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Department of
Business Oversight

# FRANCHISE DISCLOSURE DOCUMENT

**FULL PSYCLE FRANCHISING, LLC**
**A Texas limited liability company**
**5712 Val Verde Suite 275**
**Houston TX 77057**
**281-783-8070**
**franchising@fullpsycle com**
**www fullpsycle com**

FULL PSΨCLE
FULL BODY INDOOR CYCLING

We offer franchises to area representatives to operate, and to establish, train and support franchisees to operate indoor cycling studios that offer full body workouts by combining cycling routines with upper body strength training The total investment necessary to begin operation of a Full Psycle Area Representative Business ranges from ~~$327~~337,660 to $1,~~074~~124,000 This includes $100,000 to $600,000 that must be paid to the franchisor

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

The terms of your contract will govern your area representative 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

Issuance Date ~~April 12, 2017~~May 2, 2018

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state

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

Please consider the following RISK FACTORS before you buy this franchise

1 THE AREA REPRESENTATIVE AGREEMENT REQUIRES YOU TO MEDIATE AND ARBITRATE WITH US ONLY IN TEXAS OUT-OF-STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT ALSO MAY COST MORE TO MEDIATE AND ARBITRATE WITH US IN TEXAS THAN IN YOUR OWN STATE

2 THE AREA REPRSENTATIVE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 EACH FRANCHISE OWNER WILL BE REQUIRED TO EXECUTE A PERSONAL GUARANTEE, WHICH PLACES THE PERSONAL ASSETS OF EACH FRANCHISE OWNER AT RISK

4 SPOUSES OF FRANCHISE OWNERS WILL BE BOUND BY THE TERMS OF THE FRANCHISE AGREEMENT, PLACING THEIR PERSONAL AND MARITAL ASSETS AT RISK

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We currently do not use the services of any FRANCHISE BROKERS or referral sources to assist us in selling our franchise If we do in the future, a franchise broker or referral source represents us, not you We would pay this person a fee for selling our franchise or referring you to us You should make sure to do your own investigation of the franchise

## STATE EFFECTIVE DATES – ~~2017~~2018

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

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

| STATE | EFFECTIVE DATE |
|---|---|
| California | Pending |
| ~~Illinois~~ | ~~Pending~~ |
| ~~Maryland~~ | ~~Pending~~ |
| ~~New York~~ | ~~Pending~~ |
| ~~Virginia~~ | ~~Pending~~ |

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of ~~April 12,~~ May 2, 2018~~2017~~

**FULL PSYCLE FRANCHISING, LLC**
**Franchise Disclosure Document**

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

To simplify the language in this disclosure document, the terms Franchisor', or "we" or 'us means Full Psycle Franchising, LLC, the Franchisor The terms "we", us" and 'Franchisor" do not include you, the "Area Representative" We refer to the purchaser(s) of a Full Psycle™ area representative business, as "you' or "Area Representative", whether an individual, a partnership, corporation, or limited liability company If you are a corporation, partnership or other entity, our Area Representative Agreement also will apply to your owners, officers and directors If you are married and your spouse is not a partner in the area representative business, certain provisions of our Area Representative Agreement will also apply to that spouse

The Franchisor was formed as a limited liability company in the State of Texas on May 28, 2015 Franchisor s principal business address is 5712 Val Verde, Suite 275, Houston, Texas, 77057, and our telephone number is 281-783-8070 We do business under our company name, "Full Psycle" and its associated design (the 'Marks") We do not own or operate any businesses of the type you will be operating, although one or more of our affiliates may do so We have not offered franchises in any other line of business We only offer franchises which operate under the "Full Psycle" Marks We began offering single-unit franchises and area representative franchises on January 26, 2016 Our single-unit franchise opportunity is offered under a separate franchise disclosure document

The principal business addresses of our agents for service of process are shown on Exhibit A

**Our Parents, Predecessors and Affiliates**

We have no parent or predecessor company

We have an affiliated company, Full Psycle Enterprises, LLC, a Texas limited liability company with a principal place of business at 5712 Val Verde, Suite 275, Houston, Texas, 77057 Full Psycle Enterprises, LLC, was formed on May 28, 2015, and is the owner of the Marks and has exclusively licensed use of the Marks to us Full Psycle Enterprises, LLC, has not offered franchises in this or in any other lines of business previously

We have a second affiliated company, Full Psycle, LLC, a California limited liability company Full Psycle, LLC's principal business address is 230 E 17th Street, Suite 100, Costa Mesa, CA 92627 Full Psycle, LLC, operates a Full Psycle™ full-body cycling studio outlet, in Costa Mesa, California, that is similar to the franchise that Area Representative is to establish and develop as offered by this Disclosure Document Full Psycle, LLC, has operated the Costa Mesa outlet since February 2013 The Costa Mesa outlet is one location of our Initial Management Training Program (see Item 11) Full Psycle, LLC, may operate additional fitness studios in the future, including additional Full Psycle™ full-body cycling studio outlets Full Psycle, LLC, has not offered franchises in this or in any other lines of business previously

We have a third affiliated company, Full Psycle II, LLC, a California limited liability company Full Psycle II, LLC's principal business address is 7801 Edinger Avenue, Suite 110, Huntington Beach CA 92647 Full Psycle II, LLC, operates a Full Psycle™ full-body cycling studio outlet that is similar to the franchise that Area Representative is to establish and develop as offered by this Disclosure Document Full Psycle II, LLC, has operated the Huntington Beach outlet since March 2014 The Huntington Beach outlet may serve as a location for our Initial Management Training Program (see Item 11) Full Psycle II LLC, may operate additional fitness studios in the future, including additional Full Psycle™ full-body cycling studio outlets Full Psycle II, LLC, has not offered franchises in this or in any other lines of business previously

In addition to our Southern California outlets, we operate, through affiliates, other Full Psycle™ full-body cycling studio outlets that are similar to the franchise that Area Representative is to establish and develop as offered by this Disclosure Document We may operate other Full Psycle™ concepts, including additional Full Psycle™ full-body cycling studio outlets, in the future

**The Franchise Offered**

Our franchise program offers the right to operate a full-body cycling studio under the Full Psycle" Marks (the "Full Psycle Studio"), using our distinctive operating procedures and standards in an exclusive territory (the "Franchise") The Full Psycle Studio provides clients with our proprietary workout concept that incorporates standard indoor cycling routines with upper body strength training via hand weights and pilates-based core exercises The distinguishing characteristics of a Full Psycle Franchise include, but are not limited to, the Full Psycle's workout routines and methods, distinctive exterior and interior design, decor, color scheme, fixtures and furnishings, operations methods, uniform trade dress standards, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed improved or further developed by us at any time (the "System')

Through this Disclosure Document, we offer franchises for area representative businesses to open and operate, through the Area Representative or through franchisees solicited by the Area Representative and approved by us, a specified number of Full Psycle Studios within a specified territory and in accordance with a specified development schedule The Area Representative will also assist us in rendering certain services (including training, opening assistance and ongoing supervision) to those franchisees within the Area Representative's Territory (the "Area Representative Business") As compensation for these services the Area Representative receives a portion of fees paid by franchisees located in the Area Representative's territory Area Representatives must own and operate at least one Full Psycle Studio in its territory (the "Pilot Studio ), which will serve as a training facility, and must sign a Franchise Agreement with us for the Pilot Studio at the same time the Area Representative Agreement is signed Area Representatives do not enter into any agreements with prospective franchisees All agreements are entered into with us

**Market and Competition**

The market for your Area Representative Business consists of members of the general public who seek, as a participant or to provide as a business, group fitness in a fun, energetic environment Our franchises are located in shopping centers, malls and/or are situated in central city, suburban or other high traffic locations and strip centers

The market for group fitness is well-developed and highly competitive You will compete with businesses, including national, regional and local businesses, offering services similar to those offered by the Full ~~Psycle™~~Psycle Studio and the Area Representative Business, including other fitness centers, gyms, health clubs and community centers that offer exercise and fitness classes and/or the opportunity to provide such services to others There are other fitness franchises, as well as independent businesses throughout the United States, that may offer similar services

**Industry Specific Regulations**

The sale of franchises is governed by rules enacted by the Federal Trade Commission ("FTC"), 16 C F R §§ 436 1 et seq (the FTC Rule") You must comply with the disclosure requirements mandated by the FTC Rule Further, in the states of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota Virginia, Washington and Wisconsin we must register the Disclosure Document before the offer or sale of any franchise The Disclosure Document must be registered with the various authorities before the offer or sale of any

franchise in that particular state, and the State of Illinois may require that you register as a subfranchisor Other states may require you to register as a franchise broker or subfranchisor You are advised to investigate the federal, state and local laws, regulations and ordinances applicable to being an area representative and conducting your Area Representative Business

You must comply with all local, state and federal laws and regulations that apply to the operation of your Full Psycle Studio, including health, sanitation insurance, discrimination, employment and sexual harassment laws Health regulations, as well as other state and local specific safety and workplace regulations may impact the types of training, devices and equipment you must make available to or be required to offer to your employees The health and safety requirements can vary from jurisdiction to jurisdiction and specific inquiry should be made with your state and local authorities The Franchise will also be subject to various federal, state and local laws, and regulations affecting the business, including, among others, federal, state and local laws, rules and regulations governing franchising, licensing, permits, zoning, EPA, health club membership and federal and state environmental protection statutes, OSHA, and other federal, state and local laws regarding hazardous substances and waste, land use construction regulations and various health, sanitation, safety and fire standards You are also subject to employment laws such as the EEOC, Fair Labor Standards Act, Americans With Disabilities Act and various state laws governing such matters as minimum wages, overtime and working conditions Your advertising of the Franchise is regulated by the Federal Trade Commission There may be federal, state and local laws which affect your Franchise in addition to those listed here

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business You should consider both their effect on your business and the cost of compliance You are responsible for obtaining all licenses and permits which may be required for your business

## ITEM 2 BUSINESS EXPERIENCE

Founder and CEO PK Harmeling

Paul Kristoffer PK Harmeling is our co-founder PK serves as our chief executive officer, a position he has held since the company s inception in May 2015 PK is also the co-founder and president of our affiliates that own and operate three Full Psycle studios, the first of which opened in February 2013 From February 2008 through March 2013, PK was a senior associate at Green Street Advisors, an investment research firm in Newport Beach, California PK is responsible for strategic direction and management of our company and provides franchisee training and support

Founder and Chief Operational Development Officer Pierre Machalany

Pierre Machalany is our co-founder Pierre serves as our chief operational development officer, a position he has held since the company s inception in May 2015 He is responsible for store development and operations support, as well as support for our regional development program Since 2009, Pierre (with our Chief Brand Development Officer Judd Miller, III) has been a multi-state regional developer with European Wax Centers, with development rights in 6 states Pierre and Judd currently own and operate 6 European Wax Center franchises in Greater Philadelphia, Pennsylvania, Southern New Jersey, and Northern Virginia Pierre also owns and operates 2 Massage Envy franchises in San Antonio, Texas, which opened in 2007 and 2008, respectively

Founder and Chief Brand Development Officer Judd Miller, III

Judd Miller, III, is our co-founder Judd serves as our chief brand development officer, a position he has held since the company s inception in May 2015 He is responsible for franchise development and our regional development program as well as Marketing From January through December, 2013, Judd was the chief executive officer of Amazing Lash Studio Franchise, LLC, a franchisor of eyelash studios based in Houston, Texas Since 2009, Judd (with our Chief Operational Development Officer Pierre Machalany) has been a multi-state regional developer with European Wax Centers, with development rights in 8 states Pierre and Judd currently own and operate 6 European Wax Center franchises in Greater Philadelphia, Pennsylvania, Southern New Jersey and Northern Virginia Since 2008, Judd also has been the regional developer of European Wax Centers in Texas and Georgia, and owns 6 European Wax Center franchises in Houston, Texas Judd also owns and operates 2 Massage Envy franchises in Pearland, Texas, which he opened in 2005 and October 2015, respectively

Director of Training Shelly Scott

Shelly Scott is our Director of Training a position she has held since the company s inception in May 2015 Shelly is also the co-founder and vice-president of our affiliates that own and operate three Full Psycle studios, the first of which opened in February 2013 From 2008 through 2012, Shelly was a cycling instructor for 24-Hour Fitness at its locations in Costa Mesa and Huntington Beach, California Shelly has also been a certified real estate appraiser since 2008 and has provided appraisal services for numerous companies, most recently Syn-Mar & Associates located in Yorba Linda, California, from 2011 through February 2013

Franchise Development Coordinator Gordon Miller

Gordon D Miller serves as our Franchise Development Coordinator, a position he has held since February 2016 He is responsible for our systems development Gordon is a partner with Judd Miller III as a Full Psycle Area Representative for the Houston and Dallas, Texas, regions, and a partner with Judd and Pierre Machalany in the New Jersey Region-, positions he has held since June 2016 Gordon is also a franchisee partner with Judd for a Full Psycle Studio franchise ~~located~~established July 2016 in The Woodlands, Texas Since June 2012, Gordon has held the position of Chief Operations Officer with The Miller Family Holding Co, LLC, a franchise development company, in Houston Texas Gordon (with our Chief Brand Development Officer Judd and our Chief Operational Development Officer Pierre) has been a multi-state regional developer with European Wax Centers since April 2013, with development rights in 4 states Gordon and Judd currently own and operate 3 European Wax Center franchises in the Greater Houston, Texas, metropolitan area

## ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item

## ITEM 4 BANKRUPTCY

In re Gordon Miller Case No 13-32066, U S Bankruptcy Court, Southern District of Texas (filed April 4, 2013) Gordon Miller, our Franchise Development Coordinator, filed for protection under Chapter 7 of the U S Bankruptcy Code in the Southern District Court of Texas on April 4, 2013, from debts

related to home building and land development businesses The matter was concluded on August 21, 2013, and the debtor's debts have been discharged

Other than the above bankruptcy, no bankruptcies are required to be disclosed in this Item

## ITEM 5 INITIAL FEES

We will charge you an initial area representative fee ( Initial Area Representative Fee' ) when you sign the Area Representative Agreement The Initial Area Representative Fee ranges from One Hundred Thousand Dollars ($100,000 00) to Six Hundred Thousand Dollars ($600,000), depending on the size of your Territory and the number of Full Psycle Studios we determine that the Territory can support The Initial Area Representative Fee is calculated at $15 000 00 per expected Studio in the Territory with a maximum of 40 Studios This payment is fully earned by us and due in a lump sum when you sign the Area Representative Agreement The Initial Area Representative Fee is not refundable under any circumstance

## ITEM 6 OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Fees Imposed by the Area Representative Agreement | | | |
| Costs to Comply with Franchise Laws | $0-$20,000 | As incurred | Laws applicable to your territory may require that you prepare, amend, register, and/or file applications, forms, disclosures or your own disclosure document with a government agency or agencies before you engage in franchise sales You may be required to renew such applications, forms, disclosures or disclosure document yearly |
| Required Minimum Expenditure for Marketing and Advertising | $250 per month | As incurred | Payable to third-party suppliers All advertising must be approved by us See Item 11 See footnote 2 |
| Renewal Fee | $1,000 for each franchise agreement in effect on the last day of the initial Term, or which becomes effective within sixty (60) days following the expiration of the Term | Before signing renewal agreement | Payable to us See Item 17 |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Transfer Fee | $25 000 | Before we approve the transfer | Payable to us See Item 17 |
| Initial Training | No charge for initial training of up to two (2) people | Travel and related expenses are due as incurred | Initial training takes place in Southern California, Houston, Texas or Philadelphia Pennsylvania You must pay the incidental costs of attendance, which include but are not limited to, airfare, transportation, hotel and food costs for all trainees Incidental costs are payable to third-party suppliers See Item 11 |
| Additional Training | A reasonable fee for optional training, and no charge for mandatory additional training You pay all travel and other related expenses incurred by you and your personnel | As incurred | See footnote 6 |
| Interim Management Fee | All Commission otherwise payable during the term of interim management | As incurred | We may keep all Commission otherwise earned if we provide management, training or support services on your behalf See footnote 7 |
| Indemnification | Amount of loss or damages plus costs | As incurred | See footnote 10 |
| Insurance | Amount paid by us for your insurance obligations | As incurred | You must reimburse us for any insurance costs we pay on your behalf due to your failure to meet the insurance obligations required by the Area Representative Agreement |
| Reimbursement of Cost and Expenses for Non-compliance | Actual costs and expenses | As incurred | See footnote 11 |
| Reimbursement of legal fees and expenses | ~~Our~~(a) all of our costs and expenses, including but not limited to attorneys fees, incurred for your failure to pay amounts when due or failure to comply | As Incurred | Payable to us |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | in any way with the Area Representative Agreement– and (b) 50% of our costs and expenses, including but not limited to attorneys fees, to review and/or negotiate any documents or matters for franchisees | | |
| Liquidated Damages – Media Inquiries | $1,000 00 for the first violation, $5,000 00 for the second violation, and $10,000 00 for the third violation | As Incurred | We may impose this fee if you (1) fail to direct all media inquiries to us, (2) comment to the media without our approval, or (3) issue a press release without our approval |
| Liquidated Damages - Default | $15,000 | As incurred | Payable to us if you fail to adequately provide training and/or support services to franchisees |
| Fees Imposed by the Franchise Agreement for your Pilot Studio | | | |
| Continuing Royalty Fee | For Weeks 1 – 26 of operation, 6% of weekly Gross Revenue, for weeks 27 – 52, 6% of weekly Gross Revenue or $200 per week whichever is greater, for weeks 53-104, 6% of weekly Gross Revenue or $250 per week, whichever is greater, for week 105 through balance of the term, 6% of weekly Gross Revenue or $300 per week, whichever is greater | Weekly via ACH on the Wednesday following the close of each calendar week (Monday through Sunday) | Payable to us See footnote 1 |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Required Minimum Expenditure for Local Marketing and Advertising | Minimum of 2% of Gross Revenue per month During the sixty (60) days prior to opening and during the first ninety (90) days of operation, you are required to spend at least $12,000 on grand opening marketing activities | As incurred | Payable to third-party suppliers All advertising must be approved by us See Item 11 See footnote 2 |
| Brand Fund Contribution | 1% of weekly Gross Revenue, subject to increases not to exceed 2% of weekly Gross Revenue | Wednesday following the close of each calendar week (Monday through Sunday) | Payable directly to the Brand Fund See footnote 3 |
| Advertising Cooperative | Currently 0% of Gross Revenue Maximum of 1% of weekly Gross Revenue | As determined by cooperative | No cooperatives have been established as of the date of this Disclosure Document You are required to join an advertising cooperative if one is formed Cooperatives will be comprised of all franchised and franchisor-owned Full Psycle outlets in a designated geographic area, or we may establish a national cooperative comprised of all Full Psycle outlets See footnote 4 |
| Technology Fees | $650 set-up fee and $860 per month, subject to increase | Monthly | Payable to third-party suppliers or to us See footnote 5 |
| Late Charge | $75 | As incurred | If you fail to pay us the Continuing Royalty Fee, Brand Fund Contribution, Technology Fee or if you fail to submit your Gross Revenue report when due, we may charge you $75 for each late submission in addition to interest charges explained below |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Interest Charge | 1 5% per month from due date, or maximum allowed by law | As incurred | If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received |
| Non-Sufficient Funds Fee | $50 | As incurred | If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you an Insufficient Funds Fee |
| Renewal Fee | 25% of the then-current initial franchise fee, or $11,250, whichever is greater | Before signing renewal agreement | Payable to us See Item 17 |
| Transfer Fee | 25% of the then-current initial franchise fee, or $11,250, whichever is greater<br><br>For transfers to (i) an entity owned and controlled by the franchisee for convenience purposes or (ii) a spouse, parent or child upon death or permanent disability, the transfer fee is $2,500 | Before we approve the transfer | Payable to us See Item 17 |
| Initial Training | No charge for initial training of up to two (2) people We will also train, at your request and in our sole discretion, up to three (3) additional trainees for no additional charge, provided that they can be accommodated into an existing scheduled class at the same time as | Travel and related expenses are due as incurred Fees for replacement trainees or additional trainees that cannot be accommodated are due prior to the commencement of training | Initial training takes place in Southern California, Houston, Texas or Philadelphia, Pennsylvania You must pay the incidental costs of attendance, which include but are not limited to, airfare, transportation, hotel and food costs for all trainees Incidental costs are payable to third-party suppliers Fees for additional or replacement trainees are payable to us See Item 11 |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | your training You pay all travel and other related expenses incurred by all trainees The current fee for replacement trainees or additional trainees that cannot be accommodated is $750 per person per day | | |
| Additional Training | A reasonable fee for optional training and no charge for mandatory additional training You pay all travel and other related expenses incurred by you and your personnel | As incurred | See footnote 6 |
| Remedial Training Fee | Our then-current trainer per diem rate plus expenses Our current per diem rate is $750 per day, plus travel and other expenses | As incurred | We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training You must also pay the incidental costs of our trainer which include but are not limited to, airfare, transportation, hotel and meals |
| On-site Evaluation of Proposed Location Costs | Our actual costs | As incurred | If we deem appropriate an on-site evaluation of your proposed location, or if you request such evaluation and we agree, you must pay us our actual costs incurred in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging meals and wages |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Relocation Fee | Our actual costs | As incurred | You must pay us our actual costs incurred if we approve your request to relocate your Full Psycle Studio Costs include, but are not limited to, wages, travel expenses, professional fees, and demographic reports |
| Interim Management Fee | 10% of Gross Revenue earned during the term of interim management, plus all travel related and other expenses | As incurred | We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Fund Contributions), payable to us, if we provide on-site management of your Full Psycle See footnote 7 |
| Equipment Lease Payments | Approximately $3 755, per month | Monthly, or as arranged with third party leasing companies | Paid to third party See footnote 8 |
| Equipment Maintenance | Approximately $3,000 per year | Annually, or as arranged with third party service provider | Paid to third party See footnote 9 |
| Examination of Books and Records | Cost of examination plus related expenses | As incurred | We have the right under the Franchise Agreement to examine your books, records and tax returns If an examination reveals that you have understated any Gross Revenue report by two percent (2%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed |
| Proposed Item or Supplier Evaluation Costs | $500, plus actual cost of inspection and testing $500 is refundable if the item or service is approved for use by the entire system | As incurred | In the event we approve the supplier or product you propose for use by the entire system, we will refund your payment of $500 to you In our discretion, we may also pay a finder s fee of up to $1000 for to a franchisee whose proposed product or service we approve See footnote 10 |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Indemnification | Amount of loss or damages plus costs | As incurred | See footnote 11 |
| Liquidated Damages – Media Inquiries | $1,000 00 for the first violation, $5,000 00 for the second violation, and $10,000 00 for the third violation | As Incurred | We may impose this fee if you (i) fail to direct all media inquiries to us, (2) comment to the media without our approval, or (3) issue a press release without our approval |
| Reimbursement of Cost and Expenses for Non-compliance | Actual costs and expenses | As incurred | See footnote 12 |
| Reimbursement of legal fees and expenses | Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement | As Incurred | Payable to us |
| Confidential Operating Manual Replacement Fee | $500, or our then-current fee | As incurred | Paid to us |
| Insurance | Amount paid by us for your insurance obligations | As incurred | You must reimburse us for any insurance costs we pay on your behalf due to your failure to meet the insurance obligations required by the Franchise Agreement |
| Taxes | Amount of taxes | When incurred | You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Full Psycle or payments that you make to us, including, but not limited to any sales taxes or income taxes imposed by any authority |

All fees and expenses described in this Item 6 are nonrefundable and are generally uniformly imposed Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us

[1] You must pay us a Continuing Royalty Fee equal to six percent (6 0%) of the Gross Revenue generated weekly by your Full Psycle Studio For weeks 27 – 52 of operation, the Continuing Royalty Fee is 6% of weekly Gross Revenue or $200 per week, whichever is greater, for weeks 53-104 of operation, the Continuing Royalty Fee is 6% of weekly Gross Revenue or $250 per week, whichever is greater, for week 105 of operation through balance of the term, the Continuing Royalty Fee is 6% of weekly Gross Revenue or $300 per week, whichever is greater "Gross Revenue' includes all sales of every kind and nature at or from your Full Psycle location, including sales of gift cards, or made pursuant to the rights granted to you by the Franchise Agreement regardless of whether you have collected the amount of the sales Gross Revenue does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i e coupons) If you do not report any sales in a week then we will collect 120% of the last Continuing Royalty Fee collected and settle the balance the next week in which you report revenue We must receive your payments on or before Wednesday of each week for the previous calendar week You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds

[2] You must spend a minimum of Two Hundred Fifty Dollars ($250) per month on franchisee solicitation advertising in your territory You must also spend a minimum of two percent (2%) of your Full Psycle Studio's Gross Revenues per month per calendar year on local advertising and marketing activities for your Full Psycle Studio Upon our request you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter You must also spend at least $12,000 00 on local advertising and marketing at least sixty (60) days prior to, and for ninety (90) days following, the opening of your Full Psycle Studio In addition to your local advertising expenditure requirement, you may use social media platforms, such as Facebook, Myspace, Twitter, LinkedIn, blogs and other networking and sharing websites, and use social media materials that incorporate our Marks and products (whether created by us, you or a third-party), provided that you first receive our written approval to do so Approved expenditures toward social media platforms and social media materials will be credited as required local advertising expenditures

[3] You must pay directly to our Brand Fund a Brand Fund Contribution of one percent (1%) of weekly Gross Revenue, subject to increases not to exceed two percent (2%) of weekly Gross Revenue, generated by your Full Psycle Studio Payments are due on Wednesday of each week for the previous calendar week You are required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund s bank account Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds If you do not report any sales in a week then the Brand Fund will collect 120% of the last Brand Fund Contribution collected and settle the balance the next week in which you report sales

[4] You will not be required to contribute more than 1% of your Full Psycle Studio s Gross Revenue to an advertising cooperative, if one is established This contribution is in addition to your required contributions to the Brand Fund Any contributions made by you to the advertising cooperative shall be credited against your required expenditures for local advertising for your Full Psycle Studio

[5] You are required to pay a one-time fee to install performance tracking software and a monthly technology fee for access to (i) our franchisee intranet portal, (ii) the POS System and (iii) the performance measurement system The technology fee will ramp up to the full $860 monthly as follows You will pay (a) $150 per month upon the selection of a location for your Full Psycle Studio, (b) $650 per month upon commencement of construction of your Full Psycle Studio, (c) $750 approximately one month prior to opening and (d) $860 upon opening and thereafter You must also pay all fees required to keep your computer and electronic communications (Internet/Intranet) systems current and functional These fees include, but are not limited to, computer software license fees, Internet access fees, and help desk fees (software and IT support) Such fees are payable directly to the hardware, software, internet service providers and/or us

[6] We may offer mandatory and/or optional additional training programs from time to time If we require it, you and your general manager must participate in refresher training for up to three (3) days per year, at a location we designate We may also require you to attend a national business meeting or annual convention for up to three (3) days per year, at a location we designate For all mandatory programs, we will provide, at no charge the instructors and training materials However, we reserve the right to impose a reasonable fee for such additional training programs that are not mandatory You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages

[7] In the event of your death or disability, your default of the Area Representative Agreement or Franchise Agreement, absence of a qualified general manager, or other reasons, in our sole discretion, we may provide interim on-site management of your Area Representative Business or Full Psycle Studio

[8] You are required to obtain audio-visual equipment and a minimum of 35 cycles for the operation of your Full Psycle Studio Your actual monthly lease costs may be higher than the above-listed amount, depending on the quantity of equipment and cycles you lease and your credit history We recommend that you lease this equipment from our approved suppliers You may elect to purchase, rather than lease, your cycles Please see Item 7, footnotes 12 and 13, for estimated purchase costs

[9] You are required to maintain a service contract for the regular maintenance of your cycling equipment with a service contractor that meets our approval and who shall provide inspection and servicing of your equipment at least monthly Upon our request, you shall provide a copy of your service contract to us

[10] If you wish to purchase, lease or use any, equipment supplies, services or other items from an unapproved supplier, you must request our prior written approval As a condition to our approval, we may require inspection of the proposed supplier s facilities and evaluation and testing of the proposed item or service We will charge you $500 for our review and evaluation, plus our actual cost of any inspection and testing Only in the event that we approve the item or approve the supplier for use by the entire franchise system, we will refund any amounts paid

[11] You must indemnify and hold us, our affiliates and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and

damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys fees of defending against them

[12] If you fail to do so, in our sole discretion, we may correct any deficiency in the Franchised Business and/or your operation of the Full Psycle Studio or take steps to modify, alter or de-identify the Franchised Location upon the termination or expiration of the Franchise Agreement You will reimburse us for our costs and expenses incurred to correct any deficiency or to modify, alter or de-identify the Franchised Location

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|---|---|---|---|
| Estimated Initial Investment Relative to Area Representative Agreement | | | | |
| Initial Area Representative Fee | $100 000 - $600,000 | Lump sum payment in cash or available funds | Upon signing the Area Representative Agreement | Full Psycle Franchising, LLC |
| Costs to Comply with Franchise Laws[1] | $0- $20,000 | As incurred | Before solicitation of prospective franchisees | Attorney, Accountant, and Government Agency |
| Professional Fees[2] | $2,500- $4,500 | As required by providers | As incurred | Attorney Accountant, Other Professional Service Providers |
| Insurance[3] | $4,000- $6,500 | As required by insurer | Before opening | Insurer |
| Your Training Expenses[4] | $500- $1,500 | As required for trans-portation, lodging & meals | As required by suppliers of transportation, lodging & meals | Suppliers of transportation, lodging & meals |
| Computer Systems[5] | $1,000 - $1,500 | As required by suppliers | Before opening | Suppliers |
| Estimated Initial Investment Relative to Franchise Agreement | | | | |
| Your Training Expenses[4] | $4,000 - $4 600 | As required for trans-portation, lodging & meals | As required by suppliers of transportation, lodging & meals | Suppliers of transportation, lodging & meals |

| | | | | |
|---|---|---|---|---|
| Premises lease deposits [6] | $2,625 - $3,500 | As required by landlord | As required by landlord | Landlord |
| Utilities Deposits[7] | $500 - $600 | As required by utility providers | As required by utility providers | Utility providers |
| Leasehold Improvements, Construction and/or Remodeling[8] | $120,000 - $280,000 | As required by supplier, contractor or landlord | Before opening, as required by supplier | Suppliers contractor and/or Landlord |
| Furniture and Fixtures[9] | $5 600- $6,400 | As required by supplier | Before opening | Suppliers |
| Signage[10] | $9,000- $10,300 | As required by supplier | Before opening | Supplier |
| Business Licenses and Permits[11] | $3,000 - $3,500 | As required by government agencies | Before opening, as required by government agencies | Government Agencies |
| Computer Systems[5] | $3,450 - $3,850 | As required by suppliers | Before opening | Suppliers |
| Equipment – Cycling[12] | $5,150 - $7 650 | As required by suppliers | Before opening | Suppliers |
| Equipment – Audio-Visual[13] | $785 - $1,000 | As required by suppliers | Before opening | Suppliers |
| Initial Inventory to Begin Operating[14] | $7,000 - $9,300 | As required by suppliers | Before opening | Suppliers |
| Office Supplies[15] | $3,000 - $3,500 | As required by suppliers | Before opening | Suppliers |
| Professional Fees[2] | $11,250 - $18,200 | As required by providers | As incurred | Attorney, Accountant, Other Professional Service Providers |
| Grand Opening Advertising [16] | $12,000 - $35,000 | As required by supplier | As required by supplier | Suppliers |
| Insurance[3] | $2,300 - $2,600 | As required by insurer | Before opening | Insurer |
| Operating Expenses,/ Additional Funds – 3 months[17] | $~~30~~40,000 - $~~50~~100,000 | As incurred | Payroll weekly, other purchases according to agreed-upon terms | Employees, utilities, suppliers, etc |
| TOTAL | $~~327~~337,660 to $1,~~074~~124,000 | | | |

[1] Laws applicable to your territory may require that you prepare, amend, register, and/or file applications, forms, disclosures or your own disclosure document with a government agency or agencies before you engage in franchise sales If required, you must prepare and file the required applications, forms, disclosures or document at your expense

[2] We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Area Representative Agreement It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Full Psycle Franchise You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval You may also need an architect, designer, engineer and/or other professionals to adapt or modify our prototypical plans and specifications for the layout and design of your Full Psycle Studio to meet our requirements and the requirements of your landlord and local building codes This list is not exhaustive This amount will vary greatly depending on your specific needs and location

[3] Before you commence your Area Representative Business, you must purchase and maintain at your sole cost and expense the insurance we specify, which includes but is not limited to errors and omissions liability insurance in the amount of at least One Million Dollars ($1,000,000) Before you open your Pilot Studio, you are required to obtain the following insurance comprehensive general liability insurance in the amount of at least One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate property and casualty insurance to cover the full replacement value of your leasehold improvements equipment, furniture, fixtures, and inventory or One Million Dollars ($1,000,000), whichever is greater, business interruption insurance in an amount necessary to satisfy your obligations under your franchise agreement for at least twelve (12) months, professional fitness instructor liability in the amount of at least One Million Dollars ($1,000,000), statutory worker's compensation insurance in the limits required by state law, employment practices insurance in the amount of Five Hundred Thousand Dollars ($500,000), employee crime and dishonesty insurance in the amount of Ten Thousand Dollars ($10,000), and, if you operate a vehicle on behalf of your franchised business, comprehensive automobile liability insurance of at least One Million Dollars ($1,000,000) Each policy must be written by a responsible carrier or carriers acceptable to us and must name us and our respective officers directors, partners agents and employees as additional insured parties Insurance costs and requirements may vary widely in different localities The estimate is for the cost of deposit for 1 year of required minimum insurance coverage We reserve the right to require additional types of insurance and coverage as provided in the Area Representative Agreement and Franchise Agreement

[4] The cost of the Area Representative Training Program and the Initial Management Training Program for up to two (2) people is included in the Initial Area Representative Fee The chart estimates the costs for transportation, lodging, and meals for your trainees These incidental costs are not included in the Initial Franchise Fee Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses The duration of the training program is four days This estimate does not include employee wages

[5] We require you to purchase a laptop computer and copier/printer/scanner/fax that meet our minimum specifications, for use in your Area Representative Business We also require you to purchase computer systems and software meeting our minimum specifications for use at your Full Psycle Studio This estimate includes the cost of the point of sale system, your back office computer and printer and installation of Performance IQ software You must also have Internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information We reserve the right to change your requirements for computer hardware and software at any time in the future

[6] This estimate represents a one (1) month deposit of rent The low estimate indicates a 1,500 square foot facility in a suburban location while the high estimate indicates a location with 2,000 square feet in a suburban location Real estate costs vary widely from place to place This estimate is based on prevailing rates in the suburban Los Angeles area market Rental rates may be more or less than this range depending on the location of your Full Psycle Studio We cannot estimate the cost to purchase land Most landlords require a security deposit of at least one month's rent You may also incur real estate broker fees, additional prepayments (e g , first and /or last month s rent), common area maintenance (CAM) fees, real estate taxes and insurance costs, advertising or promotional fund fees or other costs, depending on the terms of your lease Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract

[7] Utility providers set the amounts of the utility deposits A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted We have based our estimate on the experiences of our affiliate The figures in the chart include deposits that may be refundable to you at a later time In most cases, your lease will require you to pay electric, gas, water, and other utilities directly, however, some landlords cover some utility charges through operating fees

[8] This estimate is for the costs for the construction of a Full Psycle Studio ranging between 1,500 and 2,000 square feet of space located in an existing structure We have based our estimates on the historical experience of our affiliate and estimates provided by construction professionals based on our prototype The difference in the low and the high improvement cost estimates is due to the difference in size of the location These estimates are applicable to a site which has been obtained in the 'vanilla box" stage, which refers to the interior condition of either a new or existing building in which the improvements generally consist of heating/cooling with delivery systems, essential lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting and a concrete slab floor These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors and licensed tradesmen), to perform subsequent installation of electrical, plumbing, and HVAC (heating, ventilation, air conditioning) suitable to the requirements of this concept and do not include any financial contributions by a landlord The cost of construction or leasehold improvements to your Full Psycle Studio will vary depending on many factors, including, but not limited to, the condition of the premises, the size and configuration, material and labor costs in your geographic area and whether your landlord will pay any of these costs as part of tenant improvements provided

[9] The figures on this chart reflect the estimated range to purchase new furniture and fixtures, including such items as benches, lockers, office furniture, lighting and our distinctive decor The cost of furniture and fixtures will vary depending on suppliers and the size and location of your Full Psycle Studio The estimates provided assume purchase of value priced furnishings Your costs may be higher depending on the quality and style of office furniture that you select

[10] This estimate is for the cost to produce and mount storefront signage on the exterior of the building as well as all interior signage, such as logo graphics for the windows Additionally, these figures include other elements of brand identification, such as wall graphics The low estimate is for standard construction and installation at a smaller location, while the high estimate applies to signage at a larger 2,000 square foot location An insert on any shopping center pylon sign will increase the cost

[11] This is an estimate of the costs of building permits, sign permits and a certificate of occupancy for your premises Not all locations will require all of these permits, depending on the prior use of the

premises and the requirements of local ordinances This estimate also includes the cost of local business licenses that typically remain in effect for 1 year The costs of permits and licenses will vary by location

[12] You are required to obtain approximately 35 - 50 cycles with Full Psycle logo graphics The above figures represent initial payments and deposits to lease the cycles, which is our recommendation The current approximate purchase price per cycle is $2,000 00 If you chose to purchase the cycles, your initial cost will be approximately $70,000 to $100,000 for the required cycle acquisition

[13] You are required to obtain audio-visual equipment, which includes two (2) 50-inch flat screen monitors, sound box containing mixer, amplifiers, and transmitter, light dimming console, disco light controller, wireless speakers and microphones throughout the facility The above figures represent initial payments and deposits to lease this equipment, which is our recommendation If you chose to purchase the audio-visual equipment, your initial cost will be approximately $46,000 to $50,000 for the required acquisition

[14] This estimate is for the cost of the initial inventory of rental shoes and merchandise for resale, which includes apparel, water bottles and heart-rate straps

[15] The amounts estimated are for basic office/desk supplies The figures also include printing a start-up order of stationery and business cards bearing the Principal Trademarks

[16] Beginning at least sixty (60) days before the scheduled opening of your Pilot Studio, we require you to spend at least $12,000 00 on local advertising and promotional activities to promote your Full Psycle Studio Thereafter, you are required to spend two percent (2%) of your Gross Revenues per month per year on local advertising You may elect to expend additional amounts to conduct a larger, more elaborate grand opening event At your option, you may conduct a pre-opening membership campaign event that includes demonstrations of the Full Psycle™ experience for prospective members among other promotional activities in a pop-up tent in the parking lot of your Full Psycle Studio location

[17] This is an estimate of the amount of additional operating capital that you may need to operate your Full Psycle Franchise during the first three (3) months after commencing operations We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate This estimate also includes such items as initial payroll and payroll taxes, Royalties (as described in this disclosure document), Brand Fund Contributions, additional advertising, marketing and/or promotional activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items These estimates do not include any compensation to you nor do they include debt service These items are by no means all inclusive of the extent of the expense categorization The expenses you incur during the initial start-up period will depend on factors such as the time of the year that you open, both local economic and market conditions, as well as whether your Franchised Business is located in a new or mature market and your business experience

We relied upon the experience of our affiliate-owned Full Psycle Studios to compile these estimates You should review these figures carefully with a business advisor before making any decision to invest in the franchise These figures are estimates and we cannot guarantee that you will not have additional expenses starting your franchised business Your additional costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions, the local market for our service, competition, and the sales level reached during your initial period We estimate that a franchisee can expect to put additional cash into the business during at least the first three to six months, and sometimes longer

Notwithstanding, Full Psycle Franchising, LLC cannot estimate or guarantee when, or whether, any individual franchisee will achieve positive cash flow or profits

We do not offer direct or indirect financing to franchisees for any items included in this section

All fees and payments are non-refundable unless otherwise stated or permitted by payee

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers distributors and manufacturers of equipment, fixtures, inventory, and supplies that your Area Representative Business and Full Psycle Studio must use or provide which meets our standards and requirements You must purchase all branded merchandise, equipment, the POS System and certain software from our designated suppliers and contractors or in accordance with our specifications We maintain written lists of approved items of equipment, fixtures, inventory and supplies (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items We update these lists periodically and issue the updated lists to all franchisees

We approve suppliers after careful review of the quality of the products they provide to us and our franchisees If you would like us to consider another supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require If the supplier meets our specifications as we determine in our sole discretion, we will approve it as an additional supplier We will make a good-faith effort to notify you whether we approve or disapprove of the proposed supplier within 30 days after we receive all required information to evaluate the product or service If we do not approve any request within 30 days, it is deemed unapproved We reserve the right to revoke approval of any supplier that does not continue to meet our then-current standards Our criteria for approving suppliers are not available to you If you request that we approve a proposed supplier, we will charge you a fee of $500 plus any actual costs of product testing Only in the event that we approve the item or supplier for use by the entire franchise system, we will refund the $500 review fee

Neither the Franchisor nor any affiliate of the Franchisor are the sole approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Area Representative Business and Full Psycle Studio None of our officers own any interest in any approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Area Representative Business and Full Psycle Studio

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 70% of your costs to establish your Area Representative Business and Full Psycle Studio and approximately 15% of your costs for ongoing operation

We will receive revenue from your payment of required ~~technology~~ fees for access to (i) our franchisee intranet portal, (ii) the POS System and (iii) Performance IQ ~~We have received no revenue from payment of these required fees as of the date of this Disclosure Document~~In our most recently concluded fiscal year ending December 31, 2017, we received $450 from our franchisee s required purchases, which represents approximately 0 15% of our total revenue of $297,950

We currently do not receive any other revenue, rebates, discounts or other material consideration from any suppliers based on your required purchases of products, supplies or equipment, however,

we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion

Currently, there are no purchasing or distribution cooperatives However, we can require that you make your purchases through a cooperative if one is formed

Although we do not do so currently, we may in the future negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources, however, failure to use approved items or designated suppliers and contractors may be a default under the Area Representative Agreement or Franchise Agreement Additionally, when there is any default under the Area Representative Agreement or Franchise Agreement, we reserve the right, in addition to other remedies available under the Area Representative Agreement and Franchise Agreement, to direct suppliers to withhold furnishing products and services to you

## ITEM 9 AREA REPRESENTATIVE'S OBLIGATIONS

**This table lists your principal obligations under the Area Representative Agreement and other agreements It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document**

| | Obligation | Section or Article in Franchise Agreement | Section or Article in Area Representative Agreement | Item in Franchise Disclosure Document |
|---|---|---|---|---|
| a | Site Selection and Acquisition/Lease | 8 1 | N/A | 11 |
| b | Pre-Opening Purchase/Leases | 8 3, 12 3 1 | 9 5 | 7, 11 |
| c | Site Development & other Pre-Opening Requirements | Article 8 | N/A | 11 |
| d | Initial and Ongoing Training | Article 7 | Article 7 | 11 |
| e | Opening | 8 3 | N/A | 11 |
| f | Fees | 5 3 7 Article 6, 12 3 7, 12 8, 16 4, 19 1 5 | 5 3 4, 9 5, 10 3 13 7, 14 4, 16 2, 17 1 5 | 5, 6, 7 |
| g | Compliance with Standards and Policies/Operating Manual | Article 9, 12 1, 19 1 1 | Article 9, 17 1 1 | 8, 11 |

| | Obligation | Section or Article in Franchise Agreement | Section or Article in Area Representative Agreement | Item in Franchise Disclosure Document |
|---|---|---|---|---|
| h | Trademarks and Proprietary Information | 12 1 15 Article 14, 19 2, 19 3, 19 4 | Article 12 | 13, 14 |
| i | Restrictions on Products/Services Offered | 12 1 1, 12 1 4, 12 1 7 12 1 8, 12 1 12, 12 1 14, 12 7 | N/A | 8 |
| j | Warranty and Customer Service Requirements | N/A | N/A | N/A |
| k | Territorial Development and Sales Quotas | 13 2 | Article 8 | 12 |
| l | Ongoing Product/Service Purchases | 12 1 4, 12 3 5 | | 8 |
| m | Maintenance, Appearance and Remodeling Requirements | Article 9 12 1 2, 12 1 5, 12 1 9 | N/A | N/A |
| n | Insurance | 15 1, 15 2, 15 3, 15 5 15 7, 15 8 | Article 13 | 7 |
| o | Advertising | Article 13 | 9 6 | 6, 11 |
| p | Indemnification | 15 4 15 9 | 13 6 | 14 |
| q | Owner's Participation, Management, Staffing | 12 1 6, 12 1 13, 12 1 17 | 9 1 | 11, 15 |
| r | Records /Reports | 12 2 | 9 9, Article 11 | 6 |
| s | Inspections and Audits | 9 2, 12 1 8, 12 2 4, 12 8 | 9 8 11 3 | 6, 11 |
| t | Transfer | Article 16 | Article 14 | 17 |
| u | Renewal | Article 5 | Article 5 | 17 |
| v | Post-Termination Obligations | Article 18 | Article 16 | 17 |

| Obligation | Section or Article in Franchise Agreement | Section or Article in Area Representative Agreement | Item in Franchise Disclosure Document |
|---|---|---|---|
| w Non-Competition Covenants | 19 5 | 17 4 | 17 |
| x Dispute Resolution | Article 20 | Article 18 | 17 |

**ITEM 10 FINANCING**

We do not offer direct or indirect financing We do not guarantee any note, lease, or obligation on your behalf We will, if such is available, introduce you to financial sources and suppliers who may offer credit arrangements, but we will not derive income from the placement of financing You may obtain financing from any source, at your discretion, upon such terms and conditions as you may negotiate

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

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

1 **Pre-Opening Obligations**

Before you open your Area Representative Business, we will

a designate the boundaries of the specific area for your Area Representative Business When you sign the Area Representative Agreement, we will specify the boundaries of your Territory (Area Representative Agreement, Article 3 and Exhibit B)

b loan to you the Full Psycle Operations Manual and other manuals and training aids we designate for use in the operation of your Area Representative Business, as they may be revised from time to time (Area Representative Agreement, Section 6(ii))

c furnish to you franchise sales materials and forms, including the current form of Franchise Disclosure Document, provided that you are responsible for the cost of duplicating franchise sales materials and forms (Area Representative Agreement, Section 6(iii))

d provide you with initial training at our corporate outlet in Southern California or at another location we designate We will determine in our sole discretion whether you satisfactorily complete the initial training (Area Representative Agreement, Sections 7 1, 7 2)

2 **Time to Open**

We estimate the typical length of time between the signing of the Area Representative Agreement and the opening of your Pilot Studio is 270 days Factors that may affect this time period include your ability to acquire a site, financing, zoning or other permits, compliance with local ordinances and restrictions, weather conditions and shortages for construction, delivery and installation of fixtures,

signs and equipment, and completion of required training You may commence franchise sales after one (1) week after you successfully complete our Area Representative Training Program

3 **Obligations After Opening**

During the operation of your Area Representative Business, we will

a offer from time to time, in our discretion, mandatory or optional additional training programs If we require it, you must attend mandatory additional training for up to three (3) days each year at a location we designate For all additional training programs, we will provide instructors and training materials free of charge You must pay your transportation, lodging, meals and other expenses to attend any mandatory training program (Area Representative Agreement, Section 7 3)

b schedule, in our discretion, a national business meeting or convention for up to three (3) days per year at a location we designate If we schedule a national business meeting or convention, you must attend For any national business meeting or convention, we will provide speakers and materials free of charge You must pay your transportation, lodging, meals and other expenses to attend any national business meeting or convention (Area Representative Agreement Section 7 3)

c Approve or reject, in our sole discretion, each prospective franchisee within ten (10) days after Franchisor receives from Area Representative a completed franchisee application and other information, as we may reasonably request (Area Representative Agreement, Section 6(vi))

d Determine in our sole discretion, whether to grant a Full Psycle Studio franchise and execute a Franchise Agreement to any prospective franchisee (Area Representative Agreement, Section 6(vii))

e approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us We will respond within fifteen (15) business days, either accepting or rejecting the proposed material and/or campaign, however, if we do not respond within fifteen (15) business days, the proposed material and/or campaign is deemed "disapproved' (Area Representative Agreement, Section 9 6)

f pay you a commission in the following amounts

(i) Fifty percent (50%) of the total initial franchise fee paid to us by a franchisee in the Territory for whom the sales lead originated with Area Representative,

(ii) Forty percent (40%) of the total initial franchise fee paid to us by a franchisee in the Territory for whom the sales lead originated with us,

(iii) Thirty-three percent (33%) of the total continuing royalty fee paid to us by a qualifying franchisee in the Territory,

(iv) Thirty percent (30%) of the transfer fee paid to us by a qualifying franchisee in the Territory, and

(v) Thirty percent (30%) of the renewal fee paid to us by a qualifying franchisee in the Territory

Payment of the Commission is conditioned upon (i) the franchisee executing the Franchise Agreement with us, upon which the Commission is based, during the Term of the Area Representative Agreement, (ii) our actual receipt of the initial franchise fee, royalty fee, transfer fee and/or renewal fee, (iii) your having complied with all of obligations under the Area Representative Agreement with respect to the qualifying franchisee and under all other agreements with us and (iv) your having complied with the your development obligations under the Area Representative Agreement (Area Representative Agreement, Sections 10 1 and 10 2)

4 **Advertising**

**Local Advertising** (Area Representative Agreement, Section 9 6, Franchise Agreement, Sections 13 2 and 13 6)

We require you to spend at least $250 00 per month on franchise sales advertising in the Territory Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter

We require you to spend at least $12,000 00 in opening advertising and promotional activities a least sixty (60) days prior to, and ninety (90) days following, your Pilot Studio's opening Thereafter, you are required to spend at least two percent (2%) of your Gross Revenues per month per year on local advertising to promote your Full Psycle Franchise Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion We will respond to your request for approval within fifteen (15) business days, however, if we do not respond within fifteen (15) business days the proposed advertising or marketing material is deemed disapproved'

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory

**System-wide Brand Fund** (Franchise Agreement, Section 13 3)

Under the Franchise Agreement for your Pilot Studio, you are required to contribute to the Brand Fund one percent (1%) of weekly Gross Revenue, subject to increases not to exceed two percent (2%) of weekly Gross Revenue, generated by your Pilot Studio Each Full Psycle Studio operated by our affiliate or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so

The Brand Fund is administered by our accounting and marketing personnel We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance We may further use Brand Fund contributions to pay our costs (including

personnel and other administrative costs) for advertising that is administered by us or prepared by us as well as for administration and direction of the Brand Fund

The Brand Fund will not be used to defray any of our other general operating expenses Brand Fund contributions will not be used to solicit new franchise sales, provided however, we reserve the right to include 'Franchises Available' or similar language and contact information in advertising produced with Brand Fund contributions

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, Internet and direct-mail campaigns We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the area or territory where your Area Representative Business and Full Psycle Studio are located

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year

The Brand Fund was established on October 1, 2015 No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions

You are not required to make a separate contribution to the Brand Fund as part of the Area Representative Agreement

**Regional Advertising** (Franchise Agreement, Section 13 4)

Currently, our System has no regional advertising fund or cooperative However, we may decide to establish a regional fund or cooperative in the future and your participation, under the Franchise Agreement for your Pilot Studio, may be mandatory, in our sole discretion A regional cooperative will be comprised of all franchised and franchisor-owned Full Psycle outlets in a designated geographic area Each Full Psycle Studio will have one vote in the cooperative We will determine in advance how each cooperative will be organized and governed We have the right to form, dissolve, merge or change the structure of the cooperatives If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents

If we establish a regional advertising fund or cooperative, you must contribute amounts we require Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Fund, however, contributions made by you to a regional advertising fund

or cooperative will be credited against your required expenditures for local advertising for your Full Psycle Studio pursuant to your Franchise Agreement

You are not required to participate in a regional advertising fund or cooperative as part of the Area Representative Agreement

**Advertising Council** (Franchise Agreement, Section 9 5)

We do not have an advertising council composed of franchisees that advises us on advertising policies The Franchise Agreement for your Pilot Studio gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies If created, we will determine in advance how franchisees are selected to the council We reserve the right to change or dissolve the council at any time

5 **Computer Systems** (Franchise Agreement, Section 12 3)

You are required to have a laptop computer and copier/printer/scanner/fax that meet our minimum specifications, for use in your Area Representative Business The estimated cost of this computer system is $1,000 to $1,500

You must also purchase computer hardware and software that operates our required point-of-sale system for your Pilot Studio ( POS System') The POS System consists of a web-based application point-of-sale system developed by Zingfit, Inc You are required to have at least one front-desk computer, a back desk computer, credit card reader and receipt printer to complement the POS System The POS System provides a variety of functions, including online reservations and scheduling, payment processing and accounting and bookkeeping

You are also required to have performance metrics tracking software developed by Performance IQ, which provides your Full Psycle Studio clients with data such as heart rate, calories burned, RPM and distance The cost of the POS System and software will range from $2,200 to $2,400 for the hardware, a one-time fee of $650 for installation of Performance IQ software, and $860 per month, subject to increases, for software access fees including access to our franchisee intranet portal

The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet We may in the future establish or modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense

You are required to have a back-office general purpose computer at the Pilot Studio for bookkeeping, record keeping and other office functions This system will consist of a desktop or laptop computer with high speed internet access, with an all in one printer/copier/scanner/fax The cost of your back office computer system will range from $600- $800

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs

We will have unlimited electronic access to the information generated by and stored in your POS System There are no contractual limitations on our right to have full access to this information We may retrieve, download, analyze and store such information and data at any time We own all customer data stored in your POS System

We have no obligation to maintain, repair, update or upgrade your computer and software At your cost, you must provide on-going maintenance and repairs to your computer and software You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System We cannot estimate the cost of maintaining, updating and upgrading your computer and software because it will depend on the make and model of your computer, required upgrades by the POS System provider to operate the most current point-of-sale software, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict

See Item 7 of this Disclosure Document for a range of the costs of required computer systems

## 6 Table of Contents of Operations Manual

The Table of Contents of our Full Psycle Operations Manual, current as of the date of this Disclosure Document, is attached as Exhibit E The Operations Manual has a total of 135 pages

## 7 Training (Area Representative Agreement, Article 7, Franchise Agreement, Article 7)

You (if the area representative is an individual) or at least one (1) of your owners (if the area representative is a business entity) must complete our one (1) day Area Representative Training Program, to our satisfaction, at least one (1) week before opening your Area Representative Business We will train you at one of our corporate offices in Southern California Houston, Texas, or Philadelphia, Pennsylvania We may offer you the ability to complete some of this training via webinar, in a virtual classroom setting, based on your experience in the area of franchise sales and compliance

**AREA REPRESENTATIVE TRAINING PROGRAM**

| SUBJECT | HOURS OF CLASSROOM TRAINING | LOCATION |
|---|---|---|
| Franchise Sales Process, the FDD Compliance, Ways to Generate and Manage Leads, and Local Franchisee Support | 6 | Southern California, Greater Philadelphia, Or Houston, Texas |
| **TOTAL HOURS** | **6** | |

You or at least one (1) of your owners must also complete our four (4) - day Initial Management Training Program, to our satisfaction, at least four (4) weeks before opening your Pilot Studio We will train you in Southern California at a Full Psycle Studio and/or corporate office operated by one of our affiliates

**INITIAL MANAGEMENT TRAINING PROGRAM**

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| Introduction Welcome, Our Brand, History, Customer Service and Mission/Vision | 2 | 0 | Southern California |
| Marketing Advertising, Developing Memberships and Classes Offered | 4 | 0 | Southern California |
| Technology CRM/POS Membership Management and Payment Processing | 1 | 1 to 3 | Southern California |
| Human Resources Recruiting, Retention and Coaching Staff | 2 | 2 | Southern California |
| Operations Scheduling, Instructor Training, Classes, Supplies Equipment, Safety, Maintenance and Security | 1 to 2 | 16 to 20 | Southern California |
| Franchise Reporting and Financial Management of your Full Psycle Business | 1 to 2 | 0 | Southern California |
| Pre-marketing and Grand Opening | 2 | 0 | Southern California |
| **TOTAL HOURS** | **13 to 15** | **19 to 25** | |

We periodically conduct our Area Representative Training Program and Initial Management Training Program throughout the year, as needed, approximately every 8 to 12 weeks Training will be provided by or under the direction of PK Harmeling, Pierre Macalany and/or Judd Miller, II

PK is our co-founder PK is also the co-founder and president of our affiliates that own and operate three Full Psycle studios Pierre is our co-founder and chief operational development officer Pierre has been a multi-state regional developer with European Wax Centers since 2009, and has owned and operated Massage Envy franchises since 2007 Judd is our co-founder and chief brand development officer Judd has been a multiple-state regional developer with European Wax Centers since 2008, with development rights in Georgia, Texas and mid-Atlantic states Judd also owns and operates 6 European Wax Center and 2 Massage Envy franchises in Texas Judd was also the Central Texas Regional Developer for Massage Envy from 2005 thru 2009

Our training materials consist of the Operations Manual In-studio training also includes observation and active instruction

The cost of our instructors, training materials, classroom and on-the job training for up to two (2) people is included in the Initial Area Representative Fee You must pay for all of travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel

If you do not complete our Area Representative Training Program or Initial Management Training Program to our satisfaction, we reserve the right to terminate the Area Representative Agreement

Before and/or upon the opening of your Pilot Studio we will provide a trainer for on-site training, supervision and assistance with daily operations, local marketing and grand opening, membership review equipment needs and instructor assessments On-site training will be for up to four (4) days at no additional cost to you

We may conduct mandatory or optional additional enrichment programs, including an annual conference or national business meeting If we require it, you must attend mandatory enrichment programs for up to three (3) days each year, and an annual conference or national business meeting for up to three (3) days each year, at a location we designate Failure to attend mandatory training is a default under the Area Representative Agreement

We will provide instructors, speakers and training and course material free of charge for all enrichment programs, refresher courses, annual conference or national business meeting You must pay all other expenses incurred by you and your staff to attend any mandatory enrichment program refresher course, annual conference or national business meeting including but not limited to, transportation lodging meals, salaries and other living expenses

## ITEM 12 TERRITORY

Under the Area Representative Agreement, we will designate to you a territory, which has limited protection, except as set forth below (the "Territory") You will have the right to establish the Pilot Studio and to solicit, train, service and supervise franchisees within the Territory Your Territory is located in all or a portion of a listed town, city, or county and is identified by a group of contiguous zip codes In determining the size of the Territory, we consider your capacity to recruit and provide services in the Territory and the number of Full Psycle Studio outlets we believe the Territory can support We will identify the Territory, Initial Area Representative Fee, and the Development Schedule in the Area Representative Agreement before you sign it

Your Territory will be defined and attached to your Area Representative Agreement as Exhibit B

During the term of your Area Representative Agreement and provided that you are not in default of your Area Representative Agreement, we will not grant area representative rights to anyone other than to you in the Territory and will not grant franchises to anyone other than to you or to anyone solicited by you in the in your Territory However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the Marks in your Territory through alternative distribution channels, as discussed below There is no minimum sales requirement, market penetration or other contingency that will affect your limited protection right to operate in your Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us Your Territory remains the same even if the population and/or household incomes change during the term of your Area Representative Agreement

You may not change the location of your Pilot Studio, except in accordance with the requirements of Section 8 6 of the Franchise Agreement If, through no fault of your own, you are unable to continue

to occupy your premises (for example, because of the expiration of a lease or casualty), you have the option to relocate, with our consent, provided that you request permission to relocate at least (60) days, or as soon as the expected loss is known, prior to loss of possession of your existing premises or within thirty (30) days after you lose possession due to casualty Your new location must be approved by us, in accordance with our then-current site selection procedures

We may, but have no obligation to, consider granting to you the right to establish additional Area Representative Businesses under other area representative agreements if you are in compliance with the Area Representative Agreement and propose to open another Area Representative Business in an area we approve The Area Representative Agreement grants you no options, rights of first refusal or similar rights to acquire additional Area Representative Businesses in contiguous territories

We reserve all rights not expressly granted in the Area Representative Agreement This reservation include the rights to (i) own, operate or authorize others to own or operate Full Psycle Studios or solicit sales of Full Psycle franchises outside the Territory and may operate other kinds of businesses within the Territory (ii) own and operate, directly by us or through an affiliate, one (1) or more Full Psycle Studios in the Territory, provided however, you will receive (a) an amount equal to fifty percent (50%) of the then-current initial franchise fee payable by a new franchisee and (b) satisfaction of one (1) unit on your Development Schedule, for each Full Psycle Studio that we or our affiliate opens and operates in the Territory, (iii) own, acquire, conduct or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, (iv) own acquire, operate, and grant others the right to own, acquire or operate other exercise and fitness concepts at any location and on any terms and conditions, and (v) sell, solicit, franchise or license others to sell and solicit Full Psycle products, services, licenses and franchises for and/or through any channel of distribution other than a dedicated Full Psycle Studio in the Territory ("Alternate Distribution Channels') Alternate Distribution Channels specifically include captive market locations, such as outlets at universities, airports, hotels, medical and other health centers, expo centers, and business or other institutional campuses, co-branding with other exercise and fitness outlets, and the Internet

You will receive no compensation for our sales through Alternative Distribution Channels in your Territory

You may not use Alternative Distribution Channels to make sales inside or outside your Territory You may only solicit sales from consumers in your Territory Your local advertising must target consumers in your Territory, although the reach of your local advertising may extend beyond your Territory

You will not receive an exclusive territory You may fact competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control

## ITEM 13 TRADEMARKS

Full Psycle Enterprises, LLC ('Licensor") is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of Area Representative Businesses and Full Psycle Studios in accordance with the System The Area Representative Agreement will license to you the right to operate your Area Representative Business under the Full Psycle service mark with design, as described below ( Principal Mark')

| MARK | USPTO NO | REGISTRATION DATE | REGISTER |
|---|---|---|---|

| FULL PSYCLE FULL BODY INDOOR CYCLING | 4726285 | April 28, 2015 | Principal |
|---|---|---|---|

Licensor has filed all required affidavits

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other Marks Licensor and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Area Representative Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other Marks Licensor and we have the right to control any administrative proceedings or litigation involving the Principal Mark or other Mark licensed by us to you You must cooperate fully with Licensor and us in defending and/or settling the litigation

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Marks

You must not directly or indirectly contest Licensor's right or our right, to the Principal Mark or other Marks

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks There is no pending infringement, opposition or cancellation There is no pending material federal or state court litigation involving the Principal Mark or other Marks

There are no currently effective agreements which significantly limit Licensor's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark

## ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise We have registered no copyright with the United States Copyright Office However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials We also claim copyrights and other proprietary rights in our Manual

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office the U S Copyright Office, or any court regarding any of our copyrights discussed above

There are no agreements currently in effect which limit your right to use any of our copyrights As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them

Our mutual obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document

During the term of the Area Representative Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, formulas, processes, customer lists vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Area Representative Business and the Full Psycle Studio systems of operation, services, programs products, procedures, policies, standards, techniques, requirements and specifications which are part of the System, the Operations Manual, methods of advertising and promotion, instructional materials, marketing plans, business methods research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such information is protected or protectable by patent copyright, trade secret or other proprietary rights (collectively called the "Confidential Information ) You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property You may never (during the Initial Term, any Renewal Term, or after the Area Representative Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination Your management-level personnel must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Exhibit G)

You must promptly tell us when you learn about unauthorized use of any Confidential Information We are not obligated to take any action but will respond to this information as we think appropriate We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Area Representative Agreement, of the Confidential Information

## ITEM 15 OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Area Representative Agreement requires that you personally supervise your Area Representative Business You must devote full time to the job and cannot have an interest or business relationship with any of our competitors You must successfully complete our Area Representative Training Program

The following persons must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Area Representative Agreement as Exhibit G

- Your managerial personnel who will have access to our proprietary and confidential information and training,

- If you are a business entity, all of your officers, directors, and equity holders and those of any business entity that directly or indirectly controls you

If you are a business entity, each of your owners must sign a Personal Guaranty, which is attached to our Area Representative Agreement as Exhibit F

## ITEM 16 RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must solicit prospective franchisees and provide certain training and support services to franchisees in your Territory in compliance with the Area Representative Agreement and the Manual

You may solicit prospective franchisees only within the Territory You must investigate the qualifications of each prospective franchisee in accordance with our then-current standards, policies, and procedures for qualifying prospective franchisees You may not make any promises, representations or commitments in connection with the sale of franchises other than as furnished or previously authorized in writing by us You may only use disclosure documents that we approve and that have been properly registered in jurisdictions where registration is required

Under the Franchise Agreement for your Pilot Studio, you must offer and sell all products and services which are part of the System, and all services and products which we incorporate into the System in the future You may only offer products and services which we have previously approved

You may not use our Marks for any other business, and you may not conduct any other business from your Full Psycle Studio You cannot engage in any other business that competes with your Area Representative Business, with your Pilot Studio, with us or our affiliates, or with Full Psycle franchises owned by other franchisees and area representatives, whether such business is inside or outside of your Territory

We may add to delete from or modify the products and services which you can and must offer You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement There are no other limits on our rights to make these changes

You may only sell products and services in the manner we prescribe See Item 12 for restrictions on sales within and outside your Territory

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

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements You should read these provisions in the agreements attached to this disclosure document**

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| a | Length of the franchise term | Art 4 | Term is ten years |
| b | Renewal or extension of the Term | Sections 5 1 | If you are in good standing as defined below you can renew for one additional ten (10) year term |
| c | Requirements for franchisee to renew or extend | Sections 5 2 and 5 3 | Be in full compliance have no more than three (3) events of default during current term provide written notice to us at least six months before the end of the term execute a new area representative agreement pay us a renewal fee equal to $1 000 per franchise agreement in effect in the Territory on the last day of the initial or which becomes effective within sixty (60) days thereafter execute a general release comply with then current qualifications and training requirements including completion of additional training<br>You may be asked to sign a new Area Representative Agreement with materially different terms and conditions than your original Area Representative Agreement |
| d | Termination by franchisee | None | Not Applicable |
| e | Termination by franchisor without cause | Section 14 7 | The Area Representative Agreement will terminate automatically upon your death or permanent disability unless prohibited by law or unless your heirs are approved as replacement franchisees or transfer the Franchise within 180 days |
| f | Termination by franchisor with cause | Article 15 | We may terminate only if you default The Area Representative Agreement describes defaults throughout Please read it carefully |
| g | Cause defined – curable defaults | Section 15 3 | You have 30 days to cure non-compliance with the development schedule You have 5 days to cure non payments and any other defaults (except for non-curable defaults listed in the Area Representative Agreement and described in h immediately below) |

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| h | Cause defined non curable defaults | Sections 15 1 and 15 2 | The Area Representative Agreement will terminate automatically without notice for the following defaults insolvency bankruptcy written admission of inability to pay debts receivership levy composition with creditors unsatisfied final judgment for more than 30 days or foreclosure proceeding that is not dismissed within 30 days<br>We may terminate the Area Representative Agreement upon notice to you if you knowingly maintain false books and records or falsify any report to us fail to comply with applicable laws attempt a transfer in violation of the Area Representative Agreement fail or your legal representative fails to transfer as required upon your death or permanent disability misrepresent or omit a material fact in applying for the Franchise are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of the Marks or the System receive an adverse judgment in any proceeding involving allegations of fraud racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System create a threat or danger to public health or safety refuse an inspection or audit by us use the Marks copyrighted material or Confidential Information in an unauthorized manner make an unauthorized disclosure of Confidential Information fail to comply with non-competition covenants default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12 month period default under any other agreement with us or our affiliate, or terminate the Area Representative Agreement without cause |

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| i | Franchisee s obligations on termination/ non renewal | Article 18 | Upon termination you must cease operations cease to identify yourself as a Full Psycle franchisee cease to use the Marks cancel any assumed name registration that contains any Mark pay us and our affiliates all sums owing pay us any damages costs or expenses we incur in obtaining any remedy for any violation of the Area Representative Agreement by you including but not limited to attorney s fees deliver to us all Confidential Information the Operations Manual all copies of the Disclosure Document(s) and all records and files related to your Area Representative Business deliver to us all past and present sales leads and all records and documents related to franchisees in the territory comply with the non disclosure and non competition covenants and pay us liquidated damages of $15 000 for a termination related to your failure to adequately provide training and/or support services to franchisees |
| j | Assignment of contract by franchisor | Section 14 1 1 | No restrictions on our right to assign |
| k | Transfer' by franchisee defined | Section 14 3 | Any assignment sale transfer gift devise or encumbrance of any interest in the Area Representative Agreement Area Representative Business any assets of the Area Representative Business or in the Area Representative (if the Area Representative is a business entity) |
| l | Franchisor approval of transfer by franchisee | Section 14 3 | No transfer is allowed without our consent which we will not unreasonably withhold |
| m | Conditions for franchisor approval of a transfer | Section 14 3 and 14 4 | Conditions include transferee meets our then-current standards for qualifying area representatives transferee signs our then-current form of Area Representative Agreement and Franchise Agreement for the Pilot Studio which may have materially different terms from your Area Representative Agreement and Franchise Agreement transferee and its principal successfully complete our Area Representative Training Program you have paid us and third-party creditors all amounts owed you and the transferee sign a General Release in the form of Exhibit C to the Area Representative Agreement you shall subordinate any claims you have against the transferee to us you will indemnify us for a period of 3 years following the transfer our approval of the material terms and conditions of the transfer landlord s consent of a lease assignment for the Pilot Studio if applicable payment of a transfer fee of $25 000 |

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| n | Franchisor s right of first refusal to acquire franchisee s business | Section 14 6 | You must promptly notify us of any written offer to purchase your Area Representative Business We have 30 days to exercise our first right to buy it on the same terms and conditions provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing (c) our credit is deemed as good as the proposed purchaser (d) we have at least 60 days to close and (e) you shall give us all customary seller s representations and warranties |
| o | Franchisor s option to purchase franchisee s business | N/A | N/A |
| p | Death or disability of franchisee | Section 14 7 | The Area Representative Agreement automatically terminates unless prohibited by law or any heir or successor otherwise meets our requirements of a transferee or transfers the Franchise within 180 days |
| q | Non competition covenants during the term of the franchise | Section 17 4 1 | You may not divert or attempt to divert customers of any Full Psycle Studio or area representative business (including yours) to any competitor participate in any capacity including but not limited to as an owner investor officer director employee or agent in any competing business induce any person employed by us or any of our franchisees or area representatives including your Full Psycle employees to leave their employment do any act that could damage the goodwill of the Marks or System or disrupt or jeopardize our business or that of our franchisees |
| r | Non-competition covenants after the franchise is terminated or expires | Section 17 4 2 | For 24 months after the termination of the Franchise Agreement you may not divert or attempt to divert customers of any Full Psycle Studio (including yours) to any competitor participate in any capacity including but not limited to as an owner investor officer director employee or agent in any competing business within 25 miles of your former Territory or any other Full Psycle location induce any person employed by us or any of our franchisees or area representatives including your former Full Psycle employees to leave their employment do any act that could damage the goodwill of the Marks or System or disrupt or jeopardize our business or that of our franchisees or area representatives |
| s | Modification of the agreement | Sections 12 6 and 20 5 | No oral modifications generally but we may change the Operations Manual and System standards at any time You may be required to implement these changes at your own costs We have the right to modify our Marks at any time upon written notice to you |

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| t | Integration/merger clause | Section 20 5 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law ) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable |
| u | Dispute resolution by arbitration or mediation | Sections 18 1 and 18 2 | The parties may first seek non binding mediation at our headquarters in accordance with the rules of the American Arbitration Association If any dispute is not resolved by mediation within 90 days it must be submitted to arbitration in accordance with the rules of the American Arbitration Association in Houston Texas Our claims for money owed or injunctive relief antitrust or restraint of trade claims and claims related to the Marks are not subject to mediation or arbitration |
| v | Choice of forum | Section 18 4 | Litigation takes place in Harris County Texas subject to applicable state law |
| w | Choice of law | Section 18 4 | Texas law applies subject to applicable state law |

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement and/or Area Representative Agreement for special state disclosures

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its 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 furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Full Psycle Studio, except as stated below Actual results vary from outlet to outlet and we cannot estimate the results of any particular franchisee~~

~~This financial performance representation is a historic representation based on the past performance of existing outlets. Our affiliates owned and operated three Full Psycle Studios as of the date of this disclosure document. Each affiliate location is similar to the franchise offered. The results of each affiliate location are presented in this Item 19. The following table shows the Gross Revenues of our corporate outlets for the last two fiscal years. We have included only Gross Revenues for full year operations.~~

~~The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Full Psycle Studio. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.~~

~~Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.~~

~~**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**~~

~~The actual performance of your Full Psycle Studio depends on a variety of factors, including the size of your protected area, population shifts, your own management and marketing skills, experience and business acumen, local economic conditions, the local market for our products and services,~~

| ~~Outlet Location~~ | ~~Date Opened~~ | ~~2015 Revenue~~ | ~~2016 Revenue~~ |
|---|---|---|---|
| ~~Costa Mesa, CA~~ | ~~Feb 2013~~ | ~~$479,726~~ | ~~$471,809~~ |
| ~~Huntington Beach, CA~~ | ~~March 2014~~ | ~~$404,011~~ | ~~$435,555~~ |
| ~~Lincoln Park, IL~~ | ~~September 2014~~ | ~~$332,659~~ | ~~$340,626~~ |

~~competition, and other factors. Net income will vary from outlet to outlet depending upon factors such as, but not limited to, rental or real estate costs, costs of goods sold, labor costs, Royalty fees, Brand Fund contributions and other franchisee costs outlined in this Disclosure Document.~~

~~Other than the preceding financial performance representation, we~~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 Judd Miller, III, 5712 Val Verde, Suite 275, Houston Texas 77057, 281-783-8070, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-wide Area Representative Business Summary

~~Unit Franchises~~

~~Table No. 1~~

~~System-wide Outlet Summary~~
For Years ~~2014~~2015 to ~~2016~~2017

| Column 1 ~~Outlet~~Area Representative Type | Column 2 Year | Column 3 ~~Outlets~~AR Businesses at the Start of the Year | Column 4 ~~Outlets~~AR Businesses at the End of the Year | Column 5 Net Change |
|---|---|---|---|---|
| Franchised | ~~2015~~2014 | 0 | 0 | 0 |
| | ~~2016~~2015 | 0 | ~~0~~4 | ~~0~~+4 |
| | ~~2017~~2016 | ~~0~~4 | ~~0~~5 | ~~0~~+1 |
| Company – Owned* | ~~2015~~2014 | ~~1~~0 | ~~3~~0 | ~~+2~~0 |
| | ~~2016~~2015 | ~~3~~0 | ~~3~~0 | 0 |
| | ~~2017~~2016 | ~~3~~0 | 40 | ~~+1~~0 |
| Total ~~Outlets~~Area Representative Businesses | ~~2015~~2014 | ~~1~~0 | ~~3~~0 | ~~+2~~0 |
| | ~~2016~~2015 | ~~3~~0 | ~~3~~4 | ~~0~~+4 |
| | ~~2017~~2016 | ~~3~~4 | 45 | +1 |

Table No. 2

Transfers of Area Representative Businesses From Area Representatives to New Owners (Other than the Franchisor)
For Years

~~Table No. 2~~

~~Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)~~
~~For Years 2014~~2015 to 2017~~2016~~

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| None | 20152014 | 0 |
| | 20162015 | 0 |
| | 20162017 | 0 |
| Total | 20152014 | 0 |
| | 20162015 | 0 |
| | 20162017 | 0 |

Table No 3

Status of ~~Franchised Outlets~~Area Representative Businesses
For Years ~~2014~~2015 to 2017~~2016~~

| Column 1<br>State | Column 2<br>Year | Column 3<br>~~Outlets~~AR Businesses at Start of Year | Column 4<br>~~Outlets~~AR Businesses Opened | Column 5<br>Terminations | Column 6<br>Non-renewals | Column 7<br>Reacquired by Franchisor | Column 8<br>Ceased Operations - Other Reasons | Column 9<br>~~Outlets~~AR Businesses at End of the Year |
|---|---|---|---|---|---|---|---|---|
| California | ~~2014~~2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016~~2015~~ | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | ~~2016~~2017 | 0 | ~~0~~1 | 0 | 0 | 0 | 0 | ~~0~~1 |
| New Jersey | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pennsylvania | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Total | ~~2013~~2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | ~~2014~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | 2016 | 0 | ~~0~~4 | 0 | 0 | 0 | 0 | ~~0~~4 |
| | 2017 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |

Table No 4

Status of Company Owned* ~~Outlets~~Area Representative Businesses
For Years ~~2014~~2015 to 2017
~~2016~~

| Column 1 State | Column 2 Year | Column 3 Outlets at Start of Year | Column 4 Outlets Opened | Column 5 Outlets Reacquired from Franchisees | Column 6 Outlets Closed | Column 7 Outlets Sold to Franchisees | Column 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| ~~California~~ | ~~2014~~ | ~~1~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| None | 2015 | ~~20~~ | 0 | 0 | 0 | 0 | ~~20~~ |
| | 2016 | ~~20~~ | ~~10~~ | 0 | 0 | 0 | ~~30~~ |
| ~~Illinois~~ | ~~2014~~2017 | 0 | ~~10~~ | 0 | 0 | 0 | ~~10~~ |
| Total | 2015 | ~~10~~ | 0 | 0 | 0 | 0 | ~~10~~ |
| | 2016 | ~~10~~ | 0 | 0 | 0 | 0 | ~~10~~ |
| ~~Total~~ | ~~2014~~2017 | ~~10~~ | ~~20~~ | 0 | 0 | 0 | ~~30~~ |
| | ~~2015~~ | ~~3~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~3~~ |
| | ~~2016~~ | ~~3~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | 4 |

~~Table No 5~~

~~Projected Openings as of December 31, 2016~~

| ~~Column 1 State~~ | ~~Column 2 Franchise Agreements Signed But Outlet Not Opened~~ | ~~Column 3 Projected New Franchised Outlets in the Next Fiscal Year~~ | ~~Column 4 Projected New Company Owned Outlets in the Current Fiscal Year~~ |
|---|---|---|---|
| ~~Florida~~ | ~~1~~ | ~~1~~ | ~~0~~ |
| ~~Pennsylvania~~ | ~~1~~ | ~~0~~ | ~~0~~ |
| ~~Texas~~ | ~~6~~ | ~~3~~ | ~~0~~ |
| ~~Total~~ | ~~8~~ | 4 | ~~0~~ |

~~Area Representative Agreements~~

~~Table No. 1~~

~~System-wide Area Representative Business Summary~~
~~For Years 2014 to 2016~~

| ~~Column 1 Outlet Type~~ | ~~Column 2 Year~~ | ~~Column 3 Outlets at the Start of the Year~~ | ~~Column 4 Outlets at the End of the Year~~ | ~~Column 5 Net Change~~ |
|---|---|---|---|---|
| ~~Franchised~~ | ~~2014~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2015~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2016~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~Company-Owned*~~ | ~~2014~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2015~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2016~~ | ~~0~~ | ~~4~~ | ~~4~~ |
| ~~Total Area Representative Businesses~~ | ~~2014~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2015~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2016~~ | ~~0~~ | ~~4~~ | ~~4~~ |

~~Table No. 2~~

~~Transfers of Area Representative Businesses From Area Representatives to New Owners (Other than the Franchisor)~~
~~For Years 2014 to 2016~~

| ~~Column 1 State~~ | ~~Column 2 Year~~ | ~~Column 3 Number of Transfers~~ |
|---|---|---|
| ~~None~~ | ~~2014~~ | ~~0~~ |
| | ~~2015~~ | ~~0~~ |
| | ~~2016~~ | ~~0~~ |
| ~~Total~~ | ~~2014~~ | ~~0~~ |
| | ~~2015~~ | ~~0~~ |
| | ~~2016~~ | ~~0~~ |

Table No. 3

Status of Area Representative Businesses
For Years 2014 to 2016

| Column 1 State | Column 2 Year | Column 3 Outlets at Start of Year | Column 4 Outlets Opened | Column 5 Terminations | Column 6 Non-renewals | Column 7 Reacquired by Franchisor | Column 8 Ceased Operations - Other Reasons | Column 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| None | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table No. 4

Status of Company Owned* Area Representative Businesses
For Years 2014 to 2016

| Column 1 State | Column 2 Year | Column 3 Outlets at Start of Year | Column 4 Outlets Opened | Column 5 Outlets Reacquired from Franchisees | Column 6 Outlets Closed | Column 7 Outlets Sold to Franchisees | Column 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| New Jersