ] (a partnership)
[ ] (a Limited Liability Company)

Dated: _____

_____
Printed Name

_____
Signed, individually and as an officer of
[ ] (a corporation)
[ ] (a partnership)
[ ] (a Limited Liability Company)

[Please return completed form to Franchisor]

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