

**FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**



FS8, Inc.
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The franchise is for the establishment and operation of a FS8 Studio (“**FS8**” or the “**Studio**”) which provides group fitness and low impact exercise training, using a distinctive system of exercise training. The total investment necessary to begin operation of a FS8 Studio ranges from \$352,500 to \$661,100. This includes \$155,000 to \$219,100 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your Franchise Agreement and any other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this 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 disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Patrick Grosso, Chief Legal Officer at FS8, Incorporated, 3601 South Congress Avenue, Building E, Austin, TX 78704; (737) 787-1955.

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

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

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

Date of Issuance: May 27, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or <u>Exhibit F</u> .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or <u>Exhibit C</u> 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 FS8 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 FS8 franchisee?	Item 20 or <u>Exhibit F</u> lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation or litigation only in Texas. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with franchisor in Texas than in than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership 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. **Mandatory Minimum Payment.** You must make minimum royalty or Brand Fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales 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.

**ADDENDUM TO THE FS8 INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) a prohibition on the right of a franchisee to join an association of franchisees.
- (b) a requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) a provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) a provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) a provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) a provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) a provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or Standards.

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

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

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

The address for notices to the Michigan attorney general is: Department of the Attorney General, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 1st Floor, 525 W. Ottawa Street, Lansing, MI 48909; phone number 517-373-7117.

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

The Franchisor, and any Parents, Predecessors, and Affiliates

Franchisor and Parents

The franchisor is FS8, Inc., referred to in this disclosure document as “we,” “us,” or “our.” We refer to the person interested in buying the franchise as “you” or “your.” If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were incorporated in Delaware on November 18, 2020, and our principal business address is 3601 South Congress Avenue, Building E, Austin, TX 78704. We do business under our corporate name and under the name “FS8” (“**FS8 Studios**” or “**Studios**”). We do not offer any franchises other than as described in this disclosure document, and we do not engage in any business activity other than FS8 franchising activities and supporting FS8 franchises. We have been offering FS8 franchises in the United States since June of 2021.

Our immediate parent is FS8 Holdings Inc., a Delaware corporation. Our ultimate parent is F45 Training Holdings Inc., a Delaware corporation (“**Holdings, Inc.**”). Both of these parent companies’ principal place of business is the same as ours. Neither parent company has engaged in any other businesses and has never offered franchises in any lines of business.

Affiliates That Offer FS8 Franchises

We are affiliated by common ownership with FS8 Pty Ltd (ACN 646 184 125) (“**PS8 Pty**”), an Australian proprietary limited company with its principal place of business at Suite 2.01, Rugby Australia Building, Moore Park, NSW 2021, Australia. FS8 Pty has been offering franchises of the type offered herein in Australia since December 2020. Its primary business operations consist of offering and supporting franchises in Australia. Its principal business address in the United States is the same as ours. FS8 Pty. is not engaged in any other businesses and has never offered franchises in any other lines of business.

F45 Training Asia Private Ltd., a Singapore limited partnership, and Functional 45 Training Limited, an Ireland limited partnership, also offer franchises that are similar to the FS8 franchises offered under this disclosure document outside of the United States. Our affiliates listed below began offering FS8 franchises on the dates and in the countries/regions as indicated: (1) F45 Training Asia Private Ltd., a Singapore limited partnership – Asia; July 8, 2021; and (2) Functional 45 Training Limited, an Ireland limited partnership – Europe and the United Kingdom; July 14, 2021. Their principal business address in the United States is the same as ours. Except as described below regarding F45, neither of these affiliates is engaged in any other businesses and has never offered franchises in any other lines of business. We expect that these entities will only offer FS8 franchises temporarily, until new franchisor entities are formed in these international markets.

Affiliates That Offer F45 Franchises

Our affiliate, Group Training LLC (“**Group Training**”), a Delaware limited liability company, owns and operates one studio under a different trademark, “F45 Training”, through its subsidiary (“**Company-owned Studios**”). Group Training is not engaged in any other businesses and has never offered franchises in any line of business.

Our affiliate, F45 U LLC, a Delaware limited liability company, licenses to others the opportunity to operate Studios on university campuses, country clubs and other “non-traditional” venues, and sometimes the names or marks used at these non-traditional venues are “F45 Training”, “Avalon HouseTM” or “Malibu CrewTM”, instead of FS8. The Studios operated at these locations are a smaller footprint and provide limited equipment and services and are offered under a different arrangement. Currently there are no FS8TM, Avalon HouseTM or Malibu CrewTM locations in the United States, but our affiliate may operate, license, or grant franchises to operate these concepts in the United States later in 2022.

Our affiliates listed below began offering franchises under a different trademark, “F45 Training” on the dates and in the countries/regions as indicated: (1) F45 Training Inc., a Delaware corporation – United States; August 1, 2015; (2) F45 Training Canada Limited, a Canada limited partnership – Canada; February 11, 2016; (3) F45 Training Asia Private Ltd., a Singapore limited partnership – Asia; December 23, 2015; (4) F45 Training Pty. Ltd., an Australia limited partnership – Australia, New Zealand, the Pacific; March 7, 2013; and (5) Functional 45 Training Limited, an Ireland limited partnership – Europe and the United Kingdom; April 6, 2016; (6) F45 India Private Limited, an Australia company – India, April 1, 2019 (collectively, “**F45 Affiliates**”). The F45 Affiliates’ principal place of business within the United States is the same as ours. Except for the F45 Affiliates that offer FS8 franchises in certain markets outside of the United States, as described above, the F45 Affiliates neither offer franchises in other lines of business nor engage in business activities beyond offering, operating and supporting F45 franchises.

Our affiliate, Avalon House Pty Ltd (“**Avalon House**”), an Australia limited partnership with a principal business address of Suite 2.01, Rugby Australia Building, Moore Park, NSW 2021 franchises studios that provide low impact indoor fitness classes under the Avalon HouseTM marks. Avalon House began offering franchises, in Australia only, in September of 2021. As of December 31, 2021, there are no Avalon House franchises being offered in the US and there were no franchised Avalon House studios actively open and providing classes in the US.

Our affiliate, Malibu Crew Pty Ltd (“**Malibu Crew**”), an Australia limited partnership with a principal business address of Suite 2.01, Rugby Australia Building, Moore Park, NSW 2021 franchises studios in Australia that provide low impact indoor fitness classes under the Malibu CrewTM marks. Malibu Crew will begin offering franchises in Australia in 2022. As of December 31, 2021, there are no Malibu Crew franchises being offered in the US and there were no franchised Malibu Crew studios actively open and providing classes in the US.

Our affiliate, Vive Franchise Pty Ltd (“**Vive Active**”), an Australia limited partnership with a principal business address of Suite 2.01, Rugby Australia Building, Moore Park, NSW 2021 franchises studios in Australia that provide Pilates workouts under the Vive Active marks. Vive Active will begin offering franchises in Australia in 2022. As of December 31, 2021, there are no Vive Active franchises being offered in the US and there were no franchised Vive Active studios actively open and providing classes in the US.

Agent for Service of Process

Our agents for service of process are listed in Attachment B.

The Franchise Business We Offer

We sell franchises for the right to use a distinctive system of group and low impact exercise training under the FS8 trade name, trademark, and business system (“**System**”) for: (i) the operation of a FS8; (ii) the provision of services that we designate from time to time (including, by way of example only, certain at-home workouts, workouts designed for low impact training, or boot camps) (“**Approved Services**”); and (iii) the provision of certain products related to the operation of a FS8 and the provision of the Approved Services (collectively, the “**Franchise Business**”). The System includes distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that we designate for developing and operating a FS8; all of which may be changed, deleted, improved, and further developed by us from time to time (collectively, the “**Standards**”).

You must operate your Franchise Business under the “FS8” mark and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System (collectively, “**Marks**”).

The Franchise Agreement, attached hereto as Exhibit A, gives you the right to establish and operate one Studio at a specified location within a protected area.

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Principals’ Guaranty and Assumption Agreement (“**Guaranty**”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer, and dispute resolution procedures. Principals who are not required to sign the Guaranty must each sign a Confidentiality Agreement and Ancillary Covenant Not to Compete, with Principals’ undertakings, in the form attached to the Franchise Agreement.

The Franchise Agreement requires you to designate an “Operating Principal.” Your Operating Principal is the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Operating Principal. Your Operating Principal must have at least 10% ownership in your entity and must sign the Guaranty.

In this disclosure document, the terms “Principals” “and “Operating Principal” include those persons having similar obligations identified in the Franchise Agreement.

Competition

The market for fitness, exercise, and physical training services is highly competitive. There is competition for management and other personnel for the Franchise Business and for commercial real estate sites suitable for a FS8. You must expect to compete with fitness training businesses

that are the same as or similar to the Franchise Business and other competing concepts. Competitors may be locally-owned or large regional or national chains. Some competitors include Club Pilates, Pure Barre, YogaSix Yoga Studios, StretchLab. The fitness and exercise business is also affected by changes in consumer tastes, demographics, traffic patterns, and economic conditions.

Industry-Specific Regulations

You must also comply with all state and local laws, rules, and regulations that apply to exercise and fitness businesses. Specifically, many states and local municipalities have laws and regulations that apply specifically to membership contracts, operations, and licenses. Many states limit the length of time your Member contracts can be, require specific provisions be included in Member contracts, require Member contracts to look a certain way (such as format and font size), and require Members be granted certain termination rights. Some state regulations may also require you to: (1) obtain a bond to protect pre-paid membership fees you collect; (2) staff the Studio during all hours of operation; (3) staff the Studio with one or more persons who are CPR-certified or who have other specialized training; (4) maintain an automated external defibrillator (AED) and other first aid items and equipment at the Studio; and/or (5) charge sales tax on memberships. You should consider these laws and regulations when evaluating your purchase of a franchise.

Since 2020, many states and municipalities instituted regulations in response to the COVID-19 pandemic, some of which apply to exercise and fitness businesses, either specifically or as general retail regulations.

ITEM 2

BUSINESS EXPERIENCE

Adam J. Gilchrist: Director and Chief Executive Office

Adam Gilchrist has been a Director and CEO since our formation. He is also a Director and the CEO of our Parent and each of our Affiliates since their inception. Adam is based in Los Angeles, California, and from time to time in Sydney, Australia.

Elliot James Howard Capner: Chief Commercial Officer

Elliot Capner has been our Chief Commercial Officer since our inception, and of each of our Affiliates and our parent since October 2019. Previously he served as our General Counsel and our Chief Operating Officer (as well as the Chief Operating Officer of F45 Training Pty. Ltd.) in Sydney, Australia from September 10, 2016 until September 2019. Prior to joining us, Elliot was an attorney in Sydney, Australia with the firm Watson Mangioni from January 2014 through August 2016. Elliot is based in Austin, Texas.

Chris Payne: Director, Chief Financial Officer

Chris Payne has been a Director and our Chief Financial Officer since our inception, and a Director and Chief Financial Officer for our Affiliates and of our parent since June 2018. From April 2008 until May 2018, he was the Chief Financial Officer for the World Surf League in Los Angeles, California. Chris is based in Los Angeles, California.

Luke Armstrong: Chief Revenue Officer

Luke Armstrong has been the Chief Revenue Officer since our inception, and of each of our Affiliate and of our parent since October 2018. Previously, he was our Director of Global Sales and the Director of Global Sales for our affiliates from October 2013 to October 2018. Luke is based in Sydney, Australia.

Patrick Grosso: Chief Legal Officer

Patrick Grosso has been our Chief Legal Officer since our inception, and of each of our Affiliates and our parent since October 2019. Prior to joining us, he was a self-employed attorney in Salt Lake City, Utah from January 2017 until February 2018 and from May 2019 until September 2019. He was the Chief Financial Officer, Chief Administrative Officer, and Chief Legal Officer of a national pharmacy in Salt Lake City, Utah from March 2018 until April 2019. From July 2013 until December 2016, he was the Vice President of Strategic Initiatives and Chief Legal Officer of Skullcandy Inc. in Salt Lake City, Utah. Patrick is based in Los Angeles, California.

Dorian Workman: Chief Technology Officer

Dorian Workman has been our Chief Technical Officer since our inception, and of each of our Affiliates and our parent since March 2021. Dorian is based in Los Angeles, California. From September 2015 to February 2021, Dorian was a Senior Business Analyst at Sculptor Capital Management in New York, New York.

Heather Ann Christie: Chief Operating Officer

Heather Ann Christie has been our Chief Operating Officer since our inception, and of each of our Affiliates and our parent since January 2020. Previously she served as our Head of Support from October 2017 until January 2020. She is based in Austin, Texas. From July 2015 to October 2017, she was Operations Supervisor, Operations Administrator at Uber Technologies in Los Angeles. From February 2014 to July 2015, she was Operations Coordinator for TargetCW for Uber Technologies in Los Angeles. Heather is based in Austin, Texas.

Janina Czado: General Manager

Janina Czado has been our General Manager since September 2021. Previously, she served as the Vice President of Public Relations and Communications from March 2020 to August 2021 and the Marketing Manager from June 2016 to July 2021 for F45 Training Pty Ltd. in Sydney, Australia. Janina is based in Sydney, Australia.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee and Document Preparation Fee

On the Effective Date of the Franchise Agreement, you must pay us: (i) a \$50,000 initial franchise fee; and (ii) up to a \$2,000 document preparation fee that will be applied to our cost to prepare the Franchise Agreement and any ancillary documents. We have a program under which we may discount the initial franchise fee by up to 50% for certain approved US military veterans. The initial franchise fee and document preparation fee are not refundable under any circumstances. Upon execution of the Franchise Agreement and payment of the initial franchise fee and document preparation fee, you will be provided access to the FS8 intranet, including our intellectual property and confidential information we make available to you through the intranet. Additionally, you will also be provided with access to FS8 Support and FS8 Tech to begin setting up and operating your Studio.

Equipment Pack Price

You must pay us or our affiliate \$100,000 (plus applicable taxes, duties, shipping costs and delivery costs) for an “Equipment Pack,” which includes the purchase price of most of the inventory needed to start operating your Studio. You must pay us a non-refundable deposit of \$10,000 toward the Equipment Pack when you sign the Franchise Agreement, and the balance of the payment for the Equipment Pack is due when the order for your Equipment Pack is made, or six (6) months after the Effective Date of the Franchise Agreement (the “**Final Payment Date**”), whichever comes first. The Equipment Pack fee excludes all shipping and other delivery costs as well as taxes or other duties you may be required to pay. The Equipment Pack fee is not refundable. The Equipment Pack Fee of \$150,000 is current as of the date of this disclosure document. In light of current or potential disruptions in the market, supply chain issues, and other factors, we may experience unexpected and significant changes in the cost of the equipment. However, the Equipment Pack Fee is valid through the Final Payment Date. If do you not pay the Equipment Pack Fee prior to the Final Payment Date, the price may be increased to the then-current price of the Equipment Pack.

Storage Fee

The Equipment Pack is generally scheduled to be delivered approximately 7 to 60 days after the date the Equipment Pack has been ordered and paid for. If you are unable to take delivery of the Equipment Pack, you must pay a third party for the storage costs incurred to store the Equipment Pack until you take delivery of the Equipment Pack. We estimate these costs to be \$600 per month.

Nutritional Supplements

Upon ordering your Equipment Pack, you must also purchase from us or our affiliate for resale in your Studio an inventory of nutritional supplements in the amount of \$3,000, the variety of which we will determine. This payment is nonrefundable.

Grand Opening

Beginning 90 days before the date that you open your Studio (“**Opening Date**”) and continuing through 30 days after the Opening Date, you must spend a minimum of \$25,000 on grand opening promotions (“**Grand Opening Expenditures**”). The grand opening promotions and marketing activities must be conducted in accordance with a budget that has been prepared by you and approved of by us, or as otherwise recommended by us. If we direct, you must pay us, or third parties approved by us, part or all of the Grand Opening Expenditures. If we require that you pay us or third parties all or part of the Grand Opening Expenditures, then we or the required third party will conduct grand opening promotions on your behalf. If we require that you pay us the Grand Opening Expenditures, then you must make such payment the earlier of: (i) the date your Equipment Pack is ordered; or (ii) 6 months before the scheduled Opening Date of the Studio.

**ITEM 6
OTHER FEES**

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	The greater of 7% of monthly gross revenue or \$2,500. ⁽²⁾	180 days after the Effective Date of the Franchise Agreement and the first day of each subsequent calendar month	You must pay the royalty fee by electronic funds transfer, or any other means reasonably specified by Franchisor in writing. The first royalty fee payment is due on the 180 th day after the Effective Date whether or not your Studio is open. We reserve the right to increase the royalty rate based on changes to the Consumer Price Index.
Brand Fund	Up to 2% of Gross Sales	180 days after the Effective Date of the Franchise Agreement and the first day of each subsequent calendar month	See Note 3 for the definition of Gross Sales. As of the date of this disclosure document, Franchisor has not yet implemented the Brand Fund.
Marketing Fee	\$2,500 per month	On the Opening Date of your Studio and the first day of each subsequent calendar month	We or a third party we designate will use the Marketing Fee monies to pay for local advertising for your Studio. ⁽⁴⁾ If we communicate to you in writing that you are not required to pay the Marketing Fee directly to us, you must spend at least \$2,500 per month for local advertising for your Studio. You may spend more at your option. We recommend that you spend at least \$4,000 per month on local advertising for your Studio
Local Cooperative Advertising (“Co-op”)	As determined by Co-op; currently, there are no Co-ops	As determined by Co-op	If you are part of and contribute to a local Co-op where your Studio is located, we will credit dollar for dollar

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			the amount you contribute to the Co-op toward your required Marketing Fee requirement for your Studio (or Local Advertising Expenditure, if applicable). ⁽⁴⁾
Promotional Programs	Cost of programs and related fees, but no more than the monthly royalty fee	When billed	If, at any time during the Term of the Franchise Agreement, but not before the end of the 12-month period following the Opening Date of the Studio, your Gross Sales are not at least 70% of the annual, average gross sales of all FS8 franchisees that have operated their Studios for at least 12 months, then we may require you to participate in a special promotional program(s) that we implement, and you must pay the costs and fees associated with such program(s).
Non-Compliance Fee	Not to exceed \$2,000 per violation	10 days after notice of violation	In order to recover damages the brand incurs or other losses we suffer because of your non-compliance with the Franchise Agreement or the Standards, we may assess a non-compliance fee if you do not cure the non-compliance as we require. We may charge you this fee in addition to the on-site evaluation fee described below.
Service Fee ⁽⁵⁾	Currently, \$500 per month	15th day of the month after 120 days from the Effective Date and then each subsequent month	We reserve the right to increase the Service Fee at the beginning of each calendar year.
Orientation Seminar	\$1,000 for attendance at our orientation seminar	When your registration for	You must pay us \$200 for the third and each additional

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
	(for a maximum of two attendees)	the orientation seminar is confirmed	person who attends orientation. You are responsible for paying the costs of travel, lodging, meals and compensation for you and your attendees to attend the orientation seminar.
Nutritional Supplements for Resale	Currently, an initial amount equal to \$3,000; ongoing amount will vary ⁽⁶⁾	When billed	You must continue to purchase from us, our affiliates, or other suppliers nutritional supplements for resale in your Studio and maintain the amount of inventory we require, which will be a reasonable amount.
Merchandise for Resale ⁽⁶⁾	Currently, not less than \$1,500 every three months (does not include shipping, taxes, and duties (if any), which you must pay)	Every three months during the Term of the Franchise Agreement	We may provide to you certain collateral merchandise for resale that contain the Marks, such as sporting goods, equipment, and memorabilia, like T-shirts, caps, cups, and mugs.
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Additional Training ⁽⁸⁾	A reasonable fee based on our costs of providing the training; currently, \$250 per day per person trained	Before additional training	You must also pay the expenses of your personnel who attend training.
On-site Remedial Training	The then-current per diem fee for remedial training, plus costs; current per diem rate is \$250	When billed	If you ask or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Studio.
On-site Evaluation Fee	Currently, \$160 per on-site evaluation if we determine that your Studio is not in compliance with the terms of the Franchise Agreement, plus current per diem rate of \$250	On demand	We may conduct an on-site evaluation of your Studio to determine compliance with your obligations under the Franchise Agreement. If your Studio is not in compliance, we may charge you the on-site evaluation fee in addition to

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			the non-compliance fee. We may increase the amount of the on-site evaluation fee as our costs to conduct such evaluations increase.
Transfer Fee	25% of the then-current initial franchise fee, plus our reasonable costs and expenses associated with the transfer, including training costs and legal and accounting fees	With transfer application	There is no fee if an individual or partnership transfers rights to a corporation controlled by the same interest holders or for a transfer of a non-controlling interest in you by a Principal not signing the Guaranty.
Securities Offering Fee	\$3,000, plus our reasonable costs and expenses associated with the proposed offering	When billed	We limit our review to the manner in which the offering materials treat your and our relationship.
Renewal Fee	50% of our then-current initial franchise fee	Signing of renewal franchise agreement	You must give us at least 6 months and not more than 9 months' notice to renew and meet other renewal conditions.
Annual Conference ⁽⁹⁾	\$600 per ticket; a minimum of two tickets must be purchased unless we otherwise approve in writing	Upon issuance of invitation to conference	We will bill you the cost of the tickets whether or not you attend the conference, and we may direct payment through electronic funds transfer.
Non-Attendance Fee	Varies based on costs we incur to prepare for attendance; currently, \$100 to \$300 per person	On demand	If any person required to attend any training, conferences, or meetings fails to attend, you must pay us the non-attendance fee in an amount we determine at the time.

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
DJ Fee	Actual cost of the DJ; currently, \$25-\$400 per session if we supply you with a DJ to play at your Studio on a Saturday	On demand	We reserve the right to require that you have a DJ in attendance at your Studio each Saturday for each training session you conduct. If we require a DJ at your Studio, you may engage the services of a DJ independent of us, and pay the DJ as you arrange; or we will engage one for you, and you will pay us the cost of the DJ each month, in advance. The cost will be confirmed when we book the DJ.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us.
Audit Fee	Cost of audit	When billed	Payable if an audit shows you have understated any amount owed to us by 3% or more.
Insurance Fee	A reasonable amount based on our expenses	On demand	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee, plus our expenses.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services, and future policy changes, but we have no present plans to increase any fees. We do not have any cooperatives, so no such cooperative will influence any of these fees.

(2) “Gross Revenue” means all gross sums receivable (whether or not actually received or invoiced) by the Franchisee arising directly or indirectly from the franchise business including all cash, direct debit, credit or debit transactions of any nature (including the assumed gross takings of the franchise business for any month calculated for the purposes of any loss of profits insurance claim) but excluding any taxes, and any customer refunds, allowances or credit notes in each case demonstrated to have been properly issued in the relevant month;

(3) “Gross Sales” means the total selling price of all services, except for the Approved Services specifically identified by us as not being included in Gross Sales, and products and all income of every other kind and nature related to the Studio, including, without limitation, income from the sale of products and services over the Internet, whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

(a) Sums representing sales taxes collected directly from Members, based upon present or future laws of federal, state, or local governments, collected by Franchisee in the operation of the Studio, and any other tax, excise, or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Studio, provided that such taxes are actually transmitted to the appropriate taxing authority;

(b) Tips or gratuities paid directly by Studio Members to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(c) Returns to shippers or manufacturers; and

(d) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee’s products and services offered for resale at the Studio or having any material effect upon the ongoing operation of the Studio required under this Agreement.

We may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by us at our discretion. The following are included within the definition of “Gross Sales” described except as noted below:

(i) The full value of Studio products or services, except for the Approved Services specifically identified by us as being excluded from Gross Sales, furnished to Franchisee’s employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the month in which the

products or services were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(ii) All proceeds from the sale of coupons, gift cards, gift certificates or vouchers, including amounts paid directly to Franchisee by third party marketing companies (e.g., Groupon) for similar payment devices; provided, that at the time such coupons, gift cards, gift certificates or vouchers are redeemed the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will not be included in Gross Sales. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift card, gift certificate or voucher is sold, or if such coupons, gift cards, gift certificates or vouchers are distributed free of charge, the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will be included in Gross Sales.

(4) If we terminate your requirement to pay the Marketing Fee, then you must spend \$2,500 per month on local advertising for your Studio in the local market area, which is the same as your Protected Area. You may elect to spend more on local advertising than the amount of the Marketing Fee or the required Local Advertising Expenditure, whichever is applicable.

(5) This fee covers access to our technology and systems, which includes use of the franchise systems, including the Studio management software, access to and use of the Franchisor's technology platforms intranet, emails, and website.

(6) In the future, we may require you to also purchase prepared meals from us or a third-party supplier. The amount of these purchases will vary depending on the cost of the prepared meals.

(7) We have the right to make available to you and/or require that you purchase for resale in the Studio merchandise, goods, and apparel that contain the Marks. This may include sporting goods, equipment, and FS8 Studio memorabilia, like T-shirts, caps, cups, and mugs; nutritional and protein supplements; and prepared meals. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate, which may be us. If we make Studio merchandise available to you for resale, you must purchase the minimum quantity of merchandise and/or the dollar amount we specify. Currently, you must purchase (i) at least \$1,500 (not including taxes and duties, if any) worth of FS8 merchandise such as sporting goods, equipment, and FS8 Studio memorabilia, like T-shirts, caps, cups, and mugs every three months during the Term of your Franchise Agreement and (ii) an inventory of nutritional and protein supplements in an amount of \$3,000. We may change from time to time the quantity and/or dollar amount of these types of items you must purchase and the frequency of such purchases.

(8) Currently, we do not provide or require you to attend additional training programs after you attend our orientation seminar and successfully complete the initial online training program. At some time in the future, we anticipate that we will provide you an opportunity to participate in ongoing training with respect to your FS8 business. However, at the present time, no ongoing training programs have been established, and we have not established any fees for ongoing training.

(9) You must pay all travel and other conference related costs you incur.

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	\$50,000	Lump Sum	On the Effective Date	Us
Document Preparation Fee	\$2,000	Lump Sum	On the Effective Date	Us
Equipment Pack ⁽¹⁾	\$100,000, so long as you order the Equipment Pack and pay the Equipment Pack Price by the Final Payment Date. Following the Final Payment Date, the Equipment Pack Price may be increased to the then-current price for the Equipment Pack.	As Arranged	\$10,000 on the Effective Date of the Franchise Agreement; balance is due upon ordering the Equipment Pack, or six (6) months from the Effective Date of the Franchise Agreement, whichever occurs first (“ Final Payment Date ”)	Us
Equipment Pack Shipping, Taxes and Duties ⁽²⁾	\$12,000 to \$27,000	As Arranged	Upon ordering the Equipment Pack and/or when required by the relevant taxing or other authority	Us or the relevant taxing or other authority
Real Property ⁽³⁾	\$5,000 to \$40,000	As Arranged	As Arranged	Landlord or Land Owner
Architectural Floor Plan Design	\$14,500	As Arranged	As Invoiced	Us, Our Affiliates, and/or Suppliers
Leasehold Improvements ⁽⁴⁾	\$50,000 to \$200,000	As Arranged	As Invoiced	Suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Soundproofing	\$5,000 to \$100,000	As Arranged	As Arranged	Suppliers
Utility Deposits ⁽⁵⁾	\$1,000 to \$2,000	As Arranged	As Arranged	Suppliers
Exterior and Interior Signage	\$5,000 to \$10,000	As Arranged	As Arranged	Suppliers
Furniture, Fixtures, Other Equipment ⁽⁶⁾	\$4,000 to \$10,000	As Arranged	As Arranged	Suppliers
Office Equipment and Supplies ⁽⁷⁾	\$1,000 to \$3,000	As Arranged	As Arranged	Suppliers
Computer System ⁽⁸⁾	\$1,000 to \$2,000	As Arranged	As Arranged	Us, Our Affiliates, and/or Suppliers
Business Licenses and Permits ⁽⁹⁾	\$1,000 to \$3,000	As Arranged	As Invoiced	Government Agencies
Training Expenses ⁽¹⁰⁾	\$1,000 to \$2,000	As Arranged	As Arranged	Employees and Suppliers
Professional Services ⁽¹¹⁾	\$1,000 to \$5,000	As Arranged	As Arranged	Accountants, Architect, Lawyers, etc.
Insurance ⁽¹²⁾	\$1,000 to \$4,000	As Arranged	As Arranged	Insurance Broker
Grand Opening ⁽¹³⁾	\$25,000	As Arranged	As Arranged, but starting 90 days before Opening Date of Studio and continuing for 30 days after the Opening Date	Us or suppliers
Music Licenses ⁽¹⁴⁾	\$1,700 to \$2,000	As Arranged	Annually	Performance Rights Organizations

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Nutritional Supplements ⁽¹⁵⁾	\$3,000	Lump Sum	At least 30 days before the Opening Date	Us
AED	\$1,500 to \$2,100	As Arranged	As Invoiced	Us, Our Affiliates, and/or Suppliers
FS8 Body Fat Scanner	\$8,500 plus shipping and handling charges and taxes	As Arranged	As Invoiced	Us, Our Affiliates, and/or Suppliers
Additional Funds (initial 6-month period) ⁽¹⁶⁾	\$60,000 to \$100,000	As Arranged	As Arranged	Employees and various suppliers
TOTAL ⁽¹⁷⁾	\$352,500 to \$661,100			

Notes:

(1) Currently, you must purchase the Equipment Pack, which includes FS8 TV dongles, TVs, sound system, exercise equipment, rubber flooring, chinup bar frames, training uniforms, astro turf, and marketing collateral from us or its affiliates. We may add items or delete items included in the Equipment Pack. The current cost of the Equipment Pack is \$100,000, which excludes shipping and other delivery costs, taxes and duties (See Item 5), so long as you order the Equipment Pack and pays the Equipment Pack Price by the Final Payment Date. Following the Final Payment Date, the Equipment Pack Price may be increased to the Franchisor's then-current price for the Equipment Pack.

(2) When the order for your Equipment Pack is made, or when otherwise required, you must pay shipping and other delivery costs as well as any taxes and other duties that you may be required to pay associated with delivery. We estimate this may cost between \$12,000 and \$27,000, depending on the state where your Studio located. If you are not able to take delivery of the Equipment Pack, you must pay all costs to store the Equipment Pack until you take delivery of the Equipment Pack. We estimate these costs to be \$600 per month.

(3) We expect that you will either purchase or lease the real estate for the Studio. This estimate assumes that you will be renting a 2,000-3,000 square foot space. We expect most Studios will be approximately this size, but we may approve smaller buildings in our sole discretion. You may choose a larger facility, but it will increase your operating costs. Your cost to lease is difficult to quantify because there are a number of market factors that will impact what you pay. Our low

estimate assumes that you pay the first month's rent without a security deposit. If you are required to pre-pay additional rent or security deposits, your investment may be higher. Your landlord may refund your security deposit, but most will not refund rental payments. We do not require you to purchase or build a facility to house the Studio. Your cost may increase over our projections should you choose to purchase or build. We do not lease or sell space to you.

(4) The cost of the leasehold improvements will vary depending on various factors, including size, condition, and location of the Studio, local wage rates, and the cost of materials. The low estimate assumes that your landlord will provide a partial build-out tenant improvement allowance. The cost of leasehold improvements includes preparation of a site verification survey, preliminary design documents, architectural costs, construction documents, and construction administration services and actual construction. This estimate does not include the costs for real estate, building permits, or financing. FS8 Studios are typically located in in-line shopping centers or other types of multi-use buildings. You may purchase or lease the building for your Studio. We are unable to estimate real estate costs or lease costs because of wide variations in prices depending on factors like location, type of building on the property, size of the property, and market conditions in general. We estimate that the size of your Studio will be 2,000 to 3,000 square feet. Your gym floor must be a minimum of 1,600 square feet.

(5) You are responsible for connecting the relevant utility services to the site, including rent, electricity, gas (to the extent needed). You may be required to pay a deposit in relation to each of the utilities and these deposits may range between \$1,000 to \$2,000 (excluding applicable taxes). The deposits are generally refundable at the termination of the agreements with the relevant provider, subject to the terms of the agreement.

(6) You must purchase and/or lease and install the additional furniture and fixtures we require, which are not included in the Equipment Pack. The cost of the furniture and fixtures will vary according to local market conditions, the size of the Studio, suppliers, and other related factors. We require certain equipment and technology to be professionally installed by suppliers approved by us. Presently, we require the exercise bikes which are supplied as a part of the Equipment Pack to be assembled (to the extent that they are not pre-assembled) and the technology and audio visual equipment and sound system to be installed by a supplier we approve.

(7) You must purchase from us (or our affiliates or other suppliers designated by us) general office supplies including stationery, business cards, and typical office equipment. We may add or delete items from this list. The precise requirements and costs may vary from one franchisee to another.

(8) You must purchase the computer equipment, hardware, and software necessary for operating the franchise. The required computer equipment includes an Apple MacBook Air, an Apple iPad, and a high speed Internet router.

(9) State and local government agencies typically charge fees for occupancy permits, operating licenses, and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies.

(10) We do not charge a fee for online initial training, however we charge a fee of \$1,000 (for a maximum of two attendees) for attendance at our orientation seminar. If more than two people attend the orientation seminar, you must pay us an additional \$200 for each attendee. You are responsible for your travel, meals, and lodging expenses when you and your employees or Principals attend the orientation seminar.

(11) This estimate is for your engagement of an attorney, an accountant, an architect and other consultants to assist you in establishing your franchise. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants.

(12) This is the estimated cost for your initial premiums. You must obtain and maintain the types and amounts of insurance coverage we require. Insurance costs will vary depending upon the location and size of your Studio, the number of employees, the amount of your payroll, and other factors, and may change from time to time due to changes in insurance rates.

(13) You must carry out a grand opening promotion for the Studio as we require. You must spend at least \$25,000 on grand opening promotions. The grand opening promotions and marketing activities must be conducted as we require. If we direct, you must pay us, or third parties approved by us, part or all of the Grand Opening Expenditures. If we require that you pay us or third parties all or part of the Grand Opening Expenditures, then we or the required third party will conduct grand opening promotions on your behalf. If we require that you pay us the Grand Opening Expenditures, then you must make such payment the earlier of: (i) the date your Equipment Pack is ordered; or (ii) four months before the scheduled Opening Date of the Studio.

(14) You must pay this amount to the public performance rights organizations for the use of music.

(15) We may require you to purchase prepared meals in the future. If we do, this amount will be more.

(16) These additional funds provide a range of additional funds needed for the first three months of operation. The additional funds include funds for payroll expenses (the largest part of these additional funds), bank charges, cleaning charges, conference fees, courier fees, electricity, and other utility costs, motor vehicle expenses, recruiting expenses, security expenses, Studio amenities and other expenses, and telecommunication provider costs. These estimates do not include rent or mortgage payments. Your actual costs during the Studio's first three months of operation depend on many factors, including the following: (i) how closely you follow our methods and procedures; (ii) your management skill, experience, and business acumen; (iii) local economic conditions; (iv) the local market for your services; (v) the prevailing wage rate; (vi) competition; and (vii) the sales level reached during the initial period.

(17) This estimated initial investment is for one FS8 Studio. The total does not include costs for real estate, building permits, or financing (if you build or purchase the land and building for your Studio versus renting). We have relied on the average costs incurred by our U.S. franchisees to compile these estimates. You should review these figures carefully with a business advisor before deciding to acquire the franchise.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

Equipment Pack

Currently, we are the only approved supplier for our proprietary and confidential Equipment Pack, and, as a result, you must purchase the Equipment Pack from us, which includes FS8 TV dongles, TVs, sound system, exercise equipment, rubber flooring, training uniforms, and marketing collateral. We may add items or delete items included in the Equipment Pack. Details of the items included in the Equipment Pack will be attached to the Franchise Agreement as Schedule 1 to the Equipment Pack Addendum before you sign the Franchise Agreement.

System Merchandise

We have the right to make available to you and to require you to purchase for resale in the Studio merchandise, sporting goods, equipment, and other items that contain the Marks. This may include items such as FS8 Studio memorabilia, like T-shirts, caps, cups, and mugs. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate, which may be us.

Currently, you must purchase at least \$1,500 (not including shipping, taxes, and duties (if any)) of merchandise, goods, and equipment from us every three months during the Term of the Franchise Agreement, and we reserve the right to vary the amount of these purchases from time to time upon notice to you.

Nutritional Supplements

You must purchase from us, our affiliates, or any other supplier we require the nutritional and protein supplements we require. If we require you to sell prepared meals, you will be required to purchase such meals from a supplier we approve, which may be us.

Other Items

You must purchase the required AEDs and Body Scanners from us, our affiliates, or any other supplier we require. We may also require you to purchase certain computer systems from us, our affiliates or other suppliers we designate. This includes those systems and services purchased from us through the Service Fee and any other programs we may require in the future.

Purchases According to Specifications

You must comply with all of our System Standards and specifications relating to the purchase of all supplies, interior and exterior signage, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale in connection with the Franchise Business. Among other things, the following must comply with our specifications:

Site Selection and Construction

You must locate a site for the Studio that satisfies our site selection requirements. You must adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Studio and provide them to us within 10 days after you acquire the site for the Studio. We have the right to review your plans, and we will use commercially reasonable efforts to either approve or reject the plans within 10 days after we receive the plans. If we, in our sole discretion, determine that the plans are not consistent with System Standards, we may prohibit the implementation of the plans. If we object to any of the submitted plans, we will provide you with a reasonably detailed list of changes necessary to make the plans acceptable. If we reject the plans, you must submit revised plans, and we will use commercially reasonable efforts to either approve or reject the revised plans within 10 days after we receive the revised plans. You may not use any plans until we have approved them in writing, and our silence with respect to approval or rejection of the plans will not be deemed to be approval of the plans. You must provide written notice to us, and must obtain our prior written approval, of any proposed changes to the final plans that we previously approved. You may not remodel or make significant modifications to the Studio without our prior written approval.

Advertising and Promotional Materials

All advertising and promotion activities must be conducted in a dignified manner and must conform to our Standards. You must obtain all advertising and marketing materials from a supplier we approve. We reserve the right to require you to submit advertising materials to us for review and confirmation that such materials comply with our Standards. We may also may require you to include in your advertising or promotional materials a reference to the fact that franchises for the Franchise Business are available.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Franchise Business. These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A.M. Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage in the amount of \$1,000,000, combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, \$5,000 medical payment limits, or any greater amounts as your lessor may require; (ii) “All Risks” coverage for the full cost of replacement of the Studio premises and all other property in which we may have an interest with agreed amount endorsement for the premises naming us as loss payee; (iii) an “umbrella” policy providing excess coverage with limits of not less than \$3,000,000 which must be excess to the general liability coverage; (iv) business interruption insurance covering at least 12 months’ loss of profits and necessary continuing expenses for interruptions caused by any occurrence; (v) worker’s compensation insurance with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease \$1,000,000 each employee; (vi) professional liability

insurance for errors and omissions of your professional staff in providing services to your guests with not less than \$3,000,000 limit of liability and including abuse and molestation with a minimum limit of \$ \$300,000, (vii) employment practices liability including third party coverage for not less than \$500,000 aggregate, and (viii) any other insurance required by the landlord and the state or locality in which your Studio is situated.

Upon execution of the Franchise Agreement, and thereafter 30 days prior to the expiration of any policy required hereunder, you must deliver to us certificates of insurance, endorsements, insurance declarations and/or other documents requested by us evidencing the existence and continuation of proper coverage with limits not less than those required by us. All insurance policies required hereunder must expressly provide that no less than 30 days' prior written notice will be given to us in the event of a material alteration to or cancellation of the policies.

Approved Suppliers

If we have approved suppliers (including manufacturers, distributors, and other sources) for any supplies, materials, fixtures, furnishings, equipment (including computer hardware and software), services, and other products used or offered for sale in connection with the Franchise Business, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current Standards, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions, or reimbursements from approved suppliers as a result of your purchases.

If we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to inspect the supplier's facilities and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. We will approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers. None of our officers owns an interest in any privately-held suppliers or a material interest in any publicly-held suppliers of FS8 franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

Purchasing Arrangements

We may negotiate purchase arrangements (including price terms) with suppliers in connection with

your purchase of certain items from these suppliers. In doing so, we will seek to promote the overall interests of our franchise system and our interests as the franchisor. We may receive rebates from approved or designated sources based on your purchases from these sources.

As of the date of this disclosure document, we offer, through a third-party provider, prepared meals that may or may not be under the FS8 trademark (“**FS8 Meals**”). If a member of your Studio purchases FS8 Meals, then we will pay you a percentage of the sale price of the FS8 Meals, minus any taxes and delivery costs. We reserve the right to change this policy and the amount we pay franchisees at any time.

We do not provide material benefits to franchisees based upon their purchase of particular products or services or their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the system.

We estimate that your required purchases and leases will represent 80% of all of your purchases and leases required to open your Franchise Business. We estimate that your required purchases and leases will represent 80% of all purchases and leases required for the ongoing operation of your Franchise Business.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 2.	Items 8 and 11
b. Pre-opening purchases/leases	Sections 2, 7., 8., and 12.	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Section 2., 6.F. - 6.G.	Items 1, 7, 8, and 11
d. Initial and ongoing training	Section 6.H.	Items 6, 7, and 11
e. Opening	Sections 2. and 8.F.	Items 7 and 11
f. Fees	Sections 4. and 8.	Items 5 and 6
g. Compliance with standards and policies/ Manuals	Sections 2., 3., 6.-13.	Items 8, 11, 14, and 16
h. Trademarks and proprietary information	Sections 9. and 10.A.-10B. and <u>Attachment B</u>	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 7. of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 7.I. of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Section 2.	Item 12
l. Ongoing product/service purchases	Sections 7. and 8.	Items 8, 11, and 16
m. Maintenance, appearance, and remodeling requirements	Sections 3.B. and 7.B.	Item 8

Obligation	Section in Franchise Agreement	Disclosure Document Item
n. Insurance	Section 12.	Items 7 and 8
o. Advertising	Section 8.	Items 6, 8, and 11
p. Indemnification	Section 15.	Item 6
q. Owner's participation/ management/ staffing	Sections 6. and 7.	Items 1, 11, and 15
r. Records and reports	Sections 11.	Item 11
s. Inspections and audits	Sections 2., 7., and 11.	Items 6 and I 1
t. Transfer	Section 14.	Items 6, 10, and 17
u. Renewal or extension of rights	Section 3.	Items 6, 12, and 17
v. Post-termination obligations	Section 18.	Item 17
w. Noncompetition covenants	Section 10. and <u>Attachment B</u>	Item 17
x. Dispute resolution	Sections 19.G., H., I., J., K., L., and N.	Item 17
y. Other (personal guarantee)	Sections 6.D.(3) and 6.D.(4), and <u>Attachment A</u>	Item 15

ITEM 10 FINANCING

Swoop Funding

We have a relationship with Swoop Funding (“**Swoop**”), a funding brokerage platform that assists franchisees to obtain third-party financing. Through an agreement with Swoop, we are eligible to earn a fee equal to 20% of any commission generated by a funding transaction that is originated by Swoop. We do not provide the financing, nor we set any terms of the financing that is sourced through Swoop.

SBA Financing

If you are interested in obtaining a loan from a bank or other lending source that is guaranteed by the United States Small Business Administration (“**SBA**”), the franchisor has applied to be listed on the Franchise Registry, which would mean you may receive expedited loan processing through the SBA. We have no control over the SBA loan guarantee program or process. Please visit the Franchise Registry’s website at www.franchiseregistry.com for more information.

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

Except as described below, we are not required to provide you with any assistance. We may delegate certain of our obligations under the Franchise Agreement to affiliates or other service providers.

Pre-Opening Obligations: Before you open your Studio, we or our designee will:

1. Provide you with access to a copy of our written site selection guidelines and give you site selection assistance (which may include visits to the site, analysis of the surrounding demographics, and general site selection advice, the extent of which will vary based on the specific circumstances, including the location and condition of the proposed site). (Franchise Agreement; Section 2.B.)

You must identify and secure a site for your FS8 Studio within the Designated Area. We must accept the site as meeting our Standards. You cannot place a Studio at a site we have not first accepted in writing. (Franchise Agreement; Sections 2.A. and 2.B.) Your failure to obtain a site that we approve and open within the specified time period is a default of the Franchise Agreement for which we may terminate. (Franchise Agreement; Section 2.G.)

When you identify a proposed site, you must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines, and any other information we may require. We have 14 days to review your proposed site for compliance with our site selection guidelines and accept or not accept the site. (Franchise Agreement; Section 2.B.) In reviewing your proposed site, we consider various factors, including but not limited to the size, layout, and condition of the building, the location of the site, the proximity of the site to other FS8 studios and competitors, population, and other demographic factors. If we accept multiple sites, you must notify us within 10 days of our acceptance of the sites of the site that you intend to acquire for the Studio. (Franchise Agreement; Section 2.B.)

Upon your acquisition of the site we approve for the Studio, we, in our sole discretion, will define the Protected Area for the Studio. (Franchise Agreement; Section 1.B.)

Within 365 days after signing the Franchise Agreement, you must enter into a lease or contract of sale for the site. You must provide us with a copy of the executed lease or contract of sale within 10 days of its signing. (Franchise Agreement; Section 2.C.)

You must obtain all zoning classifications, clearances, and approvals relating to the site and all required permits, licenses, and certifications. (Franchise Agreement, Section 2.E.);

2. Provide you with access to our prototypical design plans and specifications for an FS8 Studio (Franchise Agreement; Section 2.F.(1))

3. Provide you with access to our Manuals, which may be provided by Internet or intranet access only. (Franchise Agreement; Section 5.A.);

4. Make available to you, directly through us, the Equipment Pack in good and working order. The Equipment Pack includes the equipment, signs, and other items you need to open your Studio. We do not provide written specifications for the Equipment Pack items. We arrange for the delivery of the Equipment Pack to your Studio, but we do not install or arrange for the installment of the Equipment Pack, but we provide you a list of approved suppliers who can provide installation services. (Franchise Agreement; Section 5.G.);
5. Provide you a list of any approved suppliers. (Franchise Agreement; Section 5.D.);
6. Conduct an orientation seminar and make available to you an online initial training program. (Franchise Agreement; Section 5.H.); and
7. Administer the Brand Fund (if instituted), and provide any advertising and promotional materials we develop for local advertising. (Franchise Agreement, Sections 8.B. and 8.E.).

Typical Length of Time Before You Open Your FS8 Studio

We estimate that it will be approximately 120 days from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your FS8 Studio and permits and licenses required for the Studio. You must open your Studio within 365 days after signing the Franchise Agreement, unless we give you a written extension. (Franchise Agreement; Section 2.G.)

Before you open the Franchise Business to the public, you must satisfy any and all of our pre-opening requirements, which include the pre-sale of a minimum recommended number of paid memberships that will go into effect on the Opening Date (“**Foundation Memberships**”). Currently, you must sell at least 75 Foundation Memberships, before we will permit the Franchise Business to open. We reserve to increase or decrease at any time the number of Foundations Memberships that must be sold. This minimum number of Foundation Memberships is based on our brand standards, including our recommendation regarding the appearance of the Studio’s volume of business upon opening, and is not a suggestion or representation of a specific level or range of actual or potential sales, income, gross profits, or net profits that the Franchise Business will attain.

Continuing Obligations: After your Franchise Business opens we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement; Section 5.C.)
2. Manage purchases paid for with the Marketing Fee, administer the Brand Fund (if instituted), and provide any advertising and promotional materials we develop for local advertising. (Franchise Agreement, Section 5.D., Section 8.B. and Section 8.E.)
3. Give you advice and written materials we may develop on the techniques of managing and operating Franchise Businesses including providing you with access to the Manuals. (Franchise Agreement; Section 5.A. and Section 5.E.)

4. At our discretion, make available to you at a reasonable cost merchandise, sporting goods, equipment, nutritional and protein supplements, prepared meals, and other items we develop or approve for resale. (Franchise Agreement; Section 5.F.)
5. At our discretion, make available to you certain systems and programs relating to the System which you may offer to customers. (Franchise Agreement; Section 5.G.)
6. Give you updated lists of approved suppliers as we deem appropriate. (Franchise Agreement; Section 5.H.)
7. Provide additional training programs and seminars at our option. (Franchise Agreement; Sections 5.I. and 5.JI.)
8. Provide you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee. (Franchise Agreement, Section 5.B.)

Advertising

You must participate in all advertising and sales promotion programs that we may authorize or develop for Franchise Businesses. Currently, we are not obligated to conduct any advertising in any area for you or the system. If, at any time during the Term of the Franchise Agreement, but not before the end of the 12-month period following the Opening Date of the Studio, your Gross Sales are not at least 70% of the annual, average gross sales of all FS8 franchisees that have operated their Studios for at least 12 months, then we may require you to participate in a special promotional program(s) that we implement, and you must pay the costs and fees associated with such program(s).

Pre-Opening; Grand Opening

Before you open your Franchise Business to the public, you must: (a) conduct a soft opening of the Studio in which: (i) you must operate the Studio for the period of time we require, as described in the Manuals; (ii) classes are offered only to your friends and family; and (iii) classes are not made available to the general public; (b) pre sell the minimum number of “Foundation Memberships” we require; and (c) ensure that the Social Media Accounts we require have the number of followers, “likes,” or similar designations that we require. We may establish, on your behalf, social media accounts for the Studio (e.g. Facebook and Instagram) (“**Social Media Accounts**”). You must comply with our social media policy as set forth in the Manuals.

Beginning 90 days before Opening Date of your Studio, and continuing through 30 days after the Opening Date, you must carry out a grand opening promotion for the Studio in accordance with our grand opening Standards. You must spend at least \$25,000 on grand opening promotions conducted in accordance with the requirements determined by us. If we direct, you must pay us, or third parties approved by us, part or all of the Grand Opening Expenditures. If we require that you pay us or third parties all or part of the Grand Opening Expenditures, then we or the required third party will conduct grand opening promotions on your behalf. If we require that you pay us the Grand Opening Expenditures, then you must make such payment the earlier of: (i) the date

your Equipment Pack is ordered; or (ii) four months before the scheduled Opening Date of the Studio. The Grand Opening Expenditures must be spent in accordance with a budget that has been prepared by you and approved of by us, or as otherwise recommended by us.

Marketing Fee

You must pay us at least \$2,500 per month for local marketing for your Franchise Business, but we recommend that you spend at least \$4,000 per month on local advertising for your Franchise Business. You must pay the Marketing Fee for the first month of operations on the Opening Date of your Studio, then the first day of each subsequent month during the Term of the Franchise Agreement. Payments must be made in the same manner that royalty fee payments are made. The Marketing Fee amounts that we collect will be used to pay for local advertising for your Studio that is designed to increase your Studio's membership.

Local Advertising Expenditure

If we waive your requirement to pay the Marketing Fee, then you must spend at least \$2,500 per month on local advertising for your Franchise Business in the local market area, which is the same as your Protected Area; or you may elect to spend more on local advertising than the required amount (amount of local market expenditures, whether instead of, or as a supplement to, the Marketing Fee, "**Local Advertising Expenditures**"). We must approve all Local Advertising Expenditures, and all Local Advertising Expenditures must follow our guidelines. If you make Local Advertising Expenditures that are not part of the Marketing Fee, then you must submit to us a quarterly advertising expenditure report within 15 days following the end of each calendar quarter. None of the following may be included in your Local Advertising Expenditures: (1) incentive programs for your employees or agents; (2) non-media promotional costs; (3) charitable, political, or other contributions or donations; (4) in-Studio fixtures, equipment, or products for resale; (5) business directory listings (online or otherwise); or (6) Grand Opening Expenditures.

Brand Fund

We may establish and manage a fund to promote, market and otherwise develop the System, Marks and the FS8 brand ("**Brand Fund**"). You must contribute to the Brand Fund an amount which is the greater of: (i) \$200 per month; or (ii) 2% of Gross Sales per month ("**Brand Fund Contribution**"). The Brand Fund Contribution must be made at the time and in the manner that royalty fee payments are due. We or someone we designate will administer the Brand Fund. We will direct all advertising programs, including the creative concepts, materials, and media used in the programs. We are not required to make expenditures for you that are equivalent or proportionate to your Brand Fund Contribution or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of advertising. Except for a portion of the Brand Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Brand Fund will not be used to solicit the sale of franchises. We and our affiliates may, but are not required to, contribute to the Brand Fund generally on the same basis as you do for Franchise Businesses that we or they operate.

We will determine, in our sole discretion, when, how, and where the payments deposited into the Brand Fund will be spent. We select the types of media used and the location of the advertising

campaigns administered through the Brand Fund. We use or may use the following media: print, radio, television, telephone, smart phone, social media and Internet. We may also use the funds for general public relations, development of advertising and marketing materials, brand studies, to pay wages for digital marketing, graphic design, and/or marketing initiatives and to otherwise obtain and build brand awareness such as through trade shows, other events, or other channels. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies.

The Brand Fund will be held in an account separate from our other funds. We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Brand Fund in that year. If we do not use all the funds in the Brand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the Brand Fund to borrow from us or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We may collect for remission to the Brand Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. All interest earned on monies contributed to the Brand Fund will be used to pay advertising costs of the Brand Fund before other assets of the Brand Fund are expended. Sums paid by you to the Brand Fund may be used by us to defray any of our operating expenses and overhead reasonably related to the administration, direction or operation of the Brand Fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Brand Fund and will make it available to you on written request.

The Brand Fund is intended to enhance recognition of the Marks and patronage of Franchised Businesses. We are a nationwide brand and intend to use the fund to help promote the image and good will of the entire brand through local, regional and national marketing campaigns. Although we will endeavor to use the Brand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Fund by Franchised Businesses operating in that geographic area or that any Franchised Business will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials. We assume no direct or indirect liability or obligation to you or any other Franchised Business in connection with the maintenance, direction, or administration of the Brand Fund.

We will not use your Brand Fund contributions to defray any of our operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Brand Fund. We will prepare an annual statement of the Brand Fund's operations and will make it available to you if you request it. We are not required to have the Fund statements audited.

Although the Brand Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Brand Fund, however, until all money in the Brand Fund has been spent for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions.

Advertising Co-ops

We can designate any geographic area in which two or more company-owned or franchised Franchise Businesses are located as a region for an advertising cooperative (“**Co-op**”). If we do, the Co-op must be organized and governed as we determine. Any Co-ops we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Co-op is established for an area that includes your Protected Area, you must become a member of the Co-op and participate in the Co-op by contributing the amounts required by the Co-op’s governing documents. However, you will not be required to contribute more than the amount of your Marketing Fee or Local Advertising Expenditure, whichever is applicable, and your Co-op contribution will be applied toward satisfaction of your Marketing Fee or Local Advertising Expenditure requirement, whichever is applicable. You must also submit to the Co-op and to us all statements and reports that we or the Co-op may require. Co-op contributions will be maintained and administered under the Co-op’s governing documents, which must be approved by us in writing, and the Co-op will be operated solely as a conduit for the collection and expenditure of advertising contributions.

All advertising and promotion activities must be conducted in a dignified manner and must conform to our Standards. You must obtain all advertising and marketing materials from a supplier we approve. We reserve the right to require you to submit advertising materials to us for review and confirmation that such materials comply with our Standards. We may also may require you to include in your advertising or promotional materials a reference to the fact that franchises for Franchise Businesses are available.

Unless otherwise specified by us, the activities and accounting practices carried on by each Co-op shall be decided by a majority vote of its members. Any company-owned Studios in the region shall have the same voting rights as those owned by its franchisees. Each Studio owner shall be entitled to cast one (1) vote for each Studio owned. Each Co-op shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion. Although once established, each Co-op is intended to be of perpetual duration, we maintain the right to terminate, dissolve, or merge any Co-op. A Co-op shall not be terminated, however, until all monies in that Co-op have been expended for advertising and/or promotional purposes

Loyalty Programs

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention, or special promotional program that we implement for all or part of the FS8 franchise system and sign the forms, pay the fees, and take the other action we require for you to participate in these programs. As part of our promotional programs, we may require you to offer a limited number of free memberships each year to those persons we select.

Advertising Council

We do not have a franchisee advisory or advertising council but may establish one in the future.

Computer and Point of Sale System Requirements

You must install, maintain, and upgrade the computer hardware, software, peripheral equipment, and all other technology-related items we require, including but not limited to, Internet telecommunications systems, data cabling, and sound and surveillance equipment we require for the operation of the Studio. All bookings and sales for your Studio must be completed online. We do not require that you use a specific Point of Sale product, but we may require that you do so in the future. Among other things, we may require you to install and maintain systems that permit us to independently access and retrieve electronically any information stored in your computer systems, including, without limitation, information concerning Gross Sales, at the times and in the manner that we require. You must provide us independent, remote access to all surveillance equipment. The purpose of such access is to enable us to conduct inspections of your use of the System and the Marks and to enforce brand standards, and not to monitor your day-to-day operations. We also may require you to enter into software license agreements in the form that we require for software we develop or acquire for use in the System and pay all fees associated with such agreements. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to Members of the Studio) will be our sole and exclusive property. Currently, the required computer equipment includes an Apple MacBook Air, an Apple iPad, a high speed Internet router, and the components required to operate FS8 TV.

We estimate the cost of the computer system will be approximately \$1,000 to \$2,000. You must also pay us a monthly Service Fee of \$500 for certain services we will provide to you such as email and website administration, provision of the intranet and certain other software required for the operation of your Studio. We reserve the right to increase these fees as our costs for this service increase.

Neither we, nor our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. Currently, we do not require you to enter into any maintenance/upgrade contracts for the computer system or other technology devices. If we do require you to enter into maintenance agreements or to update the computer system, you will pay all costs associated with such agreements and requirements.

Operations Manual

After you execute the Franchise Agreement, we will provide you with access to our Manuals, which may only be provided via the Internet or intranet. A copy of the table of contents of the Manuals is attached as Exhibit E. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. There are approximately 75 total pages in the Manuals.

Training

Within 90 days after you and we have entered into a Franchise Agreement, you (or your Operating Principal if you are an entity) must attend our orientation seminar in Austin, Texas, which is currently conducted over a period of five days. When you register for orientation, you must pay us \$1,000 for up to two people to attend. You must pay us an additional \$200 for the third and each additional person who attends. You are responsible for paying the costs of travel, lodging, meals, and compensation for you and your attendees to attend the orientation seminar. During orientation,

in addition to providing you information and guidance relating to the development and operation of your Studio, we will evaluate whether or not you (or your Operating Principal if you are an entity), your General Manager (if applicable) have completed, to our sole satisfaction, the required initial training described below and/or whether or not such persons must complete any additional training. We conduct the orientation seminar at least once a month.

At least 30 days after you and we have entered into a Franchise Agreement, you (or your Operating Principal if you are an entity), your General Manager (if applicable), and Studio Manager must complete, to our satisfaction, our initial online training program. The online initial training program consists of a series of Webinars, instructional guides, training information and programs, and other operations information. We do not charge a fee for access to our online training programs.

The subjects covered and other information relevant to our initial training programs are described below:

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation Seminar	40	0	Austin, Texas
Operations Manual Guided Review	10	0	Online
Set-up and Operations	10	0	Online
Trainer Training	4	10	Online (using the FS8 Academy App)
TOTAL	64	10	

Our Manuals serve as the instructional material for the initial training program. Our training is administered under the supervision of Heather Ann Christie, who has been our Chief Operating Officer since our inception, and of our parent since January 2020. Previously she served as our Head of Support from October 2017 until January 2020. She is based in Austin, Texas. She has been involved in training franchisees for more than two years. We may also draw upon the experience of third-party professionals and programs and the assistance and facilities of other franchisees in our system.

In addition to completing the initial training described above, you must staff your Studio with at least three certified trainers prior to opening your Studio, and you must staff your Studio with at least three certified trainers at all times during the Term of the Franchise Agreement, or such other number of certified trainers we reasonably required. Trainers may become certified by successfully

completing the online training course via the Academy App.

Your Operating Principal, General Manager, if applicable, and Studio Manager, and any other personnel we designate, must attend and complete any additional training and meetings or conferences that we may from time to time require, and you must pay us or third parties all fees assessed in connection with such training, meetings, and/or conferences. If such persons fail to attend any such training, meeting, and/or conferences, you must pay us a non-attendance fee in an amount we determine at the time, and such amount will be paid into the Brand Fund or used for local marketing for your Studio, as we determine. Training and other meetings will be conducted at locations we designate. You will be responsible for any and all expenses incurred in connection with any initial or additional training, including the costs of travel, lodging, meals, and wages you incur.

ITEM 12 TERRITORY

Although we grant you some territorial protection, you will not receive an exclusive territory.

The Franchise Agreement gives you the right to operate an FS8 Studio at a site we accept as meeting our site selection guidelines (“**Location**”). You must select the site for your Studio from within a geographic area you and we agree on (“**Designated Area**”), which will be identified in the Franchise Agreement when you sign the Franchise Agreement. You will not acquire any rights in and to the Designated Area, other than the right to select a site for the Studio from within the boundaries of the Designated Area. Your rights to the Protected Area (defined below) will be acquired once you acquire a site that we approve.

If the site that you select and that we approve for the Studio is closer to the outside boundary of the Designated Area, then we may redefine the geographic area of protection surrounding your Location (“**Protected Area**”) such that the Studio is more centrally located in the Protected Area. If we make this modification, we anticipate that your Protected Area will be approximately the same size and will have approximately the same demographics as your original Designated Area. If we do not notify you prior to opening the Studio of the revised Protected Area, the Designated Area will automatically become the Protected Area for purposes of the Franchise Agreement.

If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a FS8 Studio in the Protected Area during the term of the Franchise Agreement. The Protected Area will generally be an area with a population of at least 15,000 as determined by the most recent, published U.S. census data, but the actual size and shape of the Protected Area will vary from franchisee to franchisee.

Continuation of your Protected Area does not depend on the achievement of a certain sales volume, market penetration, or other contingency. There are no circumstances that would permit us to modify your territory rights during the term of the Franchise Agreement or upon renewal of the Franchise Agreement. You do not receive the right to acquire additional franchises within or outside of your Protected Area unless you sign another Franchise Agreement with us.

You must operate the Franchise Business and offer and sell products and services only at the Location. You may not actively solicit from consumers located outside your Protected Area through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing. You cannot relocate the Studio without our consent. If you lose possession of the Location through no fault of your own, you must apply to us within 30 days for our approval to relocate your Studio. You must relocate to another site in the Protected Area.

We retain all other rights. Among other things, this means we can:

(i) Develop and establish other business systems using the Marks, or other names or marks, and grant licenses to use those systems without providing any rights to you;

(ii) Advertise and promote the System in the Protected Area;

(iii) Operate, and license others to operate, Franchise Businesses at any location outside the Protected Area, including locations that are adjacent to the Protected Area, and in any Reserved Area, even if the Reserved Area is in the Protected Area. “Reserved Area” means any office buildings/campuses; military bases and posts; airports; and hotels, resorts, and other lodging facilities, regardless of where located.

(iv) Within and outside the Protected Area, offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services, (under the Marks or under other names or marks) through any channel or by any method of distribution (including the Internet) other than a Franchise Business on any terms and conditions we deem appropriate.

(v) Purchase, merge with, acquire, be acquired by or affiliate with any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your Franchise Business, and which may be located anywhere inside or outside the Protected Area.

There are no restrictions on our right to solicit or accept business from consumers inside the Protected Area without paying any compensation to you.

We reserve, maintain, and control all rights with respect to the metaverse

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

As explained above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control, such as Avalon HouseTM, Malibu CrewTM, and F45®.

As described in Item 1, our affiliates offer franchises for fitness centers that feature a distinctive system of exercise training that involves alternating periods of short, intense anaerobic exercise under the F45 trademark. F45 studios are both company-owned and franchised, and may be located anywhere, including in your Protected Territory. Our affiliates have offered F45 franchises since 2015, and the F45 franchising business is based out of the same principal business address as we are.

ITEM 13 TRADEMARKS

The Franchise Agreement gives you a license to operate a Franchise Business using the Marks and any future Marks we authorize.

We have registered or have applied for registration of the following Marks with the U.S. Patent and Trademark Office (“USPTO”). We intend to renew the registrations and to file all appropriate affidavits at the appropriate times required by law.

MARK	REGISTER	REGISTRATION DATE	REGISTRATION NUMBER
FS8	Principal	Application Date: November 19, 2020	Serial No. 90330400
FS8 Logo	Principal	Application Date: November 19, 2020	Serial No. 90330430

We do not have a federal registration for the “FS8” and “FS8 Logo” marks. Therefore, our trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There is no presently effective determination of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Mark which is relevant to its ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Mark, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Mark or if the proceeding is resolved unfavorably to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any infringement, challenge or claim of this type. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation or any USPTO (or other) proceeding, arising out of any infringement, challenge, or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that, in our counsel’s opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding of this type or to otherwise

protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or patent applications that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials and videos/images relating to the operation of Franchise Businesses and the System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Principals can give this confidential information only to your employees who need it to operate your Franchise Business. You must have your General Manager (if applicable), Studio Manager, and any of your other personnel who have received or will have access to our confidential information, sign similar covenants.

If you or your Principals develop any new concept, process, or improvement in the operation or promotion of your Franchise Business, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Principals agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

When you sign the Franchise Agreement, you must designate an individual to serve as your “Operating Principal.” If you are an individual, you will be the Operating Principal. If you are not an individual, your Operating Principal must maintain a direct or indirect ownership interest in you of not less than 10%, unless we consent otherwise. This interest may not be pledged, mortgaged, hypothecated, or be subjected to any lien, charge, or encumbrance, voting agreement, proxy, security interest, or purchase right or option, without our consent.

The Operating Principal must meet our qualifications. The Operating Principal for all Franchise Businesses operated by you and, if applicable, your affiliates, must be the same person, and the same person must act as your Operating Principal under all Franchise Agreements between us.

Unless a General Manager is appointed, as discussed below, your Operating Principal must devote his or her full time and best efforts to the supervision of your operations and may not engage in any other business. He or she must satisfy our training requirements and our other Standards and must guaranty your performance under the Franchise Agreement. Your Operating Principal will be individually, jointly and severally, bound by all of your obligations and the obligations of the Operating Principal and all other Principals under the Franchise Agreement.

You may, at your option and subject to our written consent, designate a General Manager to supervise your operations. Even if you designate a General Manager to supervise your operations, your Operating Principal remains ultimately responsible for the General Manager’s performance and the performance of the Studio and your compliance with the Franchise Agreement. The General Manager must devote his or her full time and best efforts to the supervision of your Studio(s).

You must notify us promptly if your Operating Principal or General Manager cannot continue to serve or no longer qualifies as an Operating Principal or a General Manager. You will have 30 days from the date of the notice (or from any date that we independently determine the Operating Principal or General Manager no longer meets our Standards) to take corrective action. During that 30-day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

You must designate and retain at all times during the term of the Franchise Agreement at least one Studio Manager to coordinate and manage the day-to-day operations of the Studio.

We require your current and future Principals to sign a Guaranty in the form of Exhibit E to the Franchise Agreement guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer, and dispute resolution procedures. If you are an individual, your spouse will be required to sign the Guaranty, making your spouse jointly and severally liable for your obligations. Otherwise, your spouse must sign our Confidentiality Agreement and Ancillary Covenants Not to Compete agreement, which is Exhibit E to the Franchise Agreement.

At our request, you must have your General Manager and Studio Manager and any other personnel who will have access to our training sign covenants not to compete and agree to maintain the confidentiality of information they have access to through their relationship with you. These covenants will be in substantially the form of Exhibit E to the Franchise Agreement. Those of your Principals who are not signing the Guaranty also must execute these covenants. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph.

You must comply with all applicable labor, employment and wage and hours laws and regulations. All personnel decisions, including hiring, firing, disciplining, compensating, benefits, and scheduling, will be made by you, without any influence from us, and such decisions and actions will not be, nor be deemed to be, a decision or action of ours, even if we provide any advice or recommendations on any issue.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only market, offer, sell and provide the products and services within your Protected Areas in a manner that meets our Standards and complies with our Manuals and other writings. We will provide you with a list of our then-current Approved Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchise Business. We may update or modify this list in writing at any time. If you wish to offer products or services that are not approved by us, you must first obtain our prior written approval. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Franchise Business.

You must offer and sell all products and services we require. You must sell only the products and services that we have expressly approved in writing. You must stop selling any products or services that we disapprove in writing. You must not provide the following services or types of exercise or activities unless we otherwise approve or require, in writing: Zumba®; karate/jiu jitsu/grappling; dance, spin, stretch, mixed martial arts (MMA); boxing; yoga; Olympic-style weightlifting; physiotherapy; life coaching; or therapeutic practices, including but not limited to massage, acupuncture, or meditation; or childcare. We reserve the right to modify the list of prohibited and required services and types of exercise at any time.

We may make available to you for resale in your FS8 Studio prepared meals, protein and other nutritional supplements, sporting goods, equipment, and other merchandise containing the Marks, such as T-shirts, caps, cups, and mugs (“**Branded Products**”). If we make Branded Products available, we may require you to purchase them from a supplier we designate, which may be us. If we make Branded Products available to you for resale, you must purchase the minimum quantity and/or the dollar amount of Branded Products we specify, which we may change from time to time.

As of the issuance date of this disclosure document, you must purchase (1) at least \$1,500 (not including taxes and duties, if any) worth of Studio merchandise such as T-shirts, sporting goods, equipment, caps, cups, and mugs every three months during the Term of your Franchise Agreement and (2) \$3,000 worth of protein and nutritional supplements at least 30 days before the Opening Date of your Studio and maintain the amount of inventory of these items we require, which will be a reasonable amount. We may change these minimum purchase requirements at any time during the Term of the Franchise Agreement.

You must open and operate the Studio during the hours we specify in the Manuals or otherwise in writing. We reserve the right to remove all unapproved products, goods, and materials from your FS8 Studio.

We reserve the right to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products or services.

You may not advertise, promote, post, or list information relating to your Franchise Business on the Internet (through the creation of a Website or otherwise) unless we otherwise approve of such activity in writing.

Before you open the Studio to the public, you must satisfy any and all of our pre-opening requirements, which include a soft opening and the pre-sale of a minimum number of Foundation Memberships. Currently, you must conduct a soft opening of the Studio in which: (i) you must operate the Studio for the period of time we require, as described in the Manuals; (ii) classes are offered only to your friends and family; and (iii) classes are not made available to the general public. Additionally, you must sell at least 75 Foundation Memberships before we will permit the Studio to open. We reserve to increase or decrease at any time the number of Foundations Memberships that must be sold.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or on sell or the customers to whom you may offer or sell.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.A.	Initial term is 5 years from the Opening Date.
b. Renewal or extension of the term	Section 3.B.	Two, additional, consecutive 5-year terms.
c. Requirements for franchisee to renew or extend	Section 3.B.	Your renewal rights permit you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renew, including, signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. Other conditions include give written notice; update required items; not be in default; pay all money owed; retain right to Location; pay us a renewal fee; execute general release; comply with then-current qualifications and training requirements.
d. Termination by franchisee	Not applicable	Not applicable. (Subject to state law)
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	Section 17.	We may terminate on your default. If your default is curable and you do not cure, then instead of terminating, at our option, we may, in addition to exercising any other remedies, suspend your access to certain services, products, and/or suppliers.
g. "Cause" defined - curable defaults	Section 17.D.	For any default, except those specified as non-curable, you have 30 days to cure unless otherwise stated in the franchise agreement or

Provision	Section in Franchise Agreement	Summary
		pursuant to applicable state law. Curable defaults, including, but are not limited to, the failure to procure and maintain insurance coverage; misuses or makes unauthorized use of the Marks; failure to obtain the execution of the confidentiality and related covenants, failure to pay monies owed, failure to comply with noncompetition covenants, unauthorized sells of any products or services, if the Studio poses a threat to the public health or safety, failure to observe the standards of the System as prescribed in the Manuals or otherwise in writing, failure to comply with any other requirement imposed by the franchise agreement, or failure to designate a qualified replacement Operating Principal or General Manager.
h. “Cause” defined - non-curable defaults	Sections 17.B. and 17.C.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; failure to obtain acceptance of proposed site or acquire Location; failure to open business within the required time period; abandonment or forfeiture of right to do business; conviction of certain crimes; unauthorized transfer; failure to comply with certain confidentiality covenants; maintain or submit false records or false reports; breach of any covenants or false representations; failure to comply with quality assurance program; default of any other franchise agreement; repeated defaults whether or not cured.
i. Franchisee’s obligations on termination/non-renewal	Section 18.	Stop operating your Studio and using the System’s confidential methods, procedures techniques, and marks; cancel any registration containing the Marks; immediately pay amounts due and our damages and

Provision	Section in Franchise Agreement	Summary
		enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; provide us a list of all advertising and promotions materials bearing the Marks; at our option, sell or assign us your rights in all business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises.
j. Assignment of contract by franchisor	Section 14.A.	We may transfer our rights without restriction.
k. "Transfer" by franchisee – definition	Sections 14.B. and 14.D.	You must not transfer any direct or indirect interest in you, the Franchise Agreement, or the assets of the franchised business without our consent. A Principal not signing the Guaranty may assign a non-controlling interest in you without our consent on notice to us, but the transferee cannot be the owner of a competing business.
l. Franchisor approval of Transfer by franchisee	Section 14.B.	We must consent and you must meet conditions before transferring.
m. Conditions for franchisor approval of transfer	Section 14.B.	Pay all amounts due; not be in default; execute a general release; pay transfer fee; remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, guaranty obligations; enter into then-current franchise agreement, and upgrade the Studio.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.E.	On 30 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Sections 18.A (8) and (9) and 18.B.	Upon termination or expiration, we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to purchase the furnishings, equipment, signs, fixtures, supplies, materials and other assets, at fair market value, and, if you own the

Provision	Section in Franchise Agreement	Summary
		land where the Studio is located, we have the option to lease the land (and any building on the land used for the operation of the Studio), for fair market value. We have the option to have the lease for the premises of the Studio assigned to us.
p. Death or disability of franchisee	Section 14.F.	On death or permanent disability of you or a Principal, the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section 10.C.(l)	You may not operate or have an interest in a business which is similar to the franchised business, or that offers exercise classes or physical training; gym services; crossfit or resistance training; yoga; pilates; cycling; Zumba® or other dance fitness classes; martial or mixed martial arts; boxing; fitness boot camps) or any business that are the same as or similar to the meals and supplements you are required to sell at or from your Studio, unless otherwise approved by us, in writing. (Subject to state law)
r. Non-competition covenants after the franchise is terminated or expires	Sections 10.C.(2)	For 2 years after the expiration or termination of the Franchise Agreement, or in the case of certain transfers, you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the franchised business at the Location, or that offers exercise classes or physical training; gym services; crossfit or resistance training; yoga; pilates; cycling; Zumba® or other dance fitness classes; martial or mixed martial arts; boxing; fitness boot camps) or any business that are the same as or similar to the meals and supplements you are required to sell at or from your Studio, within the Protected Area, or within a 5-mile radius of the location of any FS8 Studio then in existence or under construction, unless otherwise approved by us, in writing. (Subject to state law)

ITEM 18
PUBLIC FIGURES

In January 2021, our affiliate, FS8 PTY LTD and Mick Fanning (a renowned Australian athlete) entered into an agreement in which Mr. Fanning has agree to promote the FS8 brand. Beginning in the second quarter of 2022, the parties intend to have Mr. Fanning also promote the sale of FS8 franchises globally, including in the US. As compensation, Mr. Fanning will receive payment and the rights to develop and own one (1) FS8 studio.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Patrick Grosso, Chief Legal Officer, c/o FS8, Incorporated, 3601 South Congress Avenue, Building E, Austin, TX 78704 (737) 787-1955; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company- Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	0	0

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

State	Year	Number of Transfers
Total	2019	0
	2020	0
	2021	0

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

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	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

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

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table No. 5
Projected Openings As Of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year ⁽¹⁾	Projected New Company-Owned Outlet In the Next Fiscal Year ⁽¹⁾
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	0	0
California	0	0	0
Colorado	0	0	0
Connecticut	0	0	0
D.C.	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0
Kentucky	0	0	0
Louisiana	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year⁽¹⁾	Projected New Company-Owned Outlet In the Next Fiscal Year⁽¹⁾
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
South Carolina	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Utah	0	0	0
Virginia	0	0	0
Washington	0	0	0
Wisconsin	0	0	0
Total	0	0	0

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

As of the date of this disclosure document, we are not offering any outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a supplement to this disclosure document.

In some instances, current and former franchisees sign provisions restricting their ability to speak opening about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Currently, there are no trademark specific franchisee associations.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C is our audited financials dated December 31, 2021 and December 31, 2020.

ITEM 22
CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments).
2. Form of General Release.

ITEM 23
RECEIPTS

Attached as the last two pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A
FRANCHISE AGREEMENT



FS8, INC.

FRANCHISE AGREEMENT

FS8 FA (2022)

FS8, INC.
FRANCHISE AGREEMENT
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ATTACHMENTS AND ADDENDA

State-Specific Addendum

Attachment A Principals’ Guaranty and Assumption Agreement

Attachment B Confidentiality Agreement and Ancillary Covenants Not To Compete

Attachment C Electronic Funds Transfer Authorization

Attachment D Lease Addendum Terms

Attachment E Summary of Acknowledgments

Equipment Pack Addendum

Summary Addendum

FS8, INCORPORATED FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made and entered into on the date set forth in Item 1 of the Summary Addendum (“**Effective Date**”) by and between FS8, Inc., a Delaware corporation (“**Franchisor**”), and the party named in Item 2 of the Summary Addendum (“**Franchisee**”). Certain initially capitalized terms used frequently in this Agreement are defined in Section 21.

RECITALS

Franchisor has the right to use and license the use of a distinctive system relating to exercise training that involves group fitness and low impact exercise training under the FS8 trade name, trademark, and business system (“**System**”) for the establishment and operation of an FS8 training facility (“**FS8 Studio**” or “**Studios**”).

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that Franchisor designates for developing and operating FS8 Studios; all of which may be changed, deleted, improved, and further developed by Franchisor from time to time (collectively, “**System Standards**”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the mark “FS8” and such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System (“**Marks**”).

Franchisee wishes to obtain the right to use the System for: (i) the operation of an FS8 Studio at a location within the Protected Area and approved by Franchisor in accordance with the terms of this Agreement (“**Location**”), (ii) the provision of services that the Franchisor designates from time to time (“**Approved Services**”) within the Protected Area and (iii) the provision of certain products related to the operation of an FS8 Studio and the provision of the Approved Services, including Branded Products, within the Protected Area (collectively, the “**Franchise Business**”), and acknowledges the importance of operating the FS8 Studio in conformity with Franchisor’s high standards of quality and service.

Franchisor wishes to grant Franchisee a franchise for the operation of the Franchise Business at the Location upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

AGREEMENT

1. GRANT

A. Grant of Rights. Franchisor hereby grants Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to establish and operate the Franchise Business under the Marks and the System in accordance with this Agreement at the Location. This Agreement only grants Franchisee the right and license to operate one FS8 Studio at the Location. Franchisee will not offer any products, services, Approved Services or Branded Products (defined below) at any location that is not within the Protected Area or through any other method of distribution, such as the Internet.

B. Protected Area. Upon Franchisee’s acquisition of the site for the Studio pursuant to Section 2 below, Franchisee’s Protected Area will be defined by Franchisor and will be memorialized either in the Summary Addendum or in an amendment to this Agreement (that complies with Section 19.B below), and

such amendment will be considered an integral part of this Agreement, in accordance with Section 2.A below. If Franchisor does not memorialize the Protected Area as described immediately above, then on the Opening Date, the Designated Area set forth in Item 19 of the Summary Addendum will be deemed the Protected Area for purposes of this Agreement. If Franchisee is in full compliance with this Agreement and any other agreement between Franchisee or its Affiliates and Franchisor or its Affiliates, neither Franchisor nor any Affiliate of Franchisor will establish, or authorize any person or entity other than Franchisee to establish, an FS8 Studio in the Protected Area during the Term of this Agreement, except as set forth in Section 1.C below.

C. Reserved Rights. The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its Affiliates have and retain all rights within and outside the Protected Area except those expressly granted to Franchisee. Accordingly, Franchisor, its Affiliates, and any other authorized person or entity will have the right, among others, (i) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to Franchisee, (ii) to advertise and promote the System in the Protected Area, (iii) to operate, and license others to operate, the Franchise Business at any location outside the Protected Area, including locations that are adjacent to the Protected Area, and in any Reserved Area, even if the Reserved Area is in the Protected Area, (iv) to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of any and all services and products, under the Marks, or under other names or marks, within and outside the Protected Area, through any method of distribution, including, but not limited to, mail order catalogs or the Internet, regardless of the proximity to, or the competitive impact on, Franchisee's Franchise Business, and without compensation to Franchisee, and (v) to purchase, merge with, acquire, be acquired by or affiliate with any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your Franchise Business, and which may be located anywhere inside or outside the Protected Area.

D. Location; Relocation. Franchisee has been granted the right to operate an FS8 Studio at the Location approved by Franchisor. Franchisee will not relocate the FS8 Studio without Franchisor's express, prior, written consent. If Franchisee is unable to continue the operation of the FS8 Studio at the Location because of the occurrence of an event of Force Majeure (or for other reasons not constituting an event of default under this Agreement), Franchisee may request Franchisor's consent to relocate the Studio to another location in the Protected Area. If Franchisor grants Franchisee the right to relocate the Studio, then Franchisee will comply with such reasonable site selection and construction procedures as Franchisor may require.

2. SITE SELECTION, PLANS, CONSTRUCTION, AND OPENING DATE

A. Site Selection. Franchisee assumes all costs, liability, expenses, and responsibility for locating, obtaining, and developing a site for the Studio within the geographic area described in Item 19 of the Summary Addendum ("**Designated Area**"). Franchisee acknowledges and agrees that it acquires no rights in and to the Designated Area, other than the right to select a site for the Studio from within the boundaries of the Designated Area. If the site that Franchisee selects and that Franchisor approves for the Studio is closer to the outside boundary of the Designated Area, then the Protected Area may be redefined such that the Studio is more centrally located within the Protected Area. If this occurs, then Franchisor will undertake best efforts to ensure that the Protected Area is approximately the same size and has approximately the same demographics as the Designated Area.

B. Site Approval. Before acquiring a site for the FS8 Studio, Franchisee must submit to Franchisor, in the form specified by Franchisor, a description of the site, evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, and such other information and

materials as Franchisor may reasonably require, including, but not limited to, copies of a proposed lease (which incorporates a rider in substantially the form attached hereto as Attachment) or a contract of sale for the site, floor plans of the proposed site, and interior and exterior photographs of the proposed site. Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable to Franchisee; it means only that the lease contains the lease terms that Franchisor requires. Franchisor will have fourteen (14) days after receiving Franchisee's site information to accept or not accept, at Franchisor's sole option, the proposed site as the Location for the Studio. No site may be used for an FS8 Studio unless it is first approved in writing by Franchisor, and Franchisee will not make any binding commitment with respect to a site for the Studio unless the site is first approved in writing by Franchisor. If Franchisor approves multiple sites for the Studio, then Franchisee will notify Franchisor in writing within ten (10) days of the date of such approval of the site that Franchisee intends to acquire for the Studio. Franchisee acknowledges that Franchisor's acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty, or guarantee, express or implied, by Franchisor that the FS8 Studio operated at that site will be profitable or otherwise successful.

C. Site Acquisition. Promptly following Franchisor's acceptance of the site for the Studio, but in no event no later than ninety (90) days after the Effective Date, Franchisee will acquire the site by purchase or lease, at Franchisee's expense. Franchisee will furnish to Franchisor a copy of the executed lease (with the incorporated rider in substantially the form attached hereto as Attachment D) or contract of sale within ten (10) days after execution.

D. Contractual Designation of Site. Notwithstanding Section 19.B of this Agreement, Franchisor's acceptance of the site will be communicated to Franchisee in a writing that is signed by Franchisor. Franchisor's written acceptance will be considered an amendment to this Agreement such that the accepted site will be the contractual Location for the Studio, and such writing will be considered an integral part of this Agreement.

E. Licenses; Permits. Franchisee will be responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction, finish-out, and operation of the Studio at the Location. In addition, Franchisee hereby certifies to Franchisor that Franchisee will hire and retain an architect and contractor that will, to the best of Franchisee's knowledge and control, construct the Studio and its adjacent areas in compliance with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act, and all regulations imposed by state, local, and municipal authorities. Franchisee acknowledges that Franchisee and each of its architect and contractor are independent contractors, and the requirements of this Section 2.E do not constitute ownership, control, leasing or operation of the Studio. Franchisee acknowledges that Franchisor has relied on the certification contained in this Section 2.E. Furthermore, Franchisee agrees to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's and/or architect's and/or contractor's compliance with the Americans with Disabilities Act and all regulations imposed by state, local, and municipal authorities, as well as the costs, including attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), related to the same. Before beginning construction at the Studio, Franchisee must **(i)** obtain all approvals, clearances, permits, licenses, and certifications required for the lawful construction or remodeling and operation of the Studio, and **(ii)** certify in writing to Franchisor that such items have been obtained. At Franchisor's request, Franchisee will provide to Franchisor copies of all such approvals, clearances, permits, licenses, and certifications. Franchisee will further certify in writing to Franchisor that the insurance coverage specified in Section 12 of this Agreement is in full force and effect.

F. Construction and Finish-Out. Franchisee must obtain, at its expense, any architectural, engineering, design, construction, and other services it deems necessary for the construction of the FS8 Studio. All architectural, general contractor, and construction management services must be obtained from a supplier approved by Franchisor, and Franchisee must provide to Franchisor upon request a copy of the construction contract for the Studio and the final architectural plans after they have been approved as set forth in Section 2.F(1) below.

(1) Franchisee will adapt Franchisor's prototypical architectural and general design plans, equipment layout, and flat screen television location plans and specifications for an FS8 Studio as necessary for the construction of the Studio licensed under this Agreement and will submit such adapted plans to Franchisor for review within ten (10) days after it acquires the Location. Franchisor will use commercially reasonable efforts to either approve or reject the plans within ten (10) days after Franchisor receives the plans. If Franchisor, at its sole option, determines that the plans are not consistent with System Standards, Franchisor may prohibit the implementation of such plans. If Franchisor objects to any such plans, Franchisor will provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. If Franchisor rejects the plans, Franchisee must submit revised plans, and Franchisor will use commercially reasonable efforts to either approve or reject the revised plans within 10 days after Franchisor receives the revised plans. Franchisee may not use any plans until Franchisor has approved them in writing, and Franchisor's silence with respect to approval or rejection of the plans will not be deemed to be approval of the plans. Franchisee will provide written notice to Franchisor and will obtain Franchisor's prior written approval of any proposed changes to the final plans previously approved by Franchisor. Franchisee acknowledges that Franchisor's review of such plans is only for purposes of determining compliance with System Standards, and that acceptance of such plans by Franchisor does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor that such plans are accurate or free of error concerning their structural application. Franchisor will not be responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances, or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor will Franchisor be responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) Franchisee must promptly commence and diligently pursue construction of the Studio. Commencement of construction is defined as the time at which any site work is initiated. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls, and demolishing of any existing premises, depending on whether the Studio is to be located in a freestanding building or contained within a shopping mall, strip center, or other interior location. During construction, Franchisee must provide Franchisor with such periodic progress reports as Franchisor may reasonably request. In addition, Franchisor will make such on-site inspections as it may deem reasonably necessary to evaluate such progress. To the extent necessary to enforce brand standards, Franchisee agrees that Franchisor will have the right to consult or work directly with the contractors engaged by Franchisee to construct and/or finish-out the Studio. Franchisee will notify Franchisor of the scheduled date for completion of construction no later than forty-five (45) days prior to such date. Within a reasonable time after the date construction is completed, Franchisor will, at its option, conduct an inspection of the completed Studio, which inspection may be via video conference call, in which case, Franchisee must provide Franchisor video images during such call, as required by Franchisor. Franchisee must not open the Studio for business without the written authorization of Franchisor, which authorization will be conditioned upon Franchisee's strict compliance with this Agreement.

G. Opening Date. Franchisee must open the Studio and commence business within three hundred sixty five (365) days after the Effective Date, unless Franchisee obtains a written extension of such time period from Franchisor. Franchisee acknowledges that time is of the essence. The Opening Date will be communicated to Franchisee in writing, and such writing will be considered an integral part of this

Agreement and will serve as the contractual Opening Date of the Studio. Before the Opening Date, Franchisee must complete all exterior and interior preparations for the Studio, including installation of equipment, fixtures, furnishings, and signs, pursuant to the plans and specifications approved by Franchisor, and must comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Section 7 of this Agreement. If Franchisee fails to comply with any of such obligations, Franchisor will have the right to prohibit Franchisee from opening. Franchisee's failure to open the Studio in compliance with these provisions will be deemed a material event of default under this Agreement.

3. TERM AND RENEWAL

A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue for the number of years set forth in the Summary Addendum ("**Initial Term**").

B. Renewal. Franchisee may, at its option, renew its rights under this Agreement for the terms set forth in the Summary Addendum (each, "**Renewal Term**"), subject to any or all of the following conditions which must, at Franchisor's option, be met prior to and at the time of renewal:

(1) Franchisee must give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than nine (9) months before the end of the Initial Term;

(2) Franchisee must refurbish, repair, or replace, at Franchisee's cost and expense, all equipment, electronic cash register systems, computer systems, signs, interior, and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Studio as Franchisor may require and will otherwise upgrade the Studio to reflect the then-current Standards and image of the System;

(3) Franchisee must not be in default of any provision of this Agreement, any amendment hereof or successor hereto at the time of renewal; Franchisee and its Affiliates must not be in default of any other agreement with Franchisor or any of its Affiliates at the time of renewal, and Franchisee and its Affiliates must have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;

(4) Franchisee must have timely satisfied all monetary obligations owed to: (i) Franchisor and its Affiliates under this Agreement and any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates, (ii) the suppliers of the Franchisee, and (iii) Franchisee's lessor;

(5) Franchisee must present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the premises of the Studio during the Renewal Term or obtain Franchisor's consent to a new site for the Studio;

(6) Franchisee must execute Franchisor's then-current form of franchise agreement, which agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee, and a higher advertising contribution or expenditure requirement;

(7) Franchisee must pay to Franchisor the renewal fee set forth in Item 7 of the Summary Addendum.

(8) Franchisee and its Principals must execute a general release of any and all claims against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state, or local laws, rules, regulations, or orders; and

(9) Franchisee must comply with Franchisor's then-current qualification and training requirements.

4. FEES

A. Initial Franchise Fee. On the Effective Date, Franchisee must pay Franchisor an initial franchise fee in the amount set forth in Item 5 of the Summary Addendum attached to this Agreement and the document preparation fee set forth in Item 6 of the Summary Addendum via Electronic Funds Transfer ("EFT"), or any other means reasonably specified by Franchisor in writing. The initial franchise fee and document preparation fee are deemed fully earned and non-refundable on the Effective Date.

B. Royalty Fee.

(1) During the Term of this Agreement, Franchisee must pay to Franchisor a continuing monthly royalty fee in the amount set forth in Item 8 of the Summary Addendum, attached hereto, for the immediately following month. The full amount of the first royalty fee is due on the date set forth in the Item 8 of the Summary Addendum ("**First Royalty Payment**"). The subsequent monthly royalty fees are due during the Term of this Agreement on the first day of each month following the month in which the First Royalty Payment was due, or any other day Franchisor requires, provided such day is a Business Day. If the date on which a royalty payment would otherwise be due is not a Business Day, then payment will be due on the next Business Day.

(2) Franchisor reserves the right to increase annually, on January 1 of each year, the amount of the monthly royalty fee by the amount of the cost of living increase reflected year over year in the U.S. Consumer Price Index, and Franchisee hereby agrees to pay the adjusted royalty fee pursuant to the terms and conditions of this Agreement. The increase in the adjusted royalty fee will be obtained by multiplying the year over year change in the Consumer Price Index by the Base Royalty Fee. "**Base Royalty Fee**" means the royalty fee due for the month immediately preceding the month in which the royalty fee is being adjusted.

C. Equipment Pack Fee and Delivery Costs. On the Effective Date, Franchisee must pay Franchisor the non-refundable Equipment Pack Deposit set forth in Item 9 of the Summary Addendum via EFT. Franchisee must also pay Franchisor the remainder of the Equipment Pack Fee in the amount and in the manner set forth in Item 9 of the Summary Addendum for the "**Equipment Pack**" described in the Equipment Pack Addendum and accept delivery of the Equipment Pack no later than six (6) months from the Effective Date. The Equipment Pack Fee excludes shipping and delivery costs ("**Delivery Costs**") and excludes any taxes or other duties Franchisee may be required to pay in connection with the purchase and delivery of the Equipment Pack. The Equipment Pack Fee is not refundable.

D. Service Fee.

(1) During the Term, Franchisee must pay the monthly service fee described in Item 13 of the Summary Addendum for the services provided by the Franchisor to the Franchisee in connection with this Agreement including (but not limited to) email administration, intranet, website administration and the use of certain software as required under this Agreement ("**Services**"). Franchisor reserves the right

to amend, alter or discontinue any of the Services, or designate a single provider of any of the Services (which may be Franchisor or its Affiliate), from time to time with or without prior notice to the Franchisee.

(2) Franchisor reserves the right to increase the monthly tech fee on January 1 of each year by an amount reasonably commensurate with Franchisor's costs or the amount charged to the Franchisor for the Services by third parties.

E. Non-Compliance Fee. If Franchisor determines that Franchisee has not complied with any of its obligations under this Agreement, including any failure to comply with any Standards set forth in the Manuals, then in order to recover damages the brand incurs and any other losses Franchisor suffers because of such non-compliance, Franchisor may send Franchisee a notice of such non-compliance and require Franchisee to pay Franchisor up to \$2,000 per violation ("**Non-Compliance Fee**"). Franchisee will have ten (10) calendar days to correct all violations, which will run concurrently with any other cure period Franchisor may provide, before the Non-Compliance Fee must be paid. If the violation(s) is not corrected within the ten (10) day period, then the Non-Compliance Fee must be paid within ten (10) days after Franchisee receives notice of its failure to correct such violation(s). The Non-Compliance Fee applies to each notice of non-compliance that Franchisor provides Franchisee, even if Franchisee has received one or more previous notifications of such non-compliance, and whether or not the notification is for the same or a different instance of non-compliance. Franchisor reserves all other rights and remedies available to it, including but not limited to assessing the on-site evaluation fee and exercising its right to terminate this Agreement.

F. Electronic Funds Transfer. All fees owed under this Agreement must be paid by Franchisee to Franchisor via EFT, or any other means reasonably specified by Franchisor in writing. At Franchisor's request, Franchisee must execute Attachment C to this Agreement and all other documents necessary to permit Franchisor to withdraw funds from Franchisee's designated bank account by EFT in the amount of the fees set forth in this Agreement, including the Summary Addendum, at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales will be based on the information obtained by Franchisor pursuant to Section 7.G of this Agreement or the Gross Sales Report. If the Gross Sales Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the subject month based on the most recent Gross Sales Report provided to Franchisor by Franchisee; provided, that if a Gross Sales Report for the subject month is subsequently received and reflects **(i)** that the actual amount of the fee due was more than the amount of the EFT, then Franchisor will be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or **(ii)** that the actual amount of the fee due was less than the amount of the EFT, then Franchisor will credit the excess amount to the payment of Franchisee's future obligations. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that it will be responsible for that payment and any service charge. If any payments are not received when due, interest may be charged in accordance with Section 4.G. Upon written notice to Franchisee, Franchisor may designate another method of payment.

G. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by Franchisor on or before the due date will be deemed overdue. Time is of the essence for all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement will bear interest from the date due until paid at the lesser of 18% percent per annum, or the maximum rate allowed by applicable law. No provision of this Agreement will require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law is deemed charged, required, or permitted, any such excess will be applied as a payment to reduce any other amounts which

may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess will be re-paid to the party making the payment.

(2) Acceptance by Franchisor of any payments due subsequent to the due date will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Principals of any terms, provisions, covenants, or conditions of this Agreement.

(3) Franchisor will have the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its Affiliates under this Agreement or any other agreement between them, even if Franchisee has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Franchisee without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be considered as an accord or satisfaction.

(4) Franchisee will have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement, and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Franchisee.

5. **FRANCHISOR'S OBLIGATIONS**

Franchisor agrees to provide, or cause the following services to be provided:

A. **Manuals**. On loan, access to the Manuals, which may be provided by Internet or intranet access only.

B. **Software Programs**. For a reasonable fee, any Software Programs that Franchisor acquires or develops for use in the System; provided that Franchisor is under no obligation to develop or acquire such Software Programs.

C. **Inspections**. Inspections of the Studio and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor.

D. **Advertising**. Administration of the Local Ad Fund, the Brand Fund, and/or advertising cooperatives in accordance with **Section 8**.

E. **Operational Advice**. Advice and written materials concerning techniques for managing and operating the Franchise Business, including new developments and improvements in System equipment and products and Standards.

F. **Branded Products**. From time to time, at Franchisor's sole option, and at a reasonable cost, certain merchandise that contains the Marks, such as caps, t-shirts, sporting goods, equipment, and other System memorabilia; protein and nutritional supplements; and prepared meals ("**Branded Products**").

G. **Approved Services**. From time to time, at Franchisor's sole option, certain systems and programs relating to exercise training under the System.

H. **Approved Suppliers**. From time to time as Franchisor deems appropriate, a list of approved suppliers.

I. Orientation and Training. Conduct an orientation seminar and provide an online, initial training program for Franchisee's Operating Principal, General Manager, and Studio Manager; and additional training programs in accordance with Section 6.H.

J. Remedial Training. Upon Franchisee's reasonable request, or if Franchisor determines it to be necessary during the Term of this Agreement, on-site remedial training; provided, that remedial training will be conducted subject to the availability of Franchisor's personnel, and provided further, that Franchisor may require Franchisee to pay the per diem fee then being charged for on-site remedial training, and pay or reimburse Franchisor for the expenses incurred by its representatives, including the costs of travel, lodging, meals, and wages.

6. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES, AND COVENANTS

A. Continuing Obligations. Franchisee and its Principals make the following representations, warranties, and covenants and accept the following obligations. Such representations, warranties and covenants are continuing obligations, and Franchisee and its Principals acknowledge and agree that any failure to comply with them will constitute a material event of default under this Agreement. Franchisee will cooperate with Franchisor to verify compliance with the following representations, warranties and covenants.

B. General Principles of Conduct. As the owner of the Franchise Business, Franchisee alone is responsible for the day-to-day operation of the Franchise Business. Franchisee must take such steps as are necessary to ensure that Franchisee, and Franchisee's employees and other personnel that Franchisee hires, operate the business in a manner that promotes, protects, and preserves the brand and the Marks, which includes the following recommended minimum operational standards, which may be described further in the Manuals. Accordingly, Franchisee and its personnel should:

(1) conduct the Franchise Business in a manner which is reflective of the high standard and reputation of the brand;

(2) not make unwarranted or exaggerated claims regarding the Franchise Business to members or prospective members;

(3) ensure that all equipment used in the conduct of the Franchise Business is maintained in good working order and professionally presented;

(4) not promote, sell or display goods which have not been approved by the Franchisor in writing or sell or display goods prohibited by any Law or display goods in a manner that would infringe any Law;

(5) pay the Franchisor and all suppliers and other creditors within the time period specified by the Franchisor and those suppliers and creditors;

(6) comply with and ensure that all employees and independent contractors comply with all relevant Laws relating to the Franchise Business and any requirement of any Governmental Authority;

(7) exercise due care, skill, diligence and professionalism in the conduct of the Franchise Business; and

(8) not behave in a manner that is likely to bring the Franchisor, the Franchise, the System, the Marks or the FS8 brand into disrepute or otherwise disparage the Franchisor, the Franchise, the System, the Marks or the FS8 brand.

C. Organization. If Franchisee is a corporation, partnership, limited liability company, or other legal entity:

(1) Franchisee is duly organized and validly existing under the law of the state of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate charter or written partnership or limited liability company agreement must at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise Business;

(4) The execution of this Agreement and the performance of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or a limited liability company, are permitted under Franchisee's written partnership or limited liability company agreement and have been duly authorized by Franchisee; and

(5) If Franchisee is a corporation, copies of Franchisee's articles of incorporation, bylaws, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements, or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by Franchisor must have been furnished to Franchisor prior to the execution of this Agreement; or, if Franchisee is a partnership or limited liability company, copies of Franchisee's written partnership or limited liability company agreement, other governing documents and any amendments thereto must have been furnished to Franchisor prior to the execution of this Agreement, including evidence of consent or approval of the execution and performance of this Agreement by the requisite number or percentage of partners or members, as applicable, if such approval or consent is required by Franchisee's written partnership or limited liability company agreement.

D. Ownership.

(1) If Franchisee is a corporation, partnership, limited liability company, or other legal entity, the ownership interests in Franchisee are accurately and completely described in Item 18 of the Summary Addendum. If Franchisee is a corporation, Franchisee will maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership, limited liability company, or other form of legal entity, Franchisee must maintain at all times a current list of all owners of an interest in the partnership, limited liability company, or other entity. Franchisee must make its list of owners available to Franchisor upon request.

(2) If Franchisee is a corporation, Franchisee will maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation will have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement must provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) Franchisee's Principals who do not sign the Principals' Guaranty and Assumption Agreement attached as Attachment A and Franchisee's owners must each execute the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

(4) ATTACHMENT B to this Agreement.

(5) If, after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals, or if any individual succeeds to or otherwise comes to occupy a position which, upon designation by Franchisor, would qualify him as one of Franchisee's Principals, Franchisee will notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals such person must execute all documents and instruments (including, as applicable, the Principals' Guaranty and Assumption Agreement) as Franchisor may require others in such positions to execute.

E. Financial Matters.

(1) Franchisee and, at Franchisor's request, each of the Principals have provided Franchisor with the most recent financial statements of Franchisee and such Principals. Such financial statements present fairly the financial position of Franchisee and each of the Principals, as applicable, at the dates indicated therein and, with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements.

(2) The Principals that Franchisor designates, including if Franchisee is an individual, Franchisee's spouse must jointly and severally guarantee the performance of Franchisee's obligations under this Agreement pursuant to the terms and conditions of the Principals' Guaranty and Assumption Agreement attached hereto as Attachment A, and otherwise bind themselves to the terms of this Agreement as stated herein. If Franchisee's spouse is not required to sign Attachment A, then Franchisee's spouse must sign the Confidentiality Agreement and Ancillary Covenants Not to Compete, **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

(3) ATTACHMENT B hereto.

(4) Franchisee must provide Franchisor with any and all loan or other documents regarding the financing of the Franchise Business that Franchisor may request.

(5) Franchisee must maintain at all times during the Term of this Agreement sufficient working capital to fulfill its obligations under this Agreement.

F. Operating Principal; General Manager. Upon the execution of this Agreement, Franchisee will designate, and will retain at all times during the Term of this Agreement, an individual to serve as Franchisee's Operating Principal (the "**Operating Principal**"). If Franchisee is an individual, Franchisee will perform all obligations of the Operating Principal.

(1) The Operating Principal must maintain a direct or indirect ownership interest of not less than 10% in Franchisee. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee must be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest, or purchase right or options. The Operating Principal for all Franchise Businesses operated by Franchisee and, if applicable, its Affiliates must be the same person. The Operating Principal must execute this Agreement as a Principal and will be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal, and a Principal hereunder.

(2) Notwithstanding Section 6.F(1), Franchisee may, at its option and subject to Franchisor's written consent, designate a General Manager to supervise the operation of Franchisee's Franchise Business; provided, that Franchisee and its Operating Principal will remain fully responsible for General Manager's performance. The General Manager for all FS8 Studios operated by Franchisee and, if applicable, its Affiliates, must be the same person. The General Manager must execute the Confidentiality Agreement and Ancillary Covenants Not to Compete attached as **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

(3) ATTACHMENT B to this Agreement.

(4) Unless a General Manager is designated pursuant to Section 6.F(2), Franchisee's Operating Principal must devote full time and best efforts to the supervision of the FS8 Studio(s) operated by Franchisee and, without Franchisor's written consent, must not engage in any other business. The foregoing provision will not apply if a General Manager is designated, provided, the General Manager devotes his or her full time and best efforts to the supervision and operation of the Franchise Business conducted by Franchisee.

(5) The Operating Principal and any General Manager must meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing and, without limitation, will be empowered with full authority to act for and on behalf of Franchisee.

Franchisee must promptly notify Franchisor if the Operating Principal cannot continue to serve in that capacity or no longer qualifies as such, and must take corrective action within thirty (30) days thereafter. During such thirty (30) day period, Franchisee must provide for interim management of its operations in accordance with this Agreement. Any failure to comply with this Section 6.F will be a material breach of this Agreement.

G. Studio Manager and Other Required Personnel.

(1) Not later than twenty (20) days before the Opening Date, Franchisee must designate, and must retain at all times during the Term of this Agreement, at least one (1) Studio Manager. For the purpose of maintaining System Standards, Studio Manager must **(i)** meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing; and **(ii)** devote full time and best efforts to the management and/or coordination of day-to-day operations of the Franchise Business.

(2) Franchisee will, during the Term of this Agreement, hire and maintain the number of trainers and other employees that Franchisor requires in order to maintain System Standards. Franchisee must maintain at least three (3) trainers (or such other number of trainers Franchisor reasonably requires) who have completed Franchisor's required training for such trainers.

H. Training.

(1) Within ninety (90) days after the full execution of this Agreement, Franchisee (or Franchisee's Operating Principal if applicable) must attend Franchisor's informational orientation seminar and pay the then-current attendance fee upon registration. Franchisee is responsible for paying the costs of travel, lodging, meals, and compensation for Franchisee and its attendees. As part of the orientation, Franchisor will evaluate whether or not Franchisee's Operating Principal, General Manager, if applicable, and Studio Manager, has completed, to Franchisor's sole satisfaction, the required initial training described below and/or whether or not such persons must complete any additional training.

(2) At least thirty (30) days after the full execution of this Agreement, Franchisee's Operating Principal, General Manager, if applicable, and Studio Manager must successfully complete Franchisor's initial training program, all of which may be online. Any successor or replacement Operating Principal, General Manager, or Studio Manager must successfully complete Franchisor's management training program, all of which may be online, within a reasonable time after such persons are designated, and pay all related costs. If any Operating Principal, General Manager, or Studio Manager fails, in Franchisor's sole judgment, to satisfactorily complete Franchisor's training program, and Franchisee fails to cure such default within thirty (30) days following written notice from Franchisor, Franchisor may terminate this Agreement.

(3) Franchisee's Operating Principal, General Manager, if applicable, and Studio Manager, and any other personnel of Franchisee whom Franchisor may designate, must attend and complete any additional training and franchisee meetings or conferences that Franchisor may from time to time require and pay any fees assessed by Franchisor or a third party in connection with such training, meetings, and/or conferences. If such persons fail to attend any such training, meeting, and/or conferences, Franchisee must pay a non-attendance fee determined by Franchisor for such failure and such amount will be paid into the Brand Fund or will be used to pay for the marketing of Franchisee's Franchise Business, at Franchisor's sole option. Notwithstanding the foregoing, if Franchisee is required to pay a registration fee for such events, then Franchisee will be assessed the registration fee in addition to the non-attendance fee. Training and other meetings will be conducted at locations designated by Franchisor. Franchisee will be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals, and wages incurred by Franchisee.

I. Legal Compliance. In addition to complying with its obligations under this Agreement, Franchisee must comply with all applicable federal, state, and local laws, rules, regulations, ordinances, and orders. Such laws, rules, regulations, ordinances, and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances, and orders and to adhere to them at all times during the Term of this Agreement.

J. Powers of Attorney. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact, with full power and authority to **(i)** assign to Franchisor upon the termination or expiration of this Agreement **(a)** all rights to the telephone numbers of the Franchise Business, any related business directory listings, and all rights to any Website listings or services, search engines or systems, and any other business listings related to the Franchise Business and **(b)** at Franchisor's option, Franchisee's interest in any lease for the premises of the Studio and any equipment used in the operation of the Studio; and **(ii)** obtain any and all returns and reports related to the Franchise Business that Franchisee files with any local, state, or federal taxing authority. Such powers of attorney will survive the expiration or termination of this Agreement, and Franchisee must execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

K. Competing Interests. Franchisee and/or its Affiliates and their Principals own and operate the businesses that are listed in Item 16 of the Summary Addendum. Franchisor acknowledges that the continued ownership and operation of such businesses, as they are owned and operated on the Effective Date, will not be deemed to be a violation of the non-competition covenants set forth in Section 10.C.

L. Anti-Terrorism Laws. Without limiting the generality of Section 6.I, Franchisee certifies that neither Franchisee nor its owners, employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.ustreas.gov/offices/enforcement/ofac/>.) Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 15 of this Agreement pertain to Franchisee's obligations under this Section 6.L. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's Affiliates in accordance with the terms of Sections 17.C(11) and 18 of this Agreement. As used herein, "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

7. **FRANCHISE BUSINESS OPERATIONS**

A. **Standards Compliance.** Franchisee acknowledges the importance of maintaining uniformity among all of the Franchise Businesses and the importance of complying with all of Franchisor's Standards relating to the operation of the Franchise Business. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee will conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee and modify from time to time, and any other manuals and materials created or approved for use in the operation of the Franchise Business. For the avoidance of doubt, and without limiting the foregoing or the requirements set forth in Section 7.E, Franchisee will not provide the following services or types of exercise or activities unless otherwise approved or required by Franchisor, in writing: Zumba®; karate/jiu jitsu/grappling; dance, spin, stretch, mixed martial arts (MMA); boxing; yoga; Olympic-style weightlifting; physiotherapy; life coaching; or therapeutic practices, including but not limited to massage, acupuncture, or meditation; or childcare. Franchisor reserves the right to modify the list of prohibited and required services and types of exercise at any time at Franchisor's sole option.

B. **Maintenance of FS8 Studio.**

(1) Franchisee will maintain its FS8 Studio in a high degree of sanitation and repair, and will make such additions, alterations, repairs, and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, decor, and equipment (including, but not limited to, point of sale or computer systems) as Franchisor may reasonably direct. Franchisee also will obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies, and other products and materials which Franchisor may reasonably require for Franchisee to offer and sell new services or products from the FS8 Studio or to provide such services or products by alternative means. Except as may be expressly provided in the Manuals, Franchisee will not make any alterations, improvements, or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures, or furnishings in or about the Studio without Franchisor's prior written approval.

(2) In connection with the requirements set forth above in Section 7.B(1), at least two (2) times a year for every year of the Term of this Agreement, Franchisee will participate in online video inspections of the Studio (using means reasonably required by Franchisor). During the inspection, if Franchisor identifies any instances of Franchisee's non-compliance with the Standards, Franchisee must immediately correct such deficiencies within the time period specified by Franchisor. Franchisee's correction of such deficiencies will not limit any other rights Franchisor has under this Agreement, including without limitation assessing the non-compliance fee. Franchisor may also elect to conduct an on-site evaluation of Franchisee's Studio to determine compliance with the Standards and this Agreement. If Franchisee's Studio is not in compliance, Franchisor may charge Franchisee the on-site evaluation fee in addition to the non-compliance fee. Franchisor may increase the amount of the on-site evaluation fee as its costs to conduct such evaluations increase.

C. **Upgrade of Studio.** Upon Franchisor's request, Franchisee will make such improvements to the Studio to conform it to Franchisor's then-current Standards; except that Franchisee will not be required to make significant capital expenditures relating to the build-out or leasehold improvements of the Studio during the Term of this Agreement. Notwithstanding the foregoing, Franchisee will maintain the Studio as set forth in Section 7.B(1) above. Franchisee may not remodel or make significant modifications to the Studio without Franchisor's prior written approval.

D. **Sourcing.**

(1) Franchisee will comply with all of Franchisor's Standards relating to the purchase

of supplies, materials, fixtures, furnishings, equipment (including computer hardware and software), services, and other products used or offered for sale through the Franchise Business. If Franchisor has approved suppliers for any such item or service (including manufacturers, distributors, and other sources), Franchisee must obtain these items from those suppliers. Franchisor's approved suppliers are those who continue to demonstrate the ability to meet Franchisor's then-current Standards relating to supplies, materials, fixtures, furnishings, equipment, services, and other products used or offered for sale through the Franchise Business and who possess adequate quality controls and capacity to supply Franchisee's needs and distribute promptly and reliably over an extended period of time; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier and who have not thereafter been disapproved by Franchisor. Franchisee acknowledges and agrees that **(a)** Franchisor may change the number of approved suppliers at any time and may designate itself, an Affiliate, or a third party as the exclusive source for any particular item; **(b)** Franchisor may designate itself as an approved supplier; and **(c)** Franchisor may profit from Franchisee's purchases from approved suppliers, and Franchisor and/or its Affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of Franchisee's purchases. If Franchisee desires to purchase, lease, or use any products, services, or other items from an unapproved supplier, Franchisee must submit to Franchisor a written request for such approval, or must request the supplier itself to do so. Franchisee will not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor will have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge, not to exceed the cost of the inspection and of the test (including Franchisor's administrative costs attributable to both), will be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier. Franchisee's failure to comply with the provisions of this Section 7.D will be deemed a material breach under this Agreement.

(2) Without limiting the foregoing, Franchisee agrees that the terms and conditions set forth in the Equipment Pack Addendum, attached hereto, are fully incorporated into this Agreement.

(3) Franchisee further acknowledges and agrees that products, equipment, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, Franchisee acknowledges the potential of such occurrences and assumes all risk associated therewith, which Franchisee acknowledges may affect its ability to order, receive, or sell products and/or offer services for a period of time and further acknowledges that Franchisor is not responsible for any damages caused by such issues or occurrences, including lost sales or profits.

E. Operational Requirements. Franchisee acknowledges and agrees that maintaining uniformity among all Franchise Businesses is important. Franchisee further acknowledges and agrees that local conditions or other special circumstances may warrant a deviation from the Standards, and Franchisor may, at Franchisor's sole option, allow such deviation. Notwithstanding the foregoing, Franchisee must operate the Franchise Business in strict conformity with Franchisor's Standards as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee will:

(1) Sell or offer for sale, and display, all Branded Products and other products required by Franchisor, which requirement Franchisor may modify at Franchisor's sole option. Franchisor reserves the right to require Franchisee to purchase and sell minimum quantities and/or dollar amounts of Branded Products and to purchase such Branded Products as frequently as Franchisor requires. These minimum

quantities are based on Franchisor's reasonable assessment of the quantities that are necessary to service customers in accordance with brand standards, and are not a suggestion or representation of a specific level or range of actual or potential sales, income, gross profits, or net profits that the Franchise Business will attain.

(2) Sell and offer for sale the Approved Services and other services required by Franchisor, which requirements Franchisor may modify in its sole discretion.

(3) Sell and offer for sale only the products and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any products or services which Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's Standards without Franchisor's prior written consent. Franchisor has the absolute right to remove all unapproved products, goods, and materials from Franchisee's Studio.

(4) Maintain in sufficient supply and to use and sell at all times only such products, materials, and supplies that conform to Franchisor's Standards; to conduct all Studio programs in accordance with Franchisor's procedures contained in the Manuals or other written directives, including, but not limited to, using the brand and/or type of Studio products required by Franchisor and to refrain from deviating from Franchisor's Standards by the use or offer of non-conforming products or services, without Franchisor's prior written consent.

(5) Permit Franchisor or its agents, at any reasonable time, to remove samples of Studio products from the Studio, if applicable, without payment, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current Standards. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the product has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(6) Purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including computer systems and body scanners), decor items, signs, and related items that Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Studio premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor items, signs, or other items not previously approved as meeting Franchisor's Standards, as set forth in the Manuals.

(7) Grant Franchisor and its agents the right to enter the Studio at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct promptly any deficiencies detected during an inspection for the purpose of protecting System Standards. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time, as determined by Franchisor, Franchisor will have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so taking the corrective action (including, without limitation, any necessary re-inspection). Any such fee is payable by Franchisee immediately upon demand. Further, if Franchisor conducts an on-site evaluation of the Studio to determine compliance with this Agreement, Franchisee must pay Franchisor the on-site evaluation fee described in Section 7.B(2).

(8) Ensure that only properly trained instructors instruct, supervise, and/or teach the FS8 training methods, classes, and programs to Members.

(9) In relation to classes conducted on Saturdays: **(i)** engage the services of a disc jockey (“DJ”), at Franchisee’s sole cost, to perform at the Studio for the duration of the classes on that day; or **(ii)** if Franchisee fails to engage a DJ as required hereunder, Franchisor may engage the services of a DJ, and Franchisee is required to pay Franchisor the cost of the DJ’s services monthly, in advance.

(10) To preserve and protect the brand and Marks, Franchisee must take such steps as are necessary to ensure that Franchisee’s employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum operational standards that Franchisor may establish from time to time in the Manuals. To the extent that Franchisor may provide suggested or mandatory standards regarding the minimum number of employees, suggested hours of operation, or similar recommendations, Franchisor will provide such guidance through the Manuals or other written materials, telephone conversations and/or virtual or in-person meetings. Any such operating standards are designed solely to meet the anticipated volume of business, preserve excellent customer relations, and protect and promote brand and System. By offering such advice or assistance, it does not mean that Franchisor is Franchisee’s employer, or the employer of Franchisee’s employees, and it is the intention of the parties to this Agreement that Franchisor shall not be deemed a joint employer with Franchisee for any reason. Further, it is the intention of the parties to this Agreement that Franchisor shall not be deemed a joint employer with Franchisee for any reason. If Franchisor incurs any claims, damages, judgments, liabilities, or losses as a result of any actions or omissions of Franchisee or Franchisee’s employees, including any that relate to any party making a finding of any joint employer status, Franchisee will fully indemnify Franchisor for such loss.

F. Membership, Fees, Pricing, and Payments.

(1) Franchisee may charge Membership Fees in amounts determined by Franchisee, however, Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the amount of the Membership Fees and the prices that Franchisee may charge for other products or services.

(2) Franchisee will comply with Franchisor’s requirements regarding types of payment Franchisee accepts from Members. Franchisee will not participate in or accept payment from Members or other individuals who participate in, Non-affiliated Promotions or Non-affiliated Booking Systems. “**Non-affiliated Promotions**” means any promotion, offer, discount, passport, or other system or program available to Members and other individuals that is not approved by Franchisor and that is offered by, or is accessible through, a third party; or, the use of or participation in such promotion results in a payment by a third party to Franchisee. Non-affiliated Promotions include, but are not limited to: **(i)** “Class Pass” or “Body Pass” or any similar service; **(ii)** any system or promotion which allows a person to attend training sessions at multiple Franchise Business Locations, whether or not it is offered by a third party; or **(iii)** any system which allows a person to attend a one-time training session at any Franchise Business Location, whether bundled with other fitness companies or not. “**Non-affiliated Booking Systems**” means any booking or scheduling system not approved by Franchisor by which Members can register to participate in Franchise Business training sessions or other classes. Notwithstanding the foregoing, Franchisor reserves the right to create and require Franchisee to participate in cross-membership programs in the future such that members of other studios may use Franchisee’s Studio and vice versa, and Franchisee hereby agrees to participate in such programs if and as required by Franchisor.

(3) Franchisee acknowledges and agrees that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and the System. Accordingly, Franchisee agrees that it will cause its Franchise Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards council, or its successor, and other regulations and industry standards applicable to the protection of

customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act and all other successor or additional laws, and all other data security requirements Franchisor prescribes. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications.

G. Computer Systems.

(1) Franchisee must install, maintain, and upgrade the computer hardware, software, and peripheral equipment Franchisor requires for the operation of the Franchise Business, including without limitation the operation of FS8 TV (described below), and must follow the procedures related thereto that Franchisor specifies in the Manuals or otherwise in writing. Franchisee must purchase all other technology-related items Franchisor requires, including but not limited to, Internet telecommunications systems, data cabling, and sound and surveillance equipment. All bookings and sales for Franchisee's studio must be completed online, and while Franchisor does not currently require the use of a specific point of sale product, Franchisor reserves the right to require Franchisee to do so in the future. Among other things, Franchisor may require Franchisee to install and maintain systems that permit Franchisor to independently access and retrieve electronically surveillance images and video and any information stored in Franchisee's computer systems, including, without limitation, information concerning Gross Sales, at the times and in the manner that Franchisor may specify from time to time. The purpose of such access is to enable Franchisor to conduct inspections of Franchisee's use of the System and the Marks and to enforce brand standards, and not to monitor the Franchisee's day-to-day-operations. As the owner of the Franchise Business, Franchisee is solely responsible for the day-to-day operation of the Franchise Business. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to Members of the Franchise Business) will be the sole and exclusive property of Franchisor.

(2) Without limiting the foregoing, Franchisee acknowledges and agrees that Franchisor has the sole right to determine the content, display, and functionality of the hardware and software systems comprising the integrated workout delivery system known as "**FS8 TV**." Franchisor may, at its sole discretion, conduct any advertising, promotions, or marketing campaigns on FS8 TV for any products or services, including without limitation, advertising for the sale of FS8 franchises.

H. Internet Website. Franchisee must have and maintain adequate hardware and software in order to access the Internet at the bit speed required by Franchisor from time to time. Franchisee must not establish any Website or other listing on the Internet, or provide or sell any services or Branded Products via the Internet, except as provided herein. For the avoidance of doubt, the "Internet" does not include the metaverse, and Franchisor reserves, maintains, and controls all rights with respect to said metaverse.

(1) Franchisor has established, or may establish, an Internet Website that provides information about the System and the products and services offered by the Franchise Business. Franchisor has sole discretion and control over the Website (including timing, design, contents, and continuation). Franchisor may use part of the Brand Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance, and update of the Website.

(2) Franchisor will include at the Website an interior page containing information about Franchisee's Franchise Business ("**Franchisee's Webpage**"), which Franchisor may require Franchisee to prepare (or pay Franchisor or a third party to prepare) all or a portion of Franchisee's Webpage, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting. Franchisee may offer and sell Franchise Business products and services which Franchisor has approved in writing only through Franchisee's Webpage solely

in accordance with Franchisor's Standards as set forth in the Manual. Franchisee will cease offering or selling Franchise Business products and services through Franchisee's Webpage, or otherwise through the Internet, immediately upon written notice from Franchisor, which notice Franchisor may provide at any time and for any or no reason. Franchisee's failure to comply with Franchisor's Standards related to offering and selling Franchise Business products and services through Franchisee's Webpage will be an event of default for which Franchisor may terminate under Section 17.D(7).

(3) Franchisor also will have the sole right (but no obligation) to develop an Intranet through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. If Franchisor develops such an Intranet, Franchisee agrees to use the facilities of the Intranet in strict compliance with Franchisor's Standards as set forth in the Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory, or defamatory statements).

(4) Franchisor has the right to impose, and Franchisee agrees to pay, Franchisor, its Affiliates, or a third party an amount Franchisor requires for costs and fees to support the systems, platforms, and communications described in Sections 7.G and H., the amounts of which may be increased each year by an amount commensurate with Franchisor's costs or the amount charged by third parties.

I. Customer Complaints; Crisis Management Events.

(1) Franchisee must process and handle all consumer complaints connected with or relating to the Franchise Business and must promptly notify Franchisor of all: **(i)** safety or health violations, **(ii)** claims exceeding \$1,000, and **(iii)** any other material claims against or losses suffered by Franchisee. Franchisee must maintain any communications with governmental authorities affecting the Franchise Business during the Term of this Agreement and for one year after the expiration or earlier termination hereof.

(2) Upon the occurrence of a Crisis Management Event, Franchisee agrees to immediately inform Franchisor of such event and to cooperate fully with Franchisor and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and the System, Franchisee must cooperate fully with Franchisor with respect to managing statements and other responses to the Crisis Management Event. **"Crisis Management Event"** means any event that occurs at or about the Franchise Business premises or in connection with the operation of the Franchise Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

J. Member Database. Franchisee will collect and maintain, in accordance with Section 7.F(3), Member information and will submit such information to Franchisor, as required by the Manuals. Franchisee acknowledges and agrees that Franchisor is the sole owner of all right, title, and interest in and to all Member information and lists regarding all past and present Members of the Franchise Business (collectively, **"Member Information"**). Franchisor hereby licenses to Franchisee the right to use the Member Information for the Term of this Agreement and in compliance with the requirements set forth in the Manuals. Franchisee acknowledges and agrees that Franchisor may use the Member Information in perpetuity for any purpose whatsoever without compensation to Franchisee.

8. ADVERTISING AND RELATED FEES

A. Promotional Programs.

(1) Franchisee must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention, or special promotional program that Franchisor implements for all or part of the FS8 franchise system and must sign the forms, pay the costs and fees associated with the programs, and take any and all other action that Franchisor requires in order for Franchisee to participate in such programs. Such promotional programs may require Franchisee to offer a limited number of free memberships each year to those persons Franchisor selects, in Franchisor's sole discretion.

(2) In addition to the programs described in Section 8.A(1), Franchisor may, from time to time, in its sole discretion, develop and administer advertising and sales promotion programs designed to promote all Franchise Businesses operating under the System. Franchisee will participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor. The Standards established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, will be final and binding upon Franchisee.

(3) If, at any time during the Term of this Agreement, but not before the end of the twelve (12) month period following the Opening Date of the Studio, Franchisee's Gross Sales are not at least 70% of the annual, average gross sales of all FS8 franchisees that have operated their studios for at least twelve (12) months, then Franchisor may require Franchisee to participate in a special promotional program(s) that Franchisor implements, and Franchisee must pay the costs and fees associated with such program(s).

B. Marketing Fee. Franchisee must pay Franchisor the Marketing Fee in the amount set out **Item 11 of the Summary Addendum to this Agreement.** The Marketing Fee must be paid by Franchisee to Franchisor via EFT (as set forth in Section 4.F of this Agreement), or any other means reasonably specified by Franchisor. The full amount of the first Marketing Fee payment is due on the Opening Date of the Studio. All subsequent monthly Marketing Fee payments are due during the Term of this Agreement on the first day of each month following the month of the Opening Date, or any other day Franchisor requires, provided such day is a Business Day. If the date on which a Marketing Fee payment would otherwise be due is not a Business Day, then payment will be due on the next Business Day. Franchisor will use the Marketing Fee amounts you pay to Franchisor to pay for local advertising for your Franchise Business.

C. Local Advertising Expenditure. If Franchisor communicates in writing to the Franchisee that the Franchisee is not required to pay the Marketing Fee directly to the Franchisor to perform local advertising for your Franchise Business, , then Franchisee shall spend the amount set out in Item 11 of the Summary Addendum on local advertising for Franchisee's Franchise Business in the local market area, which is the same as the Protected Area; or Franchisee may elect to spend more on local advertising that is required in the Summary Addendum (amount of local market expenditures, whether instead of, or as a supplement to, the Marketing Fee, "**Local Advertising Expenditures**"). Franchisor reserves the right to reinstate the Marketing Fee at any time during the Term upon five (5) days notice to the Franchisee. All Local Advertising Expenditures will be made directly by Franchisee, subject to Franchisor's prior approval and direction, using advertising and marketing materials prepared or pre-approved by Franchisor. All local advertising and promotions must follow Franchisor's guidelines. If the Marketing Fee requirement is waived, then, if so required by Franchisor, Franchisee must provide Franchisor with Franchisee's Local Advertising Expenditure report in the form and when required by Franchisor, accurately reflecting Franchisee's Local Advertising Expenditures for the required time period. Expenditures incurred for any

of the following may not be included in Local Advertising Expenditures for purposes of this Section 8.C, unless Franchisor first approves them in writing:

- (1) Incentive programs for Franchisee's employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of Franchisee's employees;
- (2) Non-media costs incurred in any promotion;
- (3) Charitable, political, or other contributions or donations;
- (4) In-Studio fixtures, equipment, or Branded Products or other products for resale;
- (5) The cost of business directory listings; and
- (6) Grand Opening Expenditures incurred pursuant to Sections 8.F or 4.B.

D. Cooperatives. Franchisor has the right to designate any geographic area in which two (2) or more company-owned or franchised FS8 Studios are located as a region for purposes of establishing an advertising Cooperative. Each Cooperative will be organized and governed as, and will begin operation on a date, Franchisor determines. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. If a Cooperative is established for a geographic area that includes the Protected Area, Franchisee must execute the Cooperative documents promptly upon Franchisor's request and participate as a member of the Cooperative. Among other things, this means that **(i)** Franchisee must submit to the Cooperative and to Franchisor all statements and reports that Franchisor or the Cooperative may require, and **(ii)** Franchisee must contribute to the Cooperative the amounts required by the Cooperative's governing documents; provided, that Franchisee's Cooperative contribution will be applied toward satisfaction of its local advertising requirement under Section 8.B and 8.C. Each Cooperative shall be organized (including but not limited to bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities and accounting practices carried on by each Cooperative shall be decided by a majority vote of its members. Any company-owned Studios in the region shall have the same voting rights as those owned by its franchisees. Each Studio owner shall be entitled to cast one (1) vote for each Studio owned. Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. Franchisee shall submit its required contribution to the Cooperative at the time designated by the Cooperative, subject to Franchisor's approval, together with such statements or reports as may be required by Franchisor or by the Cooperative with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative directly to Franchisor for distribution to the Cooperative. Although once established, each Cooperative is intended to be of perpetual duration, Franchisor maintains the right to terminate, dissolve, or merge any Cooperative. A Cooperative shall not be terminated, however, until all monies in that Cooperative have been expended for advertising and/or promotional purposes.

E. Brand Fund. Franchisor reserves the right to establish a Brand Fund to promote, market and otherwise develop the System, Marks and the FS8 brand. Once instituted, Franchisee must contribute to the Brand Fund the amount set out Item 12 of the Summary Addendum to this Agreement, at the time and in the manner that royalty fee payments are due under Section 4.B. The following actions will apply to the administration and management of the Brand Fund:

(1) In the event the Brand Fund is used for advertising and marketing purposes, Franchisor or its designee will direct all advertising production programs and will have sole discretion to approve or disapprove the creative concepts, materials, and media used in such programs.

(2) Franchisor or its Affiliates may, but are not required to, contribute to the Brand Fund generally on the same basis as franchisees for any Franchise Business they operate.

(3) Franchisor will prepare an unaudited, annual statement of the Brand Fund's operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or *pro rata*.

(4) Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent, without interest.

F. Grand Opening and Pre-Opening Marketing. Franchisee must carry out a grand opening promotion for the Franchise Business in accordance with Franchisor's Standards, including, without limitation, those related to the type and size of the grand opening promotion. Franchisee must pay for all grand opening marketing and promotional activities Franchisor requires. Franchisee must obtain Franchisor's approval of all advertising items, methods, and media Franchisee uses in connection with grand opening promotions in accordance with Section 8.G. Amounts paid for the initial grand opening promotion will not be credited toward any other obligation of Franchisee under this Section 8.

(1) Franchisee must spend the amount set forth in Item 10 of the Summary Addendum towards grand opening marketing of the Franchise Business ("**Grand Opening Expenditures**"). Grand Opening Expenditures must be spent in accordance with a budget that has been prepared by Franchisee and approved of by Franchisor, or as otherwise recommended by Franchisor. If Franchisor requires, Franchisee must pay part or all of the Grand Opening Expenditures to Franchisor or a third party at the times specified in Item 10 of the Summary Addendum. If Franchisor requires Franchisee to pay it or third parties all or part of the Grand Opening Expenditures, then Franchisor or the required third party will conduct grand opening promotions on Franchisee's behalf.

(2) Before Franchisor grants Franchisee permission to open the Studio to the public, Franchisee must conduct a soft opening of the Franchise Business whereby: **(i)** Franchisee operates the Franchise Business for a period determined by Franchisor; **(ii)** classes are offered only to friends and family of Franchisee or its Principal(s); **(iii)** classes are not made available to the general public.

(3) Before Franchisor grants Franchisee permission to open the Franchise Business to the public, Franchisee must have pre-sold at least the minimum number of paid memberships Franchisor recommends with respect to the Franchise Business, with the intent and effect that such pre-sold memberships will commence immediately on the Opening Date of the Studio ("**Foundation Memberships**"). This minimum number of Foundation Memberships is based on Franchisor's brand standards, including Franchisor's recommendation regarding the appearance of the Studio's volume of business upon opening, and is not a suggestion or representation of a specific level or range of actual or potential sales, income, gross profits, or net profits that the Franchise Business will attain.

G. Advertising Approvals. All advertising and promotion by Franchisee in any medium must be conducted in a dignified manner and must conform to Franchisor's Standards. Franchisee must obtain all advertising and marketing materials used for the Franchise Business from a supplier approved by

Franchisor. Franchisor reserves the right to require Franchisee to submit advertising materials to Franchisor for review and confirmation that such materials comply with Franchisor's Standards. Franchisor may also require Franchisee to include in Franchisee's advertising or promotional materials a reference to the fact that franchises for the Franchise Business are available.

H. Social Media Accounts. Franchisee acknowledges and agrees that Franchisor will establish, on behalf of Franchisee, social media accounts for the Franchise Business (e.g. Facebook and Instagram) ("**Social Media Accounts**"). Franchisor will select such Social Media Accounts in its sole discretion. Franchisor hereby grants Franchisee permission to operate such Social Media Accounts during the Term of this Agreement in accordance with the Manuals. Without limiting the foregoing, Franchisee further acknowledges and agrees that: **(i)** Franchisor is the owner of the Social Media Accounts; **(ii)** if directed by Franchisor, Franchisee will immediately remove any content posted on the Social Media Accounts; **(iii)** Franchisee will not post or promote any brands, products, or services not approved in advance by Franchisor in writing; **(iv)** Franchisee will not seek to establish any other social media account, Website, blog, channel, or any other ecommerce site or account in connection with the Franchise Business, without Franchisor's prior written consent.

9. MARKS

A. Right to Use the Marks. Franchisor grants Franchisee the right to use the Marks during the Term of this Agreement in accordance with this Agreement and Franchisor's Standards.

B. Agreements Regarding the Marks. Franchisee expressly acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither Franchisee nor any Principal must take any action that would prejudice or interfere with the rights of Franchisor or its Affiliates in and to the Marks. Nothing in this Agreement gives Franchisee any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(3) Any and all goodwill arising from Franchisee's use of the Marks will inure solely and exclusively to the benefit of Franchisor or its Affiliates, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Franchisee will not contest, or assist others to contest, the validity, or the interest, of Franchisor or its Affiliates in the Marks.

(5) Any unauthorized use of the Marks will constitute an infringement of Franchisor's or its Affiliates' rights in the Marks and a material event of default under this Agreement. Franchisee must provide Franchisor with all assignments, affidavits, documents, information, and assistance relating to the Marks that Franchisor or its Affiliates reasonably request, including all such instruments necessary to register, maintain, enforce, and fully vest the rights of Franchisor or its Affiliates in the Marks.

(6) Franchisor has the right to substitute different trade names, trademarks, service marks, logos, and commercial symbols for the current Marks to use in identifying the System and the FS8 Franchise Businesses operating under the System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different marks will be beneficial to the

System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute marks.

C. Use of the Marks. Franchisee further agrees that Franchisee will:

(1) Operate and advertise the Franchise Business only under the name set forth in Item 3 of the Summary Addendum, without prefix or suffix, unless otherwise authorized or required by Franchisor. Franchisee will not use the Marks as part of its corporate or other legal name.

(2) Identify itself as the owner of the Franchise Business in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, and will display a notice in such content and form and at such conspicuous locations on the premises of the Franchise Business as Franchisor may designate in writing.

(3) Not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(4) Comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

(5) Franchisee will not use the Marks or any abbreviation or other name associated with Franchisor or the System as part of the Franchisee's corporate name as well as any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to the content of such e-mail advertisements or solicitations as well as Franchisee's plan for transmitting such advertisements. In addition, Franchisee will be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act of 2003).

D. Infringement. Franchisee must notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark. Franchisee and the Principals must not communicate with any person other than Franchisor, its Affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge, or claim. Franchisor will have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any Affiliate in the Marks.

E. Domain Names. Franchisee acknowledges that Franchisor is the lawful, rightful, and sole owner of the Internet domain name fs8.com, and any other Internet domain names registered by Franchisor, and unconditionally disclaims any ownership interest in those or any colorably similar Internet domain name. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or its Affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words.

10. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. The Manuals are Franchisor's property, and Franchisee must not keep any copies whether electronic, digital, paper, or otherwise once this Agreement expires or is terminated for any reason. Franchisee and the Principals must, at all times, treat the Manuals, and the information contained therein, as confidential and must maintain such information as secret and confidential in accordance with this Section 10. Franchisee and the Principals must not at any time copy, duplicate, record, or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. Franchisee must make the Manuals available only to those of Franchisee's employees who must have access to them in order to operate the Franchise Business. Franchisee must, at all times, keep and maintain secured access to the Manuals. Franchisor has the right to add to or modify the Manuals from time to time to, among other reasons, change operating procedures, maintain the goodwill associated with the Marks, and enable the System to remain competitive. Franchisee must comply with the terms of all additions and modifications to the Manuals and keep the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at Franchisor's offices will control. The entire contents of the Manuals, and Franchisor's mandatory specifications, procedures, and rules prescribed from time to time, will constitute provisions of this Agreement as if they were set forth herein.

B. Confidentiality. Neither Franchisee nor any Principal will, during the Term of this Agreement and thereafter, communicate, divulge, or use for the benefit of any other person or entity and, following the expiration or termination of this Agreement, will not use for their own benefit, any Confidential Information, knowledge, or know-how concerning the methods of operation of the franchised business which may be communicated to them, or of which they may be apprised, in connection with the operation of the Franchise Business under the terms of this Agreement. Franchisee and the Principals must divulge such Confidential Information only to those of Franchisee's employees who must have access to it in order to operate the Franchise Business. Neither Franchisee nor the Principals will at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(1) These covenants will survive the expiration, termination, or transfer of this Agreement or any interest herein and will be perpetually binding upon Franchisee and each of the Principals.

(2) Franchisee must require and obtain the execution of covenants similar to those set forth in this Section 10.B from all Principals not signing the Principals' Guaranty and Assumption Agreement, from all General Managers, and, at Franchisor's request, any other personnel of Franchisee who have access to Confidential Information.

(3) Notwithstanding anything in this Agreement to the contrary, Franchisee and Franchisee's Principals, may, in accordance with any applicable law including the federal Defend Trade Secrets Act, disclose Confidential Information, including Franchisor's trade secrets, (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

C. Noncompetition Covenants. Franchisee and the Principals specifically acknowledge that, pursuant to this Agreement, they will receive access to valuable training, trade secrets and Confidential Information which are beyond their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. Franchisee

and the Principals further acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement. In consideration therefor, Franchisee and the Principals covenant as follows:

(1) With respect to Franchisee, during the Term of this Agreement (or with respect to each of the Principals, for so long as such person satisfies the definition of “Principal” under this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Principals will, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of the Franchise Business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Franchise Businesses operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist, or make loans to, any business that is the same as or similar to a Franchise Business (including, without limitation, a fitness business or a business which offers exercise classes or physical training; gym services; crossfit or resistance training; yoga; pilates; cycling; Zumba® or other dance fitness classes; martial or mixed martial arts; boxing; fitness boot camps) or any business that offers prepared meals or protein or other nutritional supplements that are the same as or similar to the meals and supplements Franchisee is required hereunder to offer in connection with the Franchise Business, and which is located within the United States, its territories, or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks.

(2) With respect to Franchisee, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee’s interest in, this Agreement (or, with respect to each of the Principals, commencing upon the earlier of **(i)** the expiration or termination of, or transfer of all of Franchisee’s interest in, this Agreement or **(ii)** the time such individual or entity ceases to satisfy the definition of “Principal” under this Agreement) and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Principals will, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of the Franchise Business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Franchise Businesses operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business that is the same as or similar to a Franchise Business (including, without limitation, a fitness business or a business which offers exercise classes or physical training; gym services; crossfit or resistance training; yoga; pilates; cycling; Zumba® or other dance fitness classes; martial or mixed martial arts; boxing; fitness boot camps) or any business that offers prepared meals or protein or other nutritional supplements that are the same as or similar to the meals and supplements Franchisee is required hereunder to offer in connection with the Franchise Business, and which is, or is intended to be, located **(i)** at the Location, **(ii)** within the Protected Area, or **(iii)** within a five-mile radius of the location of any Franchise Business then in existence or under construction.

(3) The parties agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each such covenant will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10.C is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.C. The time periods relating to the obligations set forth in this Section 10.C(2) will be tolled for any period of non-compliance.

(a) Franchisee and the Principals acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 10.C without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Principals agree that they will promptly comply with any covenant as so modified.

(b) Franchisee and the Principals expressly agree that the existence of any claims they may have against Franchisor, whether arising under this Agreement or otherwise, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section 10.C.

(4) Franchisee will require and obtain the execution of covenants similar to those set forth in this Section 10.C from all Principals not signing the Principals' Guaranty and Assumption Agreement, from all General Managers, and, at Franchisor's request, any other personnel of Franchisee who have access to Confidential Information. Such covenants will be substantially in the form set forth in **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

(5) ATTACHMENT B. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the scope of the noncompetition covenant set forth in **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

(6) ATTACHMENT B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement under this Section 10.C(4).

D. Injunctive Relief. Franchisee and the Principals acknowledge that any failure to comply with the requirements of this Section 10 will constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Franchisee and the Principals accordingly consent to the issuance of an injunction prohibiting any conduct by them in violation of the terms of this Section 10, without the requirement that Franchisor post a bond. Franchisee and the Principals agree to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in connection with the enforcement of this Section 10, including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of such Section, or any part thereof.

E. New Developments. If Franchisee, its employees, or Principals develop any new concept, process or improvement in the operation or promotion of the franchised business, Franchisee will promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process, or improvement will become Franchisor's sole property, and Franchisor will be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. Franchisee and its Principals hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and its Principals agree to assist Franchisor 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 Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and its Principals hereby irrevocably designate and appoint Franchisor as their 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 right related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 10.E are found to be invalid or otherwise unenforceable, Franchisee and its Principals hereby grant to Franchisor 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 this Agreement, directly or indirectly infringe their rights therein.

11. BOOKS AND RECORDS

A. Maintenance Requirement. Franchisee will maintain during the Term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals, and will preserve for at least five years from the date of preparation, full, complete, and accurate books, records, and accounts of the Franchise Business, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals, and ledgers.

B. Reporting. In addition to the remittance reports required by Sections 4 and 8 hereof, Franchisee will comply with the following reporting obligations:

(1) Franchisee will, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, Franchisee's monthly balance sheet and profit and loss statement (which may be unaudited) within twenty (20) days after the end of each month during the Term hereof. Each such statement must be signed by Franchisee's treasurer, chief financial officer, or comparable officer attesting that it is true, complete, and correct.

(2) Franchisee will, at its expense, submit to Franchisor, within ninety (90) days after the end of each fiscal year, Franchisee's complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance

with generally accepted accounting principles by an independent certified public accountant satisfactory to Franchisor and showing the results of Franchisee's operations of Franchisee during such fiscal year.

(3) Franchisee will, at its expense, submit to Franchisor **(i)** copies of Franchisee's federal income tax returns (including any extension requests) not later than five (5) days after filing and **(ii)** copies of Franchisee's state sales tax returns within five (5) days after the end of each calendar quarter. If the Franchise Business is in a state which does not impose a sales tax, Franchisee will submit a copy of its state income tax return (including any extension requests) not later than five (5) days after filing.

(4) Franchisee also will submit to Franchisor such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor.

C. Audits. Franchisor or its designees will have the right at all reasonable times to review, audit, examine, and copy the books and records of Franchisee at the Franchise Business. If any required royalty or other required payments to Franchisor are delinquent, or if an audit should reveal that such payments have been understated in any report to Franchisor, then Franchisee will immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with Section 4.C. If an audit discloses an understatement in any report of 3% or more, Franchisee must, in addition, reimburse Franchisor for all costs and expenses connected with the audit (including, without limitation, reasonable accounting and attorneys' fees and costs). These remedies are in addition to any other remedies Franchisor may have at law or in equity.

D. No Waiver. Franchisor's receipt or acceptance of any of the statements furnished or amounts paid to Franchisor (or the cashing of any check or processing of any electronic fund transfer) will not preclude Franchisor from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, Franchisee must immediately correct the error and make the appropriate payment to Franchisor.

E. Authorization to Release Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Franchise Business which Franchisor may request. Franchisee authorizes Franchisor to disclose data from Franchisee's reports if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

12. INSURANCE

A. Insurance Coverage Requirements. Not later than sixty (60) days prior to the Opening Date, Franchisee will procure and maintain in full force and effect at all times during the Term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, its Affiliates, successors, and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with the operation of the Franchise Business. Such policy or policies must be written by a responsible carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to Franchisor and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time in writing), the following:

(1) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of \$1,000,000 combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, and \$5,000 medical payment limits.

(2) “All Risks” coverage for the full cost of replacement of the Studio premises and all other property in which Franchisor may have an interest with agreed amount endorsement for the premises naming Franchisor as a loss payee.

(3) An “umbrella” policy providing excess coverage with limits of not less than \$3,000,000 which must be excess to the general liability coverage required herein.

(4) Business interruption insurance covering at least twelve (12) months of lost profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in (1) and (2) above and Franchisee’s royalty, Marketing Fee (or Local Advertising Expenditures), and Brand Fund contribution calculated on the basis of the Gross Sales used as the basis for calculation of the business interruption insurance award. Such business interruption insurance must be written on an all risks form, either as an endorsement to the policies described in (1) and (2) above or on a separate policy.

(5) Worker’s compensation insurance with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease \$1,000,000 each employee.

(6) Professional Liability Insurance to cover the errors and omissions of your staff in providing services to your Members with not less than \$3,000,000 limit of liability and including Abuse and Molestation with a minimum limit of \$300,000.

(7) Employment Practices Liability including third-party coverage for not less than \$500,000 aggregate.

(8) Such other insurance as may be required by the landlord of the premises at, and by the state or locality in, which the Franchise Business is located.

B. Deductibles; Waiver of Subrogation. Franchisee may elect to have reasonable deductibles in connection with the coverage required under Sections 11A.(1)-(8) hereof. Such policies must also include a waiver of subrogation in favor of Franchisor, its Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them.

C. Builder’s Risk Insurance. In connection with any construction, renovation, refurbishment, or remodeling of the Studio, Franchisee must maintain Builder’s Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

D. No Limitation of Other Obligations. Franchisee’s obligation to obtain and maintain the foregoing policies in the amounts specified will not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor will Franchisee’s performance of such obligation relieve it of liability under the indemnity provisions set forth in Section 15 of this Agreement.

E. Additional Insured Designation. All insurance policies required hereunder, with the exception of workers' compensation and employment practices liability, must name Franchisor and its Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, as additional insureds, and must expressly provide that their interest will not be affected by Franchisee's breach of any policy provisions. All public liability and property damage policies must contain a provision that Franchisor and its Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, although named as insureds, will nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents, or employees.

F. Certificates of Insurance. Upon execution of this Agreement, and thereafter thirty (30) days prior to the expiration of any policy required hereunder, Franchisee must deliver to Franchisor certificates of insurance, endorsements, insurance declarations and/or other documents requested by Franchisor evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. For instance, if requested by Franchisor, Franchisee must deliver to Franchisor a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder must expressly provide that no less than thirty (30) days' prior written notice will be given to Franchisor in the event of a material alteration to or cancellation of the policies.

G. Remedies. If Franchisee fails to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority (without, however, any obligation to do so) to procure such insurance and to charge the cost of such insurance to Franchisee, together with a reasonable fee for Franchisor's expenses in so acting. Such amounts will be payable by Franchisee immediately upon notice. The foregoing remedies are in addition to any other remedies Franchisor may have at law or in equity.

13. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. Franchisee must promptly pay when due all Taxes, levied or assessed and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business. Without limiting the provisions of Section 15, Franchisee will be solely liable for the payment of all Taxes and will indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed.

B. No Deduction. Each payment to be made to Franchisor hereunder must be made free and clear and without deduction for any Taxes.

C. Disputed Liability. In the event of any *bona fide* dispute as to Franchisee's liability for Taxes or other indebtedness, Franchisee may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event will Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the assets of the franchised business or any improvements thereon.

D. Credit Standing. Franchisee recognizes that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by Franchisee in good faith, Franchisee agrees to promptly pay when due all amounts owed by Franchisee to Franchisor, its Affiliates, and other suppliers.

E. Notice of Adverse Orders. Franchisee must notify Franchisor in writing within five days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

14. TRANSFER

A. By Franchisor. Franchisor has the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent, and upon such transfer or assignment, the transferee or assignee will be solely responsible for all Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By Franchisee and Principals. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity, and personal character of Franchisee and the Principals. Accordingly, neither Franchisee nor any Principal, nor any successor or assign of Franchisee or any Principal, will sell, assign, transfer, convey, merge, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Studio or in Franchisee, whether or not such sale, assignment, transfer, conveyance, merger, gift, pledge, mortgage, disposition, or encumbrance constitutes a transfer or assignment under applicable law, without the prior written consent of Franchisor, except as provided in Section 14.D. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement will be null and void and will constitute a material breach under this Agreement. If Franchisee wishes to transfer all or part of its interest in the Franchise Business, or the assets used in connection therewith; or this Agreement; or if Franchisee or a Principal wishes to transfer any ownership interest in Franchisee (except as provided in Section 14.D below), transferor and the proposed transferee must apply to Franchisor for its consent. Franchisor may condition its consent to the transfer of any interest in Franchisee, in the Franchise Business or in this Agreement, on any or all of the following:

(1) All accrued monetary obligations of Franchisee and its Affiliates to Franchisor and its Affiliates arising under this Agreement, or any other agreement, must have been satisfied in a timely manner, and Franchisee must have satisfied all trade accounts and other debts of whatever nature or kind;

(2) Franchisee and its Affiliates must not be in default of this Agreement, or any other agreement with Franchisor or its Affiliates, and must have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;

(3) The transferor and its principals, if applicable, must have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor, its Affiliates and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with Franchisor or its Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The transferee must demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current qualifications, and, at the transferee's expense, its operating principal, general manager, and any other personnel required by Franchisor must complete any training programs then in effect for Franchise Businesses upon such terms and conditions as Franchisor may reasonably require;

(5) The transferee must, at its expense and within the time period reasonably required by Franchisor, renovate, modernize, and otherwise upgrade the Studio to conform to the then-current System image and Standards;

(6) The transferee must enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also must execute such agreement and guarantee the performance thereof;

(7) The transferee must execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement will supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee will not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company, or other entity, those of transferee's principals who are designated as principals, also must execute such agreement and guarantee the performance thereof;

(8) The transferor will remain liable for all of its obligations to Franchisor under this Agreement incurred prior to the effective date of the transfer and must execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(9) Franchisee must pay Franchisor a transfer fee in the amount set forth Item 14 of the Summary Addendum, attached hereto, and must reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs, and legal and accounting fees and costs;

(10) If transferee is a corporation, partnership, limited liability company, or other entity, the transferee must make all of the representations, warranties, and covenants in Section 6, as Franchisor may request, and must provide evidence satisfactory to Franchisor that such representations, warranties, and covenants are true and correct as of the date of the transfer.

(11) If the transfer relates to the grant a security interest in any of Franchisee's assets, Franchisor may require the secured party to agree that, in the event of any default by Franchisee under any documents related to the security interest, Franchisor will have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee.

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 14.B, except that Sections 14.B(3), (4), (5), (7), and (9) will not apply. In any transfer for the convenience of ownership, Franchisee must be the owner of all the voting stock or ownership interests in the new entity, or, if Franchisee is more than one individual, each individual must have the same proportionate ownership interest in the new entity as he or she had in Franchisee prior to the transfer.

D. Transfer of Non-Controlling Interest. If any person holding an interest in Franchisee (other than a Principal signing the Principals' Guaranty and Assumption Agreement) proposes to transfer such interest, then Franchisee must promptly notify Franchisor of such proposed transfer in writing and provide such information relative thereto as Franchisor may reasonably request prior to the transfer. The transferee must not be one of Franchisor's competitors and may be required to execute a confidentiality agreement

and ancillary covenants not to compete in the form then required by Franchisor, which form will be in substantially the same as the form attached to this Agreement as **[Note To Franchisee: This Document Is A Sample Form Only For Use With Your Managers And Employees With Access To Confidential Information. You May Use This Form Or Choose To Use Your Own Form Of Agreement, Provided That If You Use Your Own Form Of Agreement It Must Meet Our Standards And Specifications. If You Use This Form, You Should Consult With Your Attorney To Ensure That The Terms Of This Agreement Are Enforceable Within Your State And Make Any Necessary Modifications. In Some States, This Agreement May Only Be Enforceable To The Extent Permitted By State Law. Further, In Certain States, This Form Of Agreement (Including, But Not Limited To, The Non-Compete That Is Contained Herein) May Be Unlawful As Written, And Could Make You Liable To Pay Damages, Penalties And Other Compensation To Your Employees.]**

E. ATTACHMENT B. Franchisor reserves the right to require such transferee to sign the Principals' Guaranty and Assumption Agreement.

F. Right of First Refusal. If Franchisee or a Principal wishes to transfer any interest in this Agreement, the Studio, or Franchisee, pursuant to any *bona fide* offer received from a third party to purchase such interest, then such proposed seller must promptly notify Franchisor in writing of the offer and must provide such information and documentation relating to the offer as Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing will occur on or before sixty (60) days from the later of the date of Franchisor's notice to seller of its election to purchase and the date Franchisor receives all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, Franchisor may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount will be determined by two appraisers. Each party will select one appraiser and the average of the appraisers' determinations will be binding. Each party must bear its own legal and other costs and will share the appraisal fees equally. If Franchisor exercises its right of first refusal, it will have the right to set off all appraisal fees and other amounts due from Franchisee to Franchisor or any of its Affiliates. A material change in the terms of any offer prior to closing will constitute a new offer subject to the same right of first refusal as an initial offer. Franchisor's failure to exercise the option afforded by this Section 14.F will not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14.B. Failure to comply with this Section 14.F will constitute a material event of default under this Agreement.

G. Death or Permanent Disability. Franchisee or its representative must promptly notify Franchisor of any death or claim of permanent disability subject to this Section 14.G. Any transfer upon death or permanent disability will be subject to the following conditions, as well as to the conditions described in Section 14.B for any *inter vivos* transfer.

(1) Upon the death of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person ("**Deceased**"), the executor, administrator, or other personal representative of the Deceased must transfer such interest to a third party approved by Franchisor within six months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee must transfer such interest to a third party approved by Franchisor within six months after the death of the Deceased.

(2) Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six months after notice to Franchisee. “**Permanent disability**” means any physical, emotional, or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the Guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability will be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically will be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14.G. The costs of any examination required by this Section will be paid by Franchisor.

H. Securities Offerings. Interests in Franchisee will not be offered to the public by private or public offering without Franchisor’s prior written consent, which will not be unreasonably withheld. As a condition of its consent, Franchisor may, in its sole discretion, require that, immediately after such offering, Franchisee and the Principals retain a Controlling Interest in Franchisee. Franchisee must give Franchisor written notice at least thirty (30) days prior to the commencement of any offering covered by this Section 14.H. All offering materials must be submitted to Franchisor for review prior to being filed with any governmental agency or distributed for use. Franchisor’s review of the offering materials will be limited solely to the subject of the relationship between Franchisee and Franchisor. No offering will imply that Franchisor is participating in an underwriting, issuance or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the relationship of Franchisee and Franchisor. Franchisee, its Principals and the other participants in the offering must fully indemnify Franchisor, its Affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, Franchisee must pay to Franchisor a non-refundable fee of \$3,000 and must reimburse Franchisor for its reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

I. No Waiver. Franchisor’s consent to the transfer of any interest described in this Section 14 will not constitute a waiver of any claims which Franchisor may have against the transferring party, nor will it be deemed a waiver of Franchisor’s right to demand transferee’s exact compliance with any of the terms of this Agreement.

15. INDEMNIFICATION

A. Indemnity. Franchisee agrees to indemnify, defend, and hold harmless Franchisor, Franchisor’s Affiliates, both current and former, and their respective shareholders, directors, officers, employees, agents, successors, and assignees (“**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, any claims, damages, judgments, liabilities, and losses, including attorney’s fees, costs, and expenses (and any interest) directly or indirectly arising out of the operation of the Franchise Business, Franchisee’s employer/employee relationships, this Agreement (including, but not limited to, Franchisee’s breach of this Agreement), the relationship between the parties to this Agreement, and the Franchisee’s employee’s and independent contractors actions or inactions, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint, or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties in connection therewith, including, without limitation, the other Indemnified Parties. Notwithstanding the foregoing, this indemnity will not apply to any liability arising from Franchisor’s gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to Franchisee, Franchisee’s Principals, officers, directors, employees, independent contractors, or affiliates. For purposes of this

indemnification, “**claims**” includes all obligations, damages (actual, consequential, exemplary, or other), and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution and travel and living expenses. Franchisor has the right to defend any such claim against Franchisee. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate Franchisor’s, their, or Franchisee’s losses and expenses, in order to maintain and recover fully a claim against Franchisee. Franchisee agrees that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts Franchisor or another Indemnified Party may recover from Franchisee. The terms of this Section 15.A will survive the termination, expiration, or transfer of this Agreement or any interest herein.

B. Defense of Claim. Franchisee and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee and each of the Principals, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry, or investigation. Such an undertaking by Franchisor will not, in any manner or form, diminish the obligation of Franchisee and each of the Principals to indemnify the Indemnitees and to hold them harmless.

C. Remedial Action. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry, or investigation if, in Franchisor’s sole judgment, there are reasonable grounds to believe that any claim described in Section 15.A has occurred or any such claim may result directly or indirectly in damage, injury, or harm to any person or property.

D. Losses and Expenses.

(1) All Losses and Expenses incurred under this Section 15 will be chargeable to and paid by Franchisee or any of the Principals pursuant to its obligations of indemnity under this Section 15, regardless of any action, activity, or defense undertaken by Franchisor or the subsequent success or failure of such action, activity, or defense.

(2) As used in this Section 15, the phrase “**Losses and Expenses**” includes, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys’ fees and costs, court costs, settlement amounts, judgments, compensation for damages to the Franchisor’s reputation and goodwill, costs of or resulting from delays, financing costs, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, any and all expenses of recall, refunds, compensation, and public notices and all other payments of money incurred in connection with the matters described.

E. Contributory Negligence. The Indemnitees do not assume any liability for acts, errors, or omissions of those with whom Franchisee or the Principals may contract, regardless of the purpose. Franchisee and the Principals will hold harmless and indemnify the Indemnitees as set forth herein without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be gross, sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties arising in connection therewith, including, without limitation, the other Indemnitees.

F. No Duty to Mitigate; Survival of Obligations. Under no circumstances will Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under the indemnity and against Franchisee, and the failure of Franchisor to pursue such recovery or mitigate such loss will no way reduce the amounts recoverable by Franchisor from Franchisee. Franchisee and the Principals expressly agree that the terms of this Section 15 will survive the termination, expiration, or transfer of this Agreement or any interest herein.

16. RELATIONSHIP OF THE PARTIES

A. Independent Contractor Relationship. Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee is an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the Term of this Agreement, Franchisee must hold itself out to the public and to its employees as an independent contractor conducting its Franchise Business operations pursuant to the rights granted by Franchisor. All employees hired by or working for Franchisee or Franchisee's affiliates will be Franchisee's or Franchisee's affiliate's employees and will not, for any purpose, be deemed employees of Franchisor or its affiliates or subject to Franchisor's or its affiliates' control. Franchisor has no authority to hire, fire, promote, or demote any of Franchisee's employees or take any disciplinary action whatsoever against any of them. Additionally, Franchisee must communicate to all employees that Franchisee, not Franchisor, is their employer; and Franchisee must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or Franchisor's name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

B. No Authority. Nothing in this Agreement authorizes Franchisee or any of the Principals to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor will, in no event, assume liability for, or be deemed liable under, this Agreement as a result of any such action, or for any act or omission of Franchisee or any of the Principals or any claim or judgment arising therefrom.

17. TERMINATION

A. Default and Termination. Franchisee acknowledges that each of Franchisee's obligations described in this Agreement is a material and essential obligation; that nonperformance of such obligations will adversely and substantially affect the Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

B. Automatic Termination. Franchisee will be deemed to be in default under this Agreement, and all rights granted herein will automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or if an involuntary petition is filed with respect to Franchisee under any such laws and is not dismissed within sixty (60) days after it is filed; or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property,

or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Studio premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Studio is sold after levy thereupon by any sheriff, marshal, or constable.

C. Termination on Notice; No Cure. Franchisee will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(1) If Franchisee fails to obtain Franchisor's approval of a proposed site or fails to acquire a Location for the Studio within the time and manner specified.

(2) If Franchisee fails to open the Studio for business within the period specified in Section 2.G of this Agreement.

(3) If Franchisee at any time ceases to operate or otherwise abandons the Studio, or loses the right to possess the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Studio is located; provided, that this provision will not apply in the event of a Force Majeure, if Franchisee applies within thirty (30) days after such event for Franchisor's approval to relocate or reconstruct the Studio and Franchisee diligently pursues such reconstruction or relocation. Franchisor's approval not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Studio is not in operation.

(4) If Franchisee or any of the Principals is convicted of, or has entered a plea of *nolo contendere* to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(5) If Franchisee or any of the Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Studio to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal contrary to the terms of Section 14, or if a transfer upon death or permanent disability is not made in accordance with Section 14.

(6) If, contrary to the terms of Section 10.B, Franchisee or any of the Principals discloses or divulges any Confidential Information.

(7) If Franchisee knowingly maintains false books or records, submits any false reports to Franchisor or submits false or fraudulent information in their franchise application.

(8) If Franchisee breaches in any material respect any of the covenants, or has falsely made any of the representations or warranties, set forth in Section 6.

(9) If Franchisee fails to comply with Franchisor's quality assurance program and fails to cure any default thereunder within the applicable cure period.

(10) If Franchisee or any Affiliate of Franchisee is in default of any other franchise agreement with Franchisor and fails to cure such default within the applicable cure period, if any.

(11) If Franchisee or any of the Principals repeatedly commits a material event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

D. Termination on Notice; Opportunity to Cure. Except as provided in Sections 17.B and 17.C of this Agreement, upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default and the time period within which the default must be cured. Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the time period set forth below or any longer period that applicable law may require ("**cure period**"). If any such default is not cured within the cure period, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If Franchisee fails to procure and maintain the insurance policies required by Section 12 and fails to cure such default within seven (7) days following notice from Franchisor.

(2) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein and fails to cure such default within twenty four (24) hours following notice from Franchisor.

(3) If Franchisee fails to obtain the execution of the confidentiality and related covenants as required under Sections 10.B or 10.C of this Agreement within ten (10) days after being requested to do so by Franchisor and fails to cure such default within thirty (30) days following notice from Franchisor.

(4) If Franchisee or any of its Affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its Affiliates, when due under this Agreement or any other agreement, or fails to submit the financial or other information required by Franchisor under this Agreement, and does not cure such default within five (5) days following notice from Franchisor.

(5) If Franchisee or any of the Principals fails to comply with the restrictions against competition set forth in Section 10.C of this Agreement and fails to cure such default within ten (10) days following notice from Franchisor.

(6) If Franchisee operates the Studio or sells any products or services authorized by Franchisor for sale at the Studio at a location other than the Location and fails to cure such default within five (5) days following notice from Franchisor.

(7) If a threat or danger to public health or safety results from the construction or operation of the Studio and Franchisee fails to cure such default within the time period Franchisor requires following notice from Franchisor; or fails to close the Studio and remedy the condition on notice from Franchisor.

(8) If Franchisee fails to maintain or observe any of the Franchisor's Standards prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing, and fails to cure such default within thirty (30) days following notice from Franchisor.

(9) If Franchisee fails to comply with any other requirement imposed by this Agreement, or fails to carry out the terms of this Agreement in good faith and fails to cure such default within thirty (30) days following notice from Franchisor.

(10) If Franchisee fails to designate a qualified replacement Operating Principal or General Manager within thirty (30) days after any initial or successor Operating Principal or General Manager ceases to serve.

E. Alternative Remedies. If Franchisee is in default under this Agreement and the default is not cured within the cure period (if any), then while such default remains uncured, Franchisor may, in addition to any other remedies, suspend Franchisee's access to: **(i)** FS8 TV; **(ii)** and any and all other services and products Franchisor provides; **(iii)** and any and all of Franchisor's approved or required suppliers. Once the default is cured, Franchisor will promptly reconnect Franchisee's access to all of the services, products, and providers that were suspended. Franchisor's exercise of its remedies in this Section 17.E will not **(x)** constitute actual or constructive termination or abandonment of this Agreement; **(ii)** be a waiver of the default or any breach of this Agreement; or **(iii)** preclude Franchisor from terminating this Agreement in accordance with Section 17, as applicable, or pursuing any equitable or other remedies. Franchisee waives all claims against Franchisor and its Affiliates arising from any suspension described above.

F. Liquidated Damages. If this Agreement is terminated due to Franchisee's default, Franchisee must, upon written demand from Franchisor, pay Franchisor a lump-sum payment in an amount calculated as follows: (a) the average of Franchisee's Royalty fees due for the last twelve (12) months before Franchisor's delivery of notice of default (or, if lesser, the months Franchisee had been operating before Franchisor's delivery of notice of default), (b) multiplied by the lesser of twelve (12) or the number of months remaining in the term of this Agreement. The payments called for in this Section 17.F constitute liquidated damages for causing the premature termination of this Agreement and are not a penalty. A precise calculation of the full extent of damages that Franchisor will incur if this Agreement terminates because Franchisee defaults cannot be reasonably determined. Nevertheless, the parties agree that the lump-sum payment provided under this Section 17.F is reasonable in light of the damages for premature termination that may reasonably be expected to occur in such event. The amounts contemplated under this Section 17.F are not a penalty and the payment is intended by the parties only as a compensatory remedy for past breaches and not as a preventative remedy to deter future breaches. The sum contemplated in this Section 17.F does not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Accordingly, as a purely liquidated damages provision, this Section does not preclude, and is not inconsistent with, a court granting Franchisor specific performance or any other equitable remedies, such as an injunction, to prevent future breaches. Franchisor's rights to liquidated damages and specific performance or any other equitable relief are not mutually exclusive.

18. POST-TERMINATION

A. Franchisee's Obligations Upon Termination. Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee will terminate, and Franchisee must:

(1) Immediately cease to operate the Franchise Business under this Agreement, and not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

(2) Immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, methods, procedures, and techniques associated with the System and the Marks.

Without limitation of the foregoing, Franchisee must cease to use all signs, advertising materials, displays, stationery, forms, and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark “FS8 Studio” or any other Mark, and furnish Franchisor with satisfactory evidence of compliance within 5 days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy, or colorable imitation of the Marks, in connection with any other business, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor’s rights in and to the Marks, nor will Franchisee use any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

(5) Immediately pay all sums owing to Franchisor and its Affiliates and all damages, costs, and expenses, including reasonable attorneys’ fees and costs, incurred by Franchisor as a result of any default by Franchisee or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which obligation will give rise to and remain a lien in favor of Franchisor against any and all assets of Franchisee, until such obligations are paid in full.

(6) Immediately deliver to Franchisor all Manuals, records, files, instructions, correspondence, Software Programs, and other materials related to the operation of the Franchise Business in Franchisee’s possession or control, and all copies thereof, all of which are acknowledged to be Franchisor’s property, and retain no copy or record of any of the foregoing, except Franchisee’s copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Section 10 of this Agreement and cause any other person required to execute similar covenants pursuant to Section 10 also to comply with such covenants.

(8) Promptly furnish to Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Studio or at any other location under Franchisee’s control. Franchisor will have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee’s cost. Materials not purchased by Franchisor will not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

(9) At Franchisor’s option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Studio or for any equipment used in the operation of the franchised business. Franchisor may exercise such option at or within 30 days after the termination or expiration of this Agreement. Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete the assignment of Franchisee’s interest in any such lease or sublease upon the exercise of Franchisor’s option described herein. This power of attorney will survive the expiration or termination of this Agreement. If Franchisor does not elect to exercise its option to acquire the lease or sublease for the Studio premises, Franchisee must make such modifications or alterations to the premises as are necessary to distinguish the appearance of the Studio from that of other FS8 Studios, and, if Franchisee fails or refuses to do so, Franchisor will have the right to enter upon the premises, without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at Franchisee’s expense.

(10) At Franchisor's option, assign to Franchisor all rights to the telephone numbers of the Franchise Business and any related business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Franchisee must thereafter use different telephone numbers at or in connection with any subsequent business conducted by Franchisee.

B. Additional Franchisor Options. In addition to its options under Sections 18.A(9) and (10), Franchisor will have the following options, to be exercised within thirty (30) days after termination or expiration of this Agreement:

(1) Franchisor will have the option to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, materials and other assets related to the operation of the Franchise Business, at fair market value. In addition, if Franchisee owns the land upon which the Studio is located, Franchisor will have the further option to purchase the land, including any building on the land used for the operation of the Studio, for the fair market value of the land and building. If Franchisee does not own the land, Franchisor may nevertheless exercise this option for the purpose of purchasing any building owned by Franchisee and used in the operation of the Studio.

(2) With respect to Franchisor's options under Section 18.B(1), Franchisor will purchase assets only and will assume no liabilities, unless otherwise agreed in writing by the parties. If the parties cannot agree on the fair market value of the assets within thirty (30) days of Franchisor's exercise of its option, fair market value will be determined by three appraisers. Each party will select one appraiser, and those two appraisers will select a third appraiser. The average of the determinations of the three appraisers will be binding. In the event of an appraisal, each party will bear its own legal and other costs and will divide the appraisal fees equally. The purchase price must be paid in cash; provided, that Franchisor will have the right to set off from the purchase price **(i)** all fees due from Franchisee for any appraisal conducted hereunder, **(ii)** all amounts due from Franchisee to Franchisor or any of its Affiliates, and **(iii)** any costs incurred in connection with any escrow arrangement (including reasonable legal fees and costs).

(3) Closing of the purchase and sale of the properties described above will occur not later than thirty (30) days after the purchase price is determined, unless the parties mutually agree to designate another date. At closing, Franchisee must deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments, and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all necessary documents, instruments, or third party consents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents. Closing will take place at Franchisor's corporate offices or at such other location as the parties may agree.

C. Assignment of Franchisor Rights. Franchisor will be entitled to assign any and all of its options in this Section 18 to any other party, without the consent of Franchisee.

19. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail, provided that such electronic mail provides a read receipt evidencing receipt, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

FS8, Inc.
3601 South Congress Avenue
Building E
Austin, TX 78704
Attention: Legal
Telephone: (737) 787-1955
Email: legal@fs8.com

Notices to Franchisee and
Principals:

As set forth in Item 15 of the Summary Addendum

Any notice will be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

B. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments and Addenda hereto, constitute the entire, full, and complete agreement between Franchisor and Franchisee and the Principals concerning the subject matter hereof and supersede all prior related agreements; provided, however, that nothing in this or any related agreement disclaims or requires Franchisee to waive reliance on any representation that Franchisor made in the most recent franchise disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative, subject to any agreed-upon changes to the contract terms and conditions described in that franchise disclosure document and reflected in this Agreement (including any riders or addenda signed at the time as this Agreement). Except for those permitted to be made unilaterally by Franchisor hereunder, such as in Section 2.D, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

C. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or the Principals under this Agreement will constitute a waiver by Franchisor to enforce any such right, option, duty, or power against Franchisee or the Principals, or as to a subsequent breach or default by Franchisee or the Principals.

D. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee must make a timely written request to Franchisor, and such approval or consent must be obtained in writing. No waiver, approval, consent, advice, or suggestion given to Franchisee, and no neglect, delay, or denial of any request therefor, will constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.

E. Force Majeure. Upon the occurrence of an event that may constitute a Force Majeure, the party affected thereby must give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party must promptly undertake and maintain with due diligence. Such affected party will be liable for failure to give timely notice only to the extent of damage actually caused. Franchisor, acting reasonably, reserves the right to determine if an event constitutes an event of Force Majeure. If an event of Force Majeure occurs, neither party will be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure but only for the duration of such event, as determined by the Franchisor acting reasonably. Notwithstanding any other provision of this Agreement, neither party is

excused from any obligation to pay monies owed because of an event of Force Majeure. The occurrence of a Force Majeure will not provide the Franchisee a right to terminate the Agreement.

F. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such invalidity, contradiction, or conflict will not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms, or provisions of this Agreement that may remain otherwise intelligible, and the latter will continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms, or provisions will be deemed not to be part of this Agreement; and there will be automatically added such portion, section, part, term, or provision as similar as possible to that which was severed which will be valid and not contrary to or in conflict with any law or regulation.

G. MEDIATION. EXCEPT FOR ACTIONS WHICH THE FRANCHISOR MAY BRING IN ANY COURT OF COMPETENT JURISDICTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (iii) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS OR THE CONFIDENTIAL INFORMATION, THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN FRANCHISOR OR ANY OF ITS AFFILIATES (AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND FRANCHISEE (AND FRANCHISEE'S AGENTS, REPRESENTATIVES AND/OR EMPLOYEES, AS APPLICABLE) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE OR THEIR RESPECTIVE AFFILIATES, (b) FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR OR FRANCHISEE OR THEIR RESPECTIVE AFFILIATES, OR (d) ANY SYSTEM STANDARD, TO MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY, OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION WILL BE CONDUCTED BY EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES, AS AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED 15 DAYS) AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION WILL BE HELD AT FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES AND COSTS INCURRED BY EITHER PARTY), WILL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER SECTION 19.H.

H. JURISDICTION AND VENUE. FOR ANY CLAIMS, CONTROVERSIES, OR DISPUTES WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED ABOVE, FRANCHISEE AND THE PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE AND THE FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY, OR JUDICIAL DISTRICT IN WHICH THE

FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED AT THE TIME THE CLAIM IS BROUGHT. FRANCHISEE AND THE PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION AND AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY BY ANY MEANS ALLOWED BY DELAWARE OR FEDERAL LAW. FRANCHISEE AND THE PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY SUCH PROCEEDING MUST BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED AT THE TIME THE ACTION IS COMMENCED; PROVIDED, THAT FRANCHISOR MAY BRING ANY ACTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (iii) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS, OR THE CONFIDENTIAL INFORMATION, IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION.

I. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER TEXAS LAW (EXCEPT FOR DELAWARE CONFLICT OF LAW RULES).

J. MUTUAL ACKNOWLEDGMENTS. THE PARTIES ACKNOWLEDGE THAT THEIR AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF THEM WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH PARTY FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT. IN ADDITION, THE PARTIES ACKNOWLEDGE THAT THE EXECUTION OF THIS AGREEMENT AND ACCEPTANCE OF THE TERMS BY THE PARTIES OCCURRED IN AUSTIN, TEXAS, AND FURTHER ACKNOWLEDGE THAT THE PERFORMANCE OF CERTAIN OBLIGATIONS OF FRANCHISEE ARISING UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF MONIES DUE HEREUNDER AND THE SATISFACTION OF CERTAIN TRAINING REQUIREMENTS OF FRANCHISOR, WILL OCCUR IN AUSTIN, TEXAS.

K. DAMAGES WAIVER. FRANCHISEE AND THE PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MEMBERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES OF EACH OF THEM, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, FRANCHISEE AND THE PRINCIPALS WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) WILL CONTINUE IN FULL FORCE AND EFFECT.

L. **JURY WAIVER.** IN ANY LITIGATION BETWEEN THE PARTIES FOUNDED UPON OR ARISING FROM THIS AGREEMENT, THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL, AND THE PARTIES HEREBY STIPULATE THAT ANY SUCH TRIAL WILL OCCUR WITHOUT A JURY.

M. **BUSINESS JUDGMENT.** FRANCHISEE, PRINCIPALS, AND FRANCHISOR ACKNOWLEDGE THAT VARIOUS PROVISIONS OF THIS AGREEMENT SPECIFY CERTAIN MATTERS THAT ARE WITHIN THE DISCRETION OR JUDGMENT OF FRANCHISOR OR ARE OTHERWISE TO BE DETERMINED UNILATERALLY BY FRANCHISOR. IF THE EXERCISE OF FRANCHISOR'S DISCRETION OR JUDGMENT AS TO ANY SUCH MATTER IS SUBSEQUENTLY CHALLENGED, THE PARTIES TO THIS AGREEMENT EXPRESSLY DIRECT THE TRIER OF FACT THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION OR JUDGMENT IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF SUCH DISCRETION OR JUDGMENT, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

N. **LIMITATIONS OF CLAIMS.** EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO (i) ANY MISREPRESENTATION OR OMISSION MADE BY FRANCHISEE OR ITS PRINCIPALS UNDER THIS AGREEMENT OR IN ANY APPLICATION THEREFOR, (ii) FRANCHISEE'S OBLIGATIONS TO PROTECT FRANCHISOR'S CONFIDENTIAL INFORMATION, OR (iii) FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 15, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN TWO YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR TWO (2) YEARS FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

O. **Counterpart Execution.** This Agreement may be executed in multiple counterparts, each of which when so executed will be an original, and all of which will constitute one and the same instrument.

P. **Headings.** The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions will not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor will such captions otherwise be given any legal effect.

Q. **Survival.** Any obligation of Franchisee or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Principals therein, will be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections 19.H and 19.I are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

R. **Gender.** All references herein to the masculine, neuter, or singular will be construed to include the masculine, feminine, neuter, or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises,

covenants, agreements, and obligations made or undertaken by Franchisee in this Agreement will be deemed, jointly and severally, undertaken by all of the Principals.

S. Remedies Cumulative. All rights and remedies of the parties to this Agreement are cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its Affiliates, and Franchisor or any of its Affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section 17 of this Agreement will not discharge or release Franchisee or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement. Additionally, Franchisee and the Principals will pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.

T. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will it be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 14), any rights or remedies under or as a result of this Agreement.

U. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

V. Agreement Effective Upon Execution by Franchisor. This Agreement will not become effective until signed by an authorized representative of Franchisor.

20. FRANCHISEE'S ACKNOWLEDGMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Consultation with Advisors. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. FTC Rule Compliance. Franchisee acknowledges that it received a complete copy of Franchisor's disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) and applicable state laws within the time period required by applicable law.

D. No Reliance. Franchisee is relying solely on Franchisor, and not on any affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under

this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

E. Designees. Franchisee acknowledges that Franchisor has the right to delegate certain of its obligations under this Agreement to designees, agents (who may be an unaffiliated third party), or employees ("**Designees**"). Franchisee agrees to deal directly with any Designee as Franchisor's agent; provided, however, that if the directions or instructions that Franchisee receives from any Designee are inconsistent with or contrary to, any directions or instructions that Franchisee receives from Franchisor, Franchisee will follow Franchisor's directions and/or instructions. Franchisee further acknowledges that Franchisee will have no contractual relationship with Designee(s) by virtue of Franchisor's delegation of certain of its obligations to Designee(s).

21. CERTAIN DEFINITIONS

A. An "Affiliate" of a named person is any person or entity that is controlled by, controlling or under common control with such named person.

B. "Brand Fund" means the advertising fund described in Section 8.E of this Agreement.

C. "Business Day" means any day other than Saturday, Sunday or the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

D. "Confidential Information" means any confidential information, knowledge or know-how concerning the methods of establishing and operating the Franchise Business which may be communicated to Franchisee or any of the Principals or of which they may be apprised under this Agreement. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System which Franchisor provides to Franchisee in connection with this Agreement will be deemed confidential for the purposes of this Agreement.

E. "Cooperative" means an advertising cooperative, as described in Section 8.D of this Agreement.

F. "Controlling Interest" means (a) if Franchisee is a corporation, that the Principals, either individually or cumulatively, (i) directly or indirectly own at least 51% of the shares of each class of Franchisee's issued and outstanding capital stock and (ii) be entitled, under its governing documents and under any agreements among the shareholders, to cast a sufficient number of votes to require such corporation to take or omit to take any action which such corporation is required to take or omit to take under this Agreement, or (b) if Franchisee is a partnership, that the Principals (i) own at least 51% interest in the operating profits and operating losses of the partnership as well as at least 51% ownership interest in the partnership (and at least 51% interest in the shares of each class of capital stock of any corporate general partner) and (ii) be entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement.

G. "General Manager" means a qualified individual who meets the requirements in Section 6.F of this Agreement but who is not required to own an interest in Franchisee, designated by Franchisee and approved by Franchisor to supervise the operations of Franchisee's Franchise Business.

H. “Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances, war, terrorism, riot, epidemic, fire a taking of the Franchisee’s Location by eminent domain or by any governmental authority, or other catastrophe or other forces beyond Franchisee’s control.

I. “Gross Sales” means the total selling price of all services, except for the Approved Services specifically identified by the Franchisor as not being included in Gross Sales, and products and all income of every other kind and nature related to the Studio, including, without limitation, income from the sale of products and services over the Internet, whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

(1) Sums representing sales taxes collected directly from Members, based upon present or future laws of federal, state, or local governments, collected by Franchisee in the operation of the Studio, and any other tax, excise, or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Studio, provided that such taxes are actually transmitted to the appropriate taxing authority;

(2) Tips or gratuities paid directly by Studio Members to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(3) Returns to shippers or manufacturers; and

(4) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee’s products and services offered for resale at the Studio or having any material effect upon the ongoing operation of the Studio required under this Agreement.

Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. The following are included within the definition of “Gross Sales” described except as noted below:

(a) The full value of Studio products or services, except for the Approved Services specifically identified by the Franchisor as being excluded from Gross Sales, furnished to Franchisee’s employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the month in which the products or services were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(b) All proceeds from the sale of coupons, gift cards, gift certificates or vouchers, including amounts paid directly to Franchisee by third party marketing companies (e.g., Groupon) for similar payment devices; provided, that at the time such coupons, gift cards, gift certificates or vouchers are redeemed the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will not be included in Gross Sales. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift card, gift certificate or voucher is sold, or if such coupons, gift cards, gift certificates or vouchers are distributed free of charge, the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will be included in Gross Sales.

J. “Gross Sales Report” means the report due on the first day of each month during the Term of this Agreement, itemizing, in the form and manner Franchisor reasonably requires (including electronic form), the Gross Sales of the Franchise Business for the preceding month.

K. “Internet” means a global computer-based communications network.

L. “Intranet” means a restricted global computer-based communications network.

M. “Manuals” means Franchisor’s Confidential Operations Manuals, written mandatory and suggested directives and any other manuals and written materials as Franchisor develops for use in the System, as revised by Franchisor from time to time.

N. “Members” means individuals who have entered into an agreement with Franchisee for the purpose of using Franchisee’s Franchise Business and participating in or purchasing Franchise Business services.

O. “Membership Fees” means the fees an individual must pay Franchisee to become a Member, whether temporary, month-to-month, or annual fees.

P. “Opening Date” means the date the Studio opens for business to the public.

Q. “Principals” includes, collectively and individually, Franchisee’s spouse, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals, and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, all of which are set forth in Item 17 of the Summary Addendum.

R. “Protected Area” means the geographic area assigned to Franchisee, in Franchisor’s sole discretion, upon the acquisition of the Location and as described in any writing issued by Franchisor, exclusive of any Reserved Area, within which Franchisee will be afforded the protections described in Section 1.B of this Agreement. If Franchisor does not define the Protected Area in writing as described above, then the Designated Area will automatically become the Protected Area as set forth in Item 19 of the Summary Addendum.

S. “Publicly-held Corporation” is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

T. “Reserved Area” means any office buildings/campuses; military bases and posts; airports; and hotels, resorts, and other lodging facilities, regardless of where located.

U. “Software Programs” means the proprietary or other software programs developed or acquired by or on behalf of Franchisor for use by Franchises Businesses.

V. “**Taxes**” means any present or future taxes, levies, imposts, duties, or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income.

V. “Term” means the combined length of the Initial Term and each Renewal Term.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

FRANCHISEE:

The party named in Item 2 of the Summary Addendum

By: _____

Name: _____

Title: _____

Date: _____

STATE-SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT

1. California
2. Illinois
3. Maryland
4. Minnesota
5. New York
6. North Dakota
7. Rhode Island
8. Washington

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF CALIFORNIA

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq.*, and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provides rights to Franchisee concerning termination, transfer, or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with California law, California law will control.
- b. The 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.*).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF ILLINOIS

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq* (“**Act**”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Paragraphs 705/19 and 705/20 of the Act provide rights to You concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the Act, or a rule or order under the Act, will be void and are hereby deleted with respect to claims under the Act.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Act.
- d. If the Agreement requires that it be governed by a state’s law, other than the state of Illinois, to the extent that such law conflicts with the Act, the Act will control.
- e. Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

(Signature page is the next page.)

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF MARYLAND

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. ANN. CODE, BUS. REG., §§ 14-201 *et seq.* (2015 Repl. Vol.) (“**Law**”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Any release required as part of the Agreement or as a condition of the sale, renewal, assignment, or transfer of the franchise will not apply to any liability under the Law.
- b. Any acknowledgments or representations of Franchisee made in the Agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Law.
- c. Any requirement that litigation be conducted in a forum other than the State of Maryland will not be interpreted to limit any rights Franchisee may have under the Law to bring suit in the State of Maryland.
- d. The limitation on the period of time mediation and/or litigation claims must be brought will not act to reduce the 3-year statute of limitations afforded Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within 3 years after the grant of the franchise.

2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

(Signature page is the next page.)

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF MINNESOTA

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 *et seq.*, and with the rules and regulations promulgated thereunder (collectively, “**Franchise Act**”). To the extent the Agreement/and or disclosure document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Minnesota Department of Commerce requires Franchisor to indemnify Franchisee against liability to third parties for infringement resulting from Franchisee’s use of the trademarks licensed under the Agreement to the extent required by Minnesota law. Franchisor will not indemnify Franchisee against third-party liability for trademark infringement. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.
- b. Sec. 80C.14, Subd. 4 of the Franchise Act requires, except in certain specified instances, that Franchisor give Franchisee written notice of our intention not to renew the franchise 180 days before the franchise expires. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.
- c. Sec. 80C.14, Subd. 3 of the Franchise Act requires, except in certain specified instances, that we give you 90 days notice of termination (with 60 days to cure). Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.
- d. To the extent Franchisee is required to execute a general release in Franchisor’s favor, such release will exclude liabilities arising under the Franchise Act or a rule or any order promulgated thereunder.
- d. If the Agreement requires that it be governed by the laws of a state other than the state of Minnesota, or if the Agreement requires arbitration or mediation, those provisions will not in any way abrogate or reduce any rights of Franchisee, as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- e. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat § 80C.17, Subd. 5. may not be enforceable under Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, including Franchisee’s rights to any procedure, forum, or remedies provided for in such law.

3. All sections of the Agreement referencing Franchisor’s right to obtain injunctive relief are hereby amended to refer to Franchisor’s right to seek to obtain.

4. Each provision of this Agreement will be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provision are met independent of this Amendment. This Amendment

will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF NEW YORK

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (“**Law**”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the Law, regulation, rule, or order under the Law, such release will exclude claims arising under the Law and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the state of New York, the choice of law provision will not be considered to waive any rights conferred upon Franchisee under the Law.

2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF NORTH DAKOTA

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.
- d. If the Agreement requires that it be governed by the law of a state, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.
- e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.
- g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.
- h. Any provision that provides that the Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota Law.
- i. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota Law may not be enforceable under North Dakota Law.
- j. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

- k. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF RHODE ISLAND

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. §§ 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If this Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Patrick Gross

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**AMENDMENT TO THE FS8, INC.
FRANCHISE AGREEMENT**

FOR THE STATE OF WASHINGTON

The FS8, Inc. Franchise Agreement between the party named in Item 2 of the Summary Addendum (“**Franchisee**” or “**You**”) and FS8, Inc. (“**Franchisor**”) dated on the date set out in Item 1 of the Summary Addendum (“**Agreement**”) will be amended by the addition of the following language, which will be considered an integral part of the Agreement (“**Amendment**”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to 19.100.940 (“**Act**”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Act provides rights to Franchisee concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If Franchisee is required in the Agreement to execute a release of claims, such release will exclude claims arising under the Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel.
- c. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.
- d. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the state of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the state of Washington, must either be held in the state of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- e. If the Agreement requires that it be governed by the law of a state, other than the state of Washington, and if there is a conflict between the law and the Act, the Act will control.
- f. Transfer fees are collectable to the extent they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.

2. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

3. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or

elsewhere are void and unenforceable in Washington.

Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

FS8, Inc.
a Delaware corporation

FRANCHISEE:

The party named in Item 2
of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

ATTACHMENT A

PRINCIPALS' GUARANTY AND ASSUMPTION AGREEMENT

1. This Principals' Guaranty and Assumption Agreement ("**Guaranty**") is given on the date set forth below by the undersigned in consideration of, and as an inducement to, FS8, Inc. ("**Franchisor**") entering into that certain Franchise Agreement dated on the date set out in Item 1 of the Summary Addendum ("**Franchise Agreement**") with the party named in Item 2 of the Summary Addendum ("**Franchisee**"). Each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, "**Guarantor**"; collectively, "**Guarantors**") are Controlling Principals (as defined in the Agreement) of Franchisee and will receive material benefit from the execution of the Agreement by Franchisor.

2. Unless otherwise modified in Item 20 of the Summary Addendum, which Franchisor is not obligated to modify, each Guarantor hereby personally and unconditionally guarantees to Franchisor and its successors and assigns that Franchisee will punctually perform its obligations and pay all amounts due under the Agreement, including, without limitation, amounts due for initial franchise fees, royalties, advertising expenditures, and purchases of equipment, materials, and supplies. If any modification is made to Guarantor's obligations, as described above, then, subject to Section 3 below, each Guarantor's aggregate, monetary liability under this Guaranty will be limited as follows:

- a. an amount not to exceed the amount set out in Item 20 of the Summary Addendum; plus
- b. all legal costs incurred by Franchisor (on a full indemnity basis as described in Section 15 of the Franchise Agreement) as a result of:
 - (i) Franchisor having to enforce its rights under the Franchise Agreement or this Guaranty; and
 - (ii) Franchisor having to defend or bring a claim or action against a third party as a result of Franchisee breaching its obligations under the Franchise Agreement.

3. Each Guarantor hereby acknowledges and agrees that the limitation of liability described in Section 2 of this Guaranty does not apply with respect to any Claims by Franchisor against Franchisee, Guarantor, or any other party arising under or with respect to: **(i)** Section 9 of the Franchise Agreement; or **(ii)** Section 10 of the Franchise Agreement; nor does the limitation of liability amend or otherwise limit in any way any of Franchisee's obligations under the Franchise Agreement.

4. As used in this Guaranty, "**Claims**" means **(i)** any breach by Franchisee or Guarantor; **(ii)** against any person any allegation, action, demand, cause of action, suit proceeding, judgment, debt, damage, loss, cost, expense, or liability, whatsoever and howsoever arising, whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute, or otherwise.

5. Each Guarantor hereby waives:

- a. acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- b. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- c. protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- d. any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- e. all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this guaranty by the undersigned (including by way of counterparts); and

- f. any and all other notices and legal or equitable defenses to which he or she may be entitled.
6. Each Guarantor hereby consents and agrees that:
- a. his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
 - b. he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; and
 - c. such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
 - d. such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Franchise Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Franchise Agreement; and
 - e. Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.
7. Notwithstanding Section 2 of this Guaranty, each Guarantor also makes all of the covenants, representations, warranties, and agreements of the Principals set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections 6, 9, 10, 14, 15, 18, and 119.G through 19.N. SECTION 19.L INCLUDES A JURY TRIAL WAIVER.
8. If Franchisor is required to enforce this Guaranty in an administrative, judicial, or arbitration proceeding, and prevail in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

(Signature page is the next page.)

IN WITNESS WHEREOF, each Guarantor has hereunto affixed its signature on the same day and year as the Franchise Agreement was executed.

PRINCIPALS:

Name: _____

Name: _____

Name: _____

Name: _____

[Note to Franchisee: This document is a sample form only for use with your managers and employees with access to Confidential Information. You may use this form or choose to use your own form of agreement, provided that if you use your own form of agreement it must meet our standards and specifications. If you use this form, you should consult with your attorney to ensure that the terms of this agreement are enforceable within your state and make any necessary modifications. In some states, this agreement may only be enforceable to the extent permitted by state law. Further, in certain states, this form of agreement (including, but not limited to, the non-compete that is contained herein) may be unlawful as written, and could make you liable to pay damages, penalties and other compensation to your employees.]

ATTACHMENT B

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE AGREEMENT

This Confidentiality Agreement and Ancillary Covenants Not to Compete Agreement (“**Agreement**”) is made and entered into on the date Covenantor signs this Agreement between the franchisee of the FS8 Studio named below (“**Franchisee**”) and the person named below (“**Covenantor**”) in connection with a franchise agreement between FS8, Inc. (“**Franchisor**”) and Franchisee having the Effective Date set forth below (“**Franchise Agreement**”). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of FS8 Studios.

The System is identified by certain Marks including, the mark “FS8,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a FS8 Studio pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

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

Confidentiality Agreement

1. Covenantor will, at all times, maintain the confidentiality of the Confidential Information and will use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a FS8 Studio under the Franchise Agreement.

2. Covenantor will not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor will not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Studio.

4. Covenantor will surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor will not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to Covenantor, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, and for a period of two years following the earlier of **(i)** the termination thereof, or **(ii)** the termination, expiration, or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for FS8 Studios:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of the Studio to any competitor; and

b. Directly or indirectly, for himself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association, or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a FS8 Studio (including, without limitation, a fitness business or a business which offers exercise classes or physical training; gym services; crossfit or resistance training; yoga; pilates; cycling; Zumba® or other dance fitness classes; martial or mixed martial arts; boxing; fitness boot camps) or any business that offers prepared meals or protein or other nutritional supplements that are the same as or similar to the meals and supplements Franchisee is required under the Franchise Agreement to offer in connection with the Studio and which is, or is intended to be, located within the Protected Area or within a five-mile radius of any FS8 Studio then in existence or under construction.

Principal's Undertaking

If Covenantor is also a Principal, as that term is defined in the Franchise Agreement, then Covenantor also makes all of the covenants, representations, warranties, and agreements of the Principals set forth in Sections 14, 15, and 19.G through 19.N of the Franchise Agreement and is obligated to perform thereunder.

Miscellaneous

1. Franchisee will make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that:

a. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The time periods relating to the obligations set forth in this Agreement will be tolled for any period of non-compliance.

b. Each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held

unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor 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 Agreement.

c. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor will be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

5. THIS AGREEMENT IS GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO DELAWARE CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY DELAWARE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. THE PARTIES TO THIS AGREEMENT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT OR THIS AGREEMENT.

7. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. Due to the importance of this Agreement to Franchisor and Franchisee, any claim Covenantor has against Franchisee or Franchisor is a separate matter and does not entitle Covenantor to violate or justify any violation of this Agreement.

8. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

9. Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail to the respective parties at the

following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice must be addressed to:

FS8, Inc.
3601 Barton Springs Rd
Building E
Austin, TX 78704
Attention: Legal
Telephone: (737) 787-1955

Email: legal@fs8.com

If directed to Franchisee, the notice must be addressed to:

Attention: _____
Telephone: _____

If directed to Covenantor, the notice must be addressed to:

Attention: _____
Telephone: _____

Any notice will be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

10. Franchisor and its successors and assigns will be third-party beneficiaries of this Agreement, with the full and independent right, at their option and in their sole discretion, to enforce this Agreement.

11. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective Affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

COVENATOR:

By: _____

Name: _____

Signed as an Individual

Date: _____

Effective Date of Franchise Agreement:

ATTACHMENT C
ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
FS8, INC. "FRANCHISOR"

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge any and all fees and other charges in connection with the Franchise Agreement (including, without limitation, the Initial Franchise Fee, Royalty Fees, Document Preparation Fee, Equipment Pack Fees (including both Payment 1 and Payment 2), contributions to the Brand Fund and any other payments due to Franchisor by Franchisee, and any applicable taxes, late fees and interest charges) to the following designated account, checks, and electronic debits (collectively, "**debits**") drawn on such account which are payable to the Franchisor when such payments are due to the Franchisor under the Franchise Agreement. It is agreed that Depository's rights with respect to each such debit will be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository will be under no liability whatsoever. This authorization will continue in force until Depository and Franchisor have received at least 30 days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

- (1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Franchisor and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- (2) To indemnify Franchisor and the Depository for any loss arising in the event that any such debit is dishonored, whether with or without cause and whether intentionally or inadvertently.
- (3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Franchisor pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Franchisor's participation therein.

Name of Depository: _____

Name of Franchisee/Depositor: _____

Designated Bank Acct. _____

ABA Routing Number: _____

(Please attach one voided check for the above account.)

Authorized Signatory (Primary) _____ Print Name: _____

Authorized Signatory (Joint) _____ Print Name: _____

(Joint accounts require the signature of all persons having authority over the account.)

Studio Location: _____

Date: _____

ATTACHMENT D
LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of FS8, Inc., a Delaware corporation (“**Franchisor**”), and that the Studio located at the Premises (“**Unit**”) is operated under the FS8 Studio franchise system, pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and Franchisor. Landlord consents to Tenant’s use at the Premises of such marks and signs, decor items, color schemes, and related components of the FS8 Studio system as Franchisor may prescribe for the Unit. During the Term of the Franchise Agreement, the Premises may be used only for the operation of the Unit.

(b) Landlord agrees to furnish to Franchisor copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord must give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord must give Franchisor further written notice of such failure (“**Franchisor Notice**”). Following Franchisor’s receipt of the Franchisor Notice, Franchisor will have the right (but not the obligation) to cure Tenant’s default before Landlord exercises any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure must be effected within 15 days following Franchisor’s receipt of the Franchisor Notice. Such cure by Franchisor will not be deemed to be an election to assume the terms, covenants, obligations, and conditions of the Lease.

(c) If Franchisor cures Tenant’s default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination will constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of Franchisor’s notice thereof), Landlord agrees, upon Franchisor’s written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and will cooperate with Franchisor in order to pursue such action to a conclusion.

(d) If Franchisor cures Tenant’s default or notifies Landlord of the termination of the Franchise Agreement, Franchisor will have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations, and conditions of the Lease (including paying rent and all other amounts due under the terms of the Lease) on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six months from the first date of any cure by Franchisor, which performance will not be deemed to be an automatic assumption or guaranty of the Lease; or

2. At any time within or at the conclusion of such six-month period, assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor will enter into an agreement to document such assumption. Franchisor is not a party to the Lease and will have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(e) If, during the six-month period set forth in Section (d)(1) above, or at any time after the assignment contemplated in Section (d)(2), Franchisor notifies Landlord that the franchise for the Unit is being granted to another FS8 Studio franchisee, Landlord will permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord’s reasonable financial qualifications. Landlord will not unreasonably delay or withhold consent to such assignment. Thereafter, Franchisor will be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor will Landlord and Tenant amend or otherwise modify the Lease in any

manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(g) Franchisor has the right to enter the Premises to make any modification or alteration necessary to protect the FS8 Studio system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord will not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors, and assigns and the officers, directors, shareholders, partners, employees, agents, and representatives of each of them, from any and all claims, demands, accounts, actions, and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum.

(h) Tenant and Landlord acknowledge and agree that the obligations of Franchisor are strictly limited to the express obligations set out in this Lease Addendum, as originally written. If Tenant and Landlord amend this Lease Addendum in any way, Franchisor will not be bound by such amendments unless such amendments have been provided to Franchisor in advance, in writing, and Franchisor has signed such amendment.

(i) All notices sent pursuant to this Addendum must be sent in the manner set forth in the Lease, and delivery of such notices will be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address is FS8 Inc., Attn: Legal Team, 3601 South Congress Avenue, Building E, Austin, TX 78704, which address may be changed by written notice to Landlord in the manner provided in the Lease.

ATTACHMENT E
FS8, INC.
SUMMARY OF ACKNOWLEDGMENTS

Indicate your acknowledgment of the following by **initialing each statement** and signing below:

INITIAL

HERE

_____ Franchisee acknowledges that it is not a domiciliary or a resident of any state other than the state listed in Item 15 and Item 18 of the Summary Addendum to the Franchise Agreement.

_____ Franchisee's Studio will be located in the following state as indicated in Item 19 of the Summary Addendum to the Franchise Agreement.

_____ Franchisee acknowledges that it has received the FS8, Incorporated Franchise Disclosure Document required by Federal Trade Commission dated _____.

Date of Franchise Disclosure Document Receipt: _____

Franchisee acknowledges that it received the Franchise Disclosure Document:

_____ (a) if Franchisee is domiciled in, opening an FS8 Studio in, or accepting the franchise offer in **Connecticut or Michigan**, at least 10 business days **(i)** before execution of the Franchise Agreement and related agreements or **(ii)** before making any payment for the franchise, whichever occurred first.

_____ (b) if Franchisee is domiciled in, opening an FS8 Studio in, or accepting the franchise offer in **New York**, the earlier of: **(i)** your first personal meeting with a representative of FS8, Incorporated held for the purpose of discussing the sale or possible sale of an FS8 Studio franchise, or **(ii)** at least 10 business days **(x)** before the execution of the Franchise Agreement and related agreements or **(y)** before making any payment for the franchise, whichever occurred first.

_____ (c) if Franchisee is domiciled in, opening an FS8 Studio in, or accepting the franchise offer in **Iowa**, the earlier of: **(i)** your first personal meeting with a representative of FS8, Incorporated held for the purpose of discussing the sale or possible sale of an FS8 Studio franchise, or **(ii)** at least 14 calendar days **(x)** before the execution of the Franchise Agreement and related agreements or **(y)** before making any payment for the franchise, whichever occurred first.

_____ (d) if (a), (b), and (c), above, are not applicable, at least 14 calendar days **(i)** before execution of the Franchise Agreement and related agreements or **(ii)** before making any payment for the franchise, whichever occurred first.

_____ Franchisee has signed and returned to FS8, Incorporated the Receipt for the Franchise Disclosure Document. Franchisee acknowledges that it has also retained a Receipt for its records. In addition, [each of] the undersigned Principal[s] of Franchisee has signed and returned to FS8, Incorporated the Receipt for each Franchise Disclosure Document and has retained a copy for his/her records.

_____ Franchisee acknowledges that it has had an opportunity to read the Franchise Disclosure Document and that no representations have been made to Franchisee which are inconsistent with information presented in the Franchise Disclosure Document(s), and Franchisee has not relied upon any representations inconsistent with or not contained in the Franchise Disclosure Document.

- _____ Franchisee acknowledges that it has had the opportunity to conduct an independent investigation of the franchised business offered and to seek independent counsel concerning the franchised business.
- _____ Franchisee acknowledges that the franchised business, as any business venture, involves risks, and the success of the franchised business will depend largely upon the ability of Franchisee.
- _____ Franchisee acknowledges that the success or failure of the franchised business will depend in large part upon Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors.
- _____ Franchisee acknowledges that it has not received any warranty or guarantee, express or implied, as to the actual or potential volume, earnings, profits, or success of the franchised business.
- _____ Franchisee acknowledges that it has received the completed Franchise Agreement and related agreements, with all blanks filled in, at least seven calendar days prior to the date on which the such agreements were executed.
- _____ Franchisee acknowledges that the Franchise Agreement contains a number of provisions that may affect its legal rights, including designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations.
- _____ Franchisee acknowledges and represents that (a) Franchisee or the entity that Franchisee forms to be a franchisee will be the employer of all of Franchisee's employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of Franchisee's employees; and (b) Franchisor and Franchisor's affiliates will have no control, or right to control, any of the employment actions or decisions in Franchisee's franchised business. *We recommend that you retain employment law counsel to advise you with your employment issues and questions.*

Any acknowledgments or representations of the franchisee which disclaim the occurrence and/or acknowledge that the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

(Signature page is the next page.)

Each of the undersigned has read this Summary of Acknowledgments and each acknowledges and states that each statement described above is true and correct:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

PRINCIPAL(S):

By: _____

Name: _____

Signed as an Individual

Date: _____

By: _____

Name: _____

Signed as an Individual

Date: _____

**EQUIPMENT PACK ADDENDUM TO
FS8, INC.
FRANCHISE AGREEMENT**

The following supplements Section 7.D(2) of the Franchise Agreement:

1. Sourcing of Equipment. In addition to the obligations set forth in Section 7.D of this Agreement, Franchisee must purchase the Equipment Pack from Franchisor and pay all Delivery Costs, Taxes, including duties, in connection with the sale or supply of the Equipment Pack. The Equipment Pack will contain the equipment, inventory, goods, accessories, furnishings, fixtures, merchandise, signage, and marketing collateral listed in the Schedule 1, hereto, and Franchisee will purchase of the Equipment Pack on the terms and conditions set out below.

(i) Price of Equipment Pack and Delivery Costs. Franchisee must pay the price for the Equipment Pack as set forth in Item 9 of the Summary Addendum ("**Price**") on the dates specified. Franchisee is solely responsible for: (i) Delivery Costs associated with the purchase and delivery of the Equipment Pack and (ii) any Taxes associated with the purchase and delivery of the Equipment Pack, including any sales or vendor Tax. If Franchisor is liable to pay any Taxes (including vendor tax or goods and services Tax) in relation to the sale or supply of the Equipment Pack, or any other item of equipment, then Franchisee must pay, in addition to the Price and at the same time the Price is paid, an amount equal to such Tax liability.

(ii) Title. Title in and to the Equipment Pack passes to Franchisee immediately upon payment of the Price.

(iii) Storage. If Franchisee is unable to take delivery of the Equipment Pack following payment, Franchisee must pay the storage costs Franchisor incurs to store the Equipment Pack until such time that Franchisee is able to take delivery of the Equipment Pack. The current cost of storage is approximately \$600 per month. Franchisee acknowledges and agrees that title for the Equipment Pack pass to the Franchisee upon payment and that the Equipment Pack may take up to 60 days to deliver after it is shipped.

(iv) Acknowledgments. Franchisee acknowledges and agrees that:

(A) the Equipment Pack contains some, but not all, of the equipment, inventory, goods, furnishings, and fixtures Franchisee must acquire in order to operate the Studio;

(B) Franchisor may amend or vary the items in the Equipment Pack, including the quantity of those items, from time to time;

(C) Franchisor may increase the prices of the Equipment Pack where the costs of supply of the Equipment Pack have increased;

(D) without limiting Section 1.(iv)(B) above, Franchisee acknowledges and agrees that the Equipment Pack set out in this Addendum is indicative only and that the actual items which are supplied to Franchisee may vary depending upon Franchisor's then-current requirements for operating an FS8 Studio. Without limiting the foregoing, Franchisee acknowledges and agrees that: (x) the apparel and merchandise, including Branded Products; and (y) the marketing and promotional material, may vary, however Franchisor will endeavour to substitute any items with goods, materials, or equipment of a similar value or quantity; and

(E) where the Equipment Pack does not contain an item necessary to conduct the franchised business (as set out in the Manuals), Franchisee must independently acquire such item(s), subject to the terms and conditions of the Franchise Agreement.

(v) Delivery. Franchisee is responsible for all costs, including shipping and delivery costs, duties, excise, charges, and insurance associated with delivering:

- (A) the Equipment Pack to Franchisee; and
- (B) any other equipment or item supplied by Franchisor to Franchisee under or in connection with the Franchise Agreement.

(vi) **Timeframe for Delivery.** Franchisee acknowledges and agrees that Franchisor has not warranted, represented, or guaranteed a timeframe for the delivery of the Equipment Pack and that Franchisor will not be liable for any claims, loss, damage, or liability associated with a delay in the delivery of the Equipment Pack.

(vii) **Risk.** Unless expressly agreed otherwise in writing, all risk and liability arising from or connection with the contents of the Equipment Pack and the installation and operation thereof passes to Franchisee upon payment of the Price by the Franchisee.

(viii) **Warranties.** To the maximum extent permitted by law, except for any express manufacturer's warranty provided in relation to any item included in the Equipment Pack, the Franchise Agreement does not include by implication any other term, condition, or warranty in respect of the quality, merchantability, acceptability, fitness for purpose, condition, description, assembly, manufacture, design, or performance of an item contained in the Equipment Pack or any contractual remedy for the failure of any such item(s).

(ix) **Liability.** To the maximum extent permitted by law, and notwithstanding anything to the contrary set forth in the Franchise Agreement, Franchisor is not liable for any punitive, exemplary, incidental, indirect, special, consequential, or other similar damages, losses, or expenses suffered by Franchisee or any third party, including but not limited to loss of turnover, profits, business, or goodwill or any liability to any other party, in relation to any damaged, faulty, or defective item (each and collectively, "Defect") in the Equipment Pack, howsoever caused and regardless of when such Defect occurred, including without limitation Defects resulting from:

- (A) intentional or reckless damage to an item in the Equipment Pack by any person;
- (B) an item in the Equipment Pack not be used in the manner intended;
- (C) Franchisee's failure to maintain or store correctly an item in the Equipment Pack; or
- (D) normal wear and tear.

(x) **Repair or Replacement.** Notwithstanding anything to the contrary in the Franchise Agreement, to the maximum extent permitted by law, and to the extent that Franchisor is liable for Defects in the Equipment Pack, and to the extent that Defects are not covered by a manufacturer's warranty, the remedies available to Franchisee are limited to the following, at Franchisor's sole discretion):

- (A) Franchisor will arrange and pay for the repair or replacement of such item; or
- (B) Franchisee will arrange for the repair or replacement of such item and Franchisor will pay for such repair or replacement.

(xi) **Signage.** Franchisee acknowledges and agrees that it will install and maintain signage as required by Franchisor.

(Signature page is the next page.)

IN WITNESS WHEREOF, the parties execute this Equipment Pack Addendum on the dates set forth below.

FRANCHISOR:

FS8, Inc.

FRANCHISEE:

The party named in Item 2 of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

Schedule 1

Equipment Pack Addendum

Set out below is an indicative Equipment Pack. The items and quantities in the Equipment Pack delivered to the Franchisee may vary depending on the requirements for the training programs, as determined by the Franchisor. The Franchisor may also supply marketing material, apparel and collateral in a quantity determined by the Franchisor.

ITEM	QUANTITY
Peak Pilates Reformer	9
Reformer Long/Short Box	9
Reformer Jump Pad	9
Foam Roller	9
Yoga Strap	18
Yoga Blocks	36
Exercise Mat	36
Trigger Point Ball	18
Pilates Ring	18
Chi Ball (Pilates Ball)	12
Hand Weights 2kg	18
Hand Weights 3kg	9
Hand Weights 4kg	9
Hand Weights 6kg	9
Hand Weights 8kg	9
Hand Weights 10kg	9
Activation Bands Light	18
Activation Bands Medium	18
Activation Bands Heavy	18
Activation Bands Extra Heavy	18
Slides	18
Station Markers	20
FS8 TV Dongles	10
Misc. Apparel and Merchandise	
Internal Signage	2

Flooring – Oak Laminate	180 sqm
Reception Desk	1
Lockers (18 lockers + 12 cubby holes)	1

**SUMMARY ADDENDUM TO
FS8, INC.
FRANCHISE AGREEMENT**

Franchisor and Franchisee agree that the information set forth in this Summary Addendum is fully incorporated into the Franchise Agreement. If any information set forth below conflicts with any provision set forth in the Franchise Agreement, then the information below controls.

Item 1	Effective Date:	
Item 2	Franchisee Name:	
Item 3	Assumed Name of Studio:	FS8 [<i>Studio Name</i>]
Item 4	Term & Renewal:	
	Initial Term:	Five years from the Opening Date
	Renewal Term 1:	Five years from the expiration of the Initial Term; subject to Section 3.B.
	Renewal Term 2:	Five years from the expiration of the first Renewal Term; subject to <u>Section 3.B.</u>
Item 5	Initial Franchise Fee:	\$50,000, due and payable on the Effective Date [<i>Subject to State Specific Amendment executed on the date of this Franchise Agreement.</i>]
Item 6	Document Preparation Fee:	\$2,000, due and payable on the Effective Date
Item 7	Renewal Fee:	50% of the then-current Initial Franchise Fee
Item 8	Royalty Fee:	The greater of 7% of Gross Sales or \$2,500 per month; payable as set forth in <u>Section 4.B.</u>
	First Royalty Payment:	180 days from the Effective Date
Item 9	Equipment Pack Fee:	\$100,000 plus shipping and Tax
	Equipment Pack Deposit:	\$10,000 due and payable on the Effective Date
	Equipment Pack Balance:	\$90,000 due upon the earlier of: (i) the date Franchisee orders the Equipment Pack from Franchisor; or (ii) six (6) months from the Effective Date (“Final Payment Date”). Subject to the Equipment Pack Addendum, the Franchisee acknowledges and agrees that the Equipment Pack Price is valid only up until the Final Payment Date. Following the Final Payment Date, the Equipment Pack Price may be increased to the Franchisor’s then-current price for the Equipment Pack.
Item 10	Grand Opening Marketing:	\$25,000; payable as set forth in <u>Section 8.F</u> and, if directed by Franchisor, must be paid to Franchisor upon the earlier of:

		<i>Dakota, Rhodes Island, South Dakota or Washington State</i>] is an integral part of this Agreement. [or Not Applicable]
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(Signature page is the next page.)

By signing below, each of the parties attests to the accuracy of the information contained in the Summary Addendum and agrees to and intends to be legally bound by the terms and provisions of the FS8, Incorporated Franchise Agreement to which this Summary Addendum is attached, all attachments thereto, including without limitation the State Amendment specified in **Item 21** of this **Summary Addendum**, effective on the Effective Date set forth above in **Item 1**.

FRANCHISOR:

FS8, Inc.

FRANCHISEE:

The party named in Item 2 of the Summary Addendum

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**ATTACHMENT TO SUMMARY ADDENDUM
DESIGNATED AREA**

The area marked on the map below is the Designated Area.

EXHIBIT B
STATE-SPECIFIC ADDENDA TO THE FDD

1. California
2. Hawaii
3. Illinois
4. Maryland
5. Minnesota
6. New York
7. North Dakota
8. Rhode Island
9. Virginia
10. Washington

**ADDENDUM TO FS8 TRAINING INCORPORATED
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. **Error! Reference source not found.** of the Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker in **Error! Reference source not found.** of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in such association or exchange.

B. **Error! Reference source not found.** of the Franchise Disclosure Document is supplemented by the following language:

- a. California Business and Professions Code Sections 20000 through 20043 provides 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.
- b. 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.).
- c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

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

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

4. Corporations Code 31512 provides that: “Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

5. You must sign a general release 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).

6. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF HAWAII

1. **Error! Reference source not found.** and **Error! Reference source not found.** are supplemented with the following:

“Instead of purchasing the Opening Package from us and paying us the Delivery Costs, you will purchase the Opening Package directly from, and pay the Delivery Costs directly to, our required suppliers for these items and services.”

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF ILLINOIS

1. Illinois law governs the agreements between the parties to this franchise.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law or Illinois is void.
4. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure act.
5. Each provision of this addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this addendum. This addendum shall have no force or effect if such jurisdictional requirements are not met.

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF MARYLAND

1. The Summary column for **Error! Reference source not found..**, “Choice of Forum,” is amended as follows:

“A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law (the “Law”). Except for any rights a franchisee has under the law to bring suit in Maryland for claims arising under the Law, mediation of disputes which are subject to mediation will be held at our corporate headquarters. Except as otherwise required by the Law, venue for all proceedings arising under the Franchise Agreement is the state, county or judicial district where our principal place of business is located, unless otherwise brought by us.”

2. **Error! Reference source not found..**, “Requirements for you to renew or extend” and **Error! Reference source not found..** “Conditions for our approval of transfer” are amended by the addition of the following:

“The Code of Maryland Regulations COMAR 02.02.08.16L., states that a general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This may affect the enforceability of certain provisions in the Franchise Agreement relating to renewal, sale, assignment, or transfer of the Franchise Agreements.”

3. **Error! Reference source not found.** is amended to add the following note at the end of that Item:

“The limitations of claims provision in the Franchise Agreement (Section 19.N.) will not act to reduce the 3-year statute of limitations period afforded a franchisee under Section 14-227(e) of the Maryland Franchise Registration and Disclosure Law (“**Law**”) for claims arising under the Law.”

4. The following is added as the last paragraph of **Error! Reference source not found.:**

“A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.”

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

1. The following is added to **Error! Reference source not found.** of the disclosure document:

We will protect your right to use the trademarks, service marks, trade names, logos, or other commercial symbols or will indemnify you against any liability to third parties for infringement resulting from your use of the trademarks licensed under the franchise agreement to the extent required by Minnesota law. We will not indemnify you against third-party liability for trademark infringement. Minnesota considers it unfair for franchisors not to protect the franchisee's right to use the trademarks. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.

2. The following is added to **Error! Reference source not found.** of the disclosure document:

Sec. 80C.14, Subd. 4 of the Minnesota Franchises Act requires, except in certain specified instances, that we give you written notice of our intention not to renew the franchise 180 days before the franchise expires. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.

Sec. 80C.14, Subd. 3 of the Minnesota Franchises Act requires, except in certain specified instances, that we give you 90 days notice of termination (with 60 days to cure). Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in the Agreement.

3. To the extent you are required to execute a general release in our favor, such release will exclude liabilities arising under the Minnesota Franchises Act or a rule or any order promulgated thereunder.

4. Sec. 80C.17, Subd. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.

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

6. All sections of the disclosure document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

7. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such

association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

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

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

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

In recognition of the restrictions contained in N.D. Cent. Code, §§51-19-01 – 51-19-17 of the North Dakota Franchise Investment Law, **Error! Reference source not found..** of the Franchise Disclosure Document for FS8, Inc. is supplemented by the following:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF RHODE ISLAND

In recognition of the restrictions contained in R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 of the Rhode Island Franchise Investment Act, **Error! Reference source not found..** of the Franchise Disclosure Document for FS8, Inc. is supplemented by the following:

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

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, **Error! Reference source not found..** of the Franchise Disclosure Document for FS8, Inc. is supplemented by the following:

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

**ADDENDUM TO THE FS8, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

5. Each provision of this addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Franchise Investment Protection Act, with respect to each such provision, are met independent of this addendum. This addendum shall have no force or effect if such jurisdictional requirements are not met.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

EXHIBIT C
FINANCIAL STATEMENTS

FS8, Inc.

Financial Statements

As of December 31, 2021 and 2020, for the Year Ended December 31, 2021, and for the Period
from November 18, 2020 (Inception) to December 31, 2020
And Independent Auditor's Report

FS8, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Stockholder of
FS8, Inc.

Opinion

We have audited the financial statements of FS8, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2021, and for the period from November 18, 2020 ("Inception") through December 31, 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FS8, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021, and the period from Inception through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FS8, 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.

Related Party Transactions

As discussed in Notes 1 and 3 to the financial statements, the Company received advances of funds from related parties and payments made by related parties on behalf of the Company for working capital needs and construction costs. Our opinion is not modified with respect to this matter.

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 generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- a. Exercise professional judgment and maintain professional skepticism throughout the audit.
- b. 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.
- c. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- d. 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.
- e. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Bodwell Vasek Wells DeSimone LLP

Dallas, Texas
May 27, 2022

FS8, Inc.
BALANCE SHEETS

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash	\$ 100	\$ 100
Prepaid expenses	85,545	—
Total current assets	85,645	100
Construction in progress	597,021	—
Total assets	<u>\$ 682,666</u>	<u>\$ 100</u>
Liabilities and stockholder's (deficit) equity		
Due to affiliates	\$ 700,777	\$ —
Total liabilities	700,777	—
Stockholder's (deficit) equity		
Common stock, \$0.01 par value; 10,000 shares authorized, issued and outstanding as of December 31, 2021 and 2020	100	100
Accumulated deficit	(18,211)	—
Total stockholder's (deficit) equity	(18,111)	100
Total liabilities and stockholder's (deficit) equity	<u>\$ 682,666</u>	<u>\$ 100</u>

The accompanying notes are an integral part of these financial statements.

FS8, Inc.
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2021	Period from November 18, 2020 (Inception) to December 31, 2020
Operating expenses:		
Selling, general and administrative expenses	\$ 18,211	\$ —
Total operating expenses	18,211	—
Net loss	<u>\$ (18,211)</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

FS8, Inc.
STATEMENTS OF CHANGES IN STOCKHOLDER'S (DEFICIT) EQUITY

	Common Stock		Accumulated	Total
	Shares	Amount	Deficit	Stockholder's (Deficit) Equity
Balances as of November 18, 2020 (inception)	1,000	\$ 100	\$ —	\$ 100
Net loss	—	—	—	—
Balances as of December 31, 2020	1,000	\$ 100	\$ —	\$ 100
Net loss	—	—	(18,211)	(18,211)
Balances as of December 31, 2021	1,000	\$ 100	\$ (18,211)	\$ (18,111)

The accompanying notes are an integral part of these financial statements.

FS8, Inc.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2021	Period from November 18, 2020 (Inception) to December 31, 2020
Cash flows from operating activities		
Net loss	\$ (18,211)	\$ —
Changes in operating asset:		
Prepaid expenses	(85,545)	—
Net cash used in operating activities	\$ (103,756)	\$ —
Cash flows from investing activity		
Capitalized construction costs	(597,021)	—
Cash used in investing activity	\$ (597,021)	\$ —
Cash flows from financing activities		
Advances from affiliates	700,777	—
Proceeds from issuance of common stock	—	100
Cash provided by financing activities	\$ 700,777	\$ 100
Net increase in cash	\$ —	\$ 100
Cash at beginning of period	\$ 100	\$ —
Cash at end of period	\$ 100	\$ 100

The accompanying notes are an integral part of these financial statements.

FS8, Inc.
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

FS8, Inc. ("Company"), a Delaware corporation, was formed on November 18, 2020 and commenced operations on December 9, 2021. The Company, a wholly owned subsidiary of FS8 Holdings, Inc. ("FS8 Holdings"), integrates three popular methods in the health and fitness industry, the remixing of Pilates, yoga and tone, to create a new workout style. The Company offers members a premium fitness experience through its platform of training systems, the FS8TV and FS8 App, and offers franchisees a proprietary business model and large community via the franchise network.

The Company is an affiliate of F45 Training Inc., F45 United LLC, F45 U LLC, F45 Operations Inc., F45 Training Canada Ltd, Functional 45 Training Limited, F45 Training Asia Private Ltd., F45 India Private Limited, Flyhalf Australia Holding Company Pty Ltd., Flyhalf Acquisition Company Pty Ltd., F45 Aus Hold Co Pty Ltd, F45 Holdings Pty Ltd., F45 Training Pty Ltd, F45 Operations Australia Pty Ltd., Surf & Turf Holdings Pty Ltd., Vive Active Brookvale Pty Ltd., Vive Active Double Bay Pty Ltd., Vive Active Neutral Bay Pty Ltd., F45 ROW Hold Co Pty Ltd., Rollex Health Pty Ltd., 2M Hold Co Pty Ltd., FS8 Holdings Inc., FS8 Pty Ltd., Malibu Crew Holdings Inc., Malibu Crew Inc., Malibu Crew Pty Ltd., Avalon House Holdings Inc., Avalon House Pty Ltd., Avalon House Inc, and CLF High Street Limited. The Company's affiliates advance funds and make payments on behalf of the Company for working capital needs and certain operational activities. The Company and its affiliates are all subsidiaries of the ultimate parent company, F45 Training Holdings Inc. ("Parent"). The Parent and its subsidiaries are engaged in franchising and licensing the fitness brands, including F45 and FS8, to fitness facilities in multiple countries across the globe.

Basis of presentation

The accompanying financial statements and related notes to the financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with GAAP 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.

Construction in progress

Construction in progress ("CIP") consists of costs associated with the leasehold improvement activities of the Company's new co-working office space with F45 Training Incorporated, an affiliate, in Austin, Texas. Capitalization of these costs ceases and CIP is transferred to property and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is recognized for until the assets are completed and ready for their intended use. As of December 31, 2021 and 2020, the Company recorded CIP of \$597,021 and \$0, respectively.

Income taxes

The Company uses the liability method to account for income taxes as prescribed by Accounting Standard Codification ("ASC") 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax (benefit) expense is the result of changes in deferred tax assets and liabilities. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period during which they are signed into law. The factors used to assess the Company's

NOTES TO THE FINANCIAL STATEMENTS

ability to realize its deferred tax assets are the Company's forecast of future taxable income and available tax planning strategies that could be implemented. Under ASC 740, a valuation allowance is required when it is more likely than not that all or some portion of the deferred tax assets will not be realized due to the inability to generate sufficient future taxable income of the correct character. Failure to achieve previous forecasted taxable income could affect the ultimate realization of deferred tax assets and could negatively impact the Company's effective tax rate on future earnings.

Tax benefits from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

Recently issued accounting pronouncements

In February 2016, the Financial Accounting Standards Board established Topic 842, Leases ("Topic 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02, Leases ("ASU 2016-02"). Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvements for Lessors, ASU No. 2019-01, Codification Improvements, ASU No. 2019-10, Effective Dates, and ASU No. 2020-02, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to ASU 2016-02. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new guidance requires lessees to recognize the assets and liabilities on the balance sheet for the rights and obligations created by leases with lease terms of more than 12 months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. Leases will be classified as finance or operating, with the classification affecting the pattern and classification of expense recognition within the income statement. Topic 842 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact that the guidance will have on the financial statements.

3. RELATED PARTY TRANSACTIONS

The Company's affiliates advance funds and make payments on behalf of the Company for working capital needs and construction costs.

Amounts due to affiliates consisted of the following:

	As of December 31,	
	2021	2020
F45 Training Incorporated	\$ 536,510	\$ —
FS8 Pty Ltd.	164,267	—
Due to affiliates	<u>\$ 700,777</u>	<u>\$ —</u>

As disclosed in Note 1, during the year ended December 31, 2021, an affiliate of the Company entered into a lease for office space in Austin, Texas to house the affiliate's corporate headquarters. The Company intends to move its United States headquarters into this office space during 2022 and recorded. For the year ended December 31, 2021 and the period ended December 31, 2020, no rent expense associated with this office space was allocated to the Company or included in selling, general, or administrative expenses on the accompanying Statements of Operations.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAXES

Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income in future tax periods. Management evaluates the recoverability of its deferred tax assets and assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Because of the Company's lack of operating revenue, management believes the future benefits of deferred tax assets are not likely to be realized. Based on the weight of all available evidence, including a its lack of operating revenue, management has determined it is more likely than not that its net deferred tax asset will not be realized, and a full valuation allowance has been recorded as of December 31, 2021. No deferred tax asset nor valuation allowance was recorded as of December 31, 2020.

As of December 31, 2021, the Company had federal and state net operating loss carryforwards of approximately \$18,211. The Company's federal net operating loss carryforward has an indefinite life, and its state net operating loss carryforward has a 20-year life and will begin to expire in 2042.

The components comprising the Company's deferred tax asset on December 31, 2021 consists of the following:

	Year Ended December 31, 2021
Net operating loss carryforward	\$ 3,820
Less: Valuation allowance	(3,820)
Total	\$ —

The Company is subject to U.S. federal tax authority examinations and U.S. state tax authority examinations for all years with a net operating loss. The Company is newly formed and is not currently under examination. All of the Company's tax years remain open for examination.

5. STOCKHOLDER'S (DEFICIT) EQUITY

On November 18, 2020, the Company was authorized to issue 10,000 shares of common stock at \$0.01 par value. On November 18, 2020, FS8 Holdings acquired 10,000 shares of common stock for \$100.

6. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 27, 2022, the date the financial statements were available to be issued, and has determined that there are no subsequent events requiring adjustments to or disclosure in the financial statements.

EXHIBIT D
OPERATIONS MANUAL TABLE OF CONTENTS

<u>Topic</u>	<u>Pages</u>
1. Introduction	3 pages
2. Getting Started	2 pages
3. Support	2 pages
4. Launch Pathway	1 page
5. Site Selection	4 pages
6. Equipment	3 pages
7. Studio Requirements	6 pages
8. Social Media & Marketing	3 pages
9. Final Approval	1 page
10. Maintaining your Studio	2 page
11. Operating your Studio	4 pages
12. Members, Guests & Animals	3 pages
13. Products	1 page
14. Training Programs	1 page
15. Personnel	4 pages
16. Worth Health & Safety	8 pages
17. Exit & Renewals	1 page
Total # of Pages	77 pages

EXHIBIT E
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Commissioner of the Department of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677	MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373-7117
ILLINOIS Chief, Franchise Division Attorney General's Office 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	MINNESOTA Securities Unit Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NEW YORK Office of New York State Attorney General Investor Protection Bureau, Franchise Section 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8236
NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	VIRGINIA State Corporation Commission Securities and Retail Franchising Division 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
RHODE ISLAND Department of Business Regulation – Securities Division John O. Pastore Complex 1511 Pontiac Avenue Building 69-1 Cranston, Rhode Island 02902 (401) 462-9500	WASHINGTON Department of Financial Institutions Securities Division - 3rd Floor West 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
SOUTH DAKOTA Department of Labor and Regulation Securities Regulation Office 445 E. Capitol Avenue Pierre, South Dakota 57501-3185 (605) 773-4823	WISCONSIN Office of the Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261-9555

EXHIBIT F
CURRENT AND FORMER FRANCHISEES

None.

EXHIBIT G
FORM OF GENERAL RELEASE
Current Form for Terminations and Transfers

1. Franchisee's Release. Except for the obligations set forth in this Agreement, Franchisee, for itself and on behalf of all other persons or entities acting on any of their behalves or claiming under any of them (collectively, "**Releasing Parties**"), hereby irrevocably and unconditionally release, acquit, and forever discharge Franchisor and its owners, stockholders, predecessors, assigns, agents, directors, officers, employees, representatives, attorneys, subsidiaries, and affiliates, past and present, and all persons acting by, through, under or in concert with any of them (collectively, "**Franchisor Releasees**") or any of them, from all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred), known or unknown, suspected or unsuspected, fixed or contingent, which any of them now has, owns, holds, claims to have, claims to own, or claims to hold, or at any time heretofore had, owned, held, claimed to have, claimed to own, or claimed to hold (collectively, "**Claims**") against each or any of the Franchisor Releasees arising out of or relating to the Franchise Agreement, the offer or sale of FS8 Training Franchise opportunity, and the relationships created thereby; or any other agreement between any Franchisor Releasee and Franchisee and/or any entity in which Franchisee has an ownership interest.

2. Unknown/Unanticipated Claims. The parties each acknowledge that there is a risk that, subsequent to the execution of this Agreement, it will discover, incur, or suffer claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated claims which arose from, are based upon, or are related to the Franchise Agreement or some part or aspect thereof, which if known by it on the date this Agreement is being executed may have materially affected its decision to execute this Agreement. Each party acknowledges and agrees that by reason of the releases contained in Sections 3.a. and 3.b. above, it is assuming the risk of such unknown and unanticipated claims and agrees that its release contained in this Agreement applies thereto.

3. Acknowledgments Regarding Releases. By affixing their signatures to this Agreement, the parties hereto acknowledge that each of them has carefully read and fully understands the provisions of this Agreement, including, specifically, the release of claims set forth in Sections 3.a. and 3.b., and that their releases of such claims is knowing and voluntary. The parties hereto acknowledge that they have had a reasonable opportunity to consult with an attorney prior to executing this Agreement and that they have executed this Agreement voluntarily. Franchisee acknowledges that Franchisor has advised Franchisee to consult with an attorney before executing this Agreement. Franchisee represents that it does not rely, and has not relied upon, any representation or statement made by any of the Franchisor Releasees, or any of their representatives, with regard to the subject matter, basis, or effect of this Agreement.

4. General Provisions.

a. Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the

subject matter hereof. No oral representations or undertakings concerning the subject matter hereof will operate to amend, supersede, or replace any of the terms or conditions set forth herein.

b. Authority. By their signatures below, the parties represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that it is entering into this Agreement solely for the purposes and consideration set forth herein, and further warrants that this Agreement is being executed without reliance on any representation of any kind or character not expressly set forth herein. Each party warrants that it has read this Agreement and has had the opportunity to consult with legal counsel as to its effect.

c. Counterpart Execution. This Agreement may be executed in any number of identical multiple counterparts, each of which will be deemed an original for all purposes, and all of which will constitute one and the same instrument.

d. Survival. All covenants, representations, warranties, and agreements of the parties will survive execution and delivery of this Agreement and will continue until such time as all the obligations of the parties hereto have lapsed in accordance with their respective terms or have been discharged in full.

e. Notices. Any and all notices required or permitted under this Agreement must be given as provided for in the Franchise Agreement.

f. No Third-Party Beneficiaries. It is understood and agreed that there will be no third-party beneficiaries of any of the provisions of this Agreement, and that the provisions of this Agreement will inure only to the benefit of the parties hereto.

g. Attorneys' Fees. If either party commences an action or proceeding against the other party arising out of or in connection with this Agreement, the prevailing party in such action or proceeding and in any appeal in connection therewith will be entitled to have and recover from the unsuccessful party attorneys' fees, court costs, expenses, and other costs of investigation and preparation. If the prevailing party recovers a judgment in any such action, proceeding or appeal, such attorneys' fees, court costs and expenses will be included in and as a part of such judgment.

h. Governing Law and Venue. This Agreement, and all claims or disputes arising hereunder or related to this Agreement, will be interpreted, construed, and governed exclusively in accordance with the laws of the state of Delaware (excluding its conflict of law rules). The parties agree that any claim or controversy between the parties relating to the parties' entry into this Agreement will be brought, exclusively, in the federal or state judicial district in which Franchisor's principal office is located at the time any such action is initiated. The parties irrevocably submit to the jurisdiction of any such court and waive any objection they may have to either the jurisdiction or venue of any such court. The parties agree that this Section 5.h. will not preclude either party from removing any lawsuit to federal court, to the extent permitted under the applicable federal rules.

i. **JURY TRIAL WAIVER. THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR**

COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY TO THIS AGREEMENT AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

j. Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the Effective Date.

FRANCHISOR:

FS8, Inc.

By: _____

Name: Adam Gilchrist

Title: Chief Executive Officer

FRANCHISEE:

The party named in **Item 2** of the **Summary Addendum**

By: _____

Name: _____

Title: _____

Date: _____

State Effective Dates

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

This 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	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT
(KEEP FOR YOUR RECORDS)

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 FS8, Inc. 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 law in (a) Connecticut and Michigan require 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, (b) New York requires us to provide you the disclosure document 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, and (c) Iowa and Maine requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 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 FS8, Inc. 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. (See Exhibit E for a list of state administrators.)

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Adam Gilchrist	3601 South Congress Ave, Buidling E Austin, TX 78704	(737) 787-1955

Issuance Date: May 27, 2022

I received a disclosure document dated May 27, 2022. The disclosure document included the following Exhibits and Attachments:

Exhibit A – Franchise Agreement	Exhibit E – List of State Agencies/Agents for Service of Process
Exhibit B – State Addenda	Exhibit F – Current and Former Franchisees
Exhibit C – Financial Statements	Exhibit G – Form of General Release
Exhibit D – Operations Manual Table of Contents	

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

Print Franchisee's Name (if an Entity)

Receipt

FS8 FDD - 2022

**RECEIPT
(RETURN TO US)**

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

If FS8, Inc. 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 law in (a) Connecticut and Michigan require 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, (b) New York requires us to provide you the disclosure document 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, and (c) Iowa and Maine requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 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 FS8, Inc. 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. (See Exhibit E for a list of state administrators.)

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Adam Gilchrist	3601 South Congress Ave, Buidling E Austin, TX 78704	(737) 787-1955

Issuance Date: May 27, 2022

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FS8 FDD - 2022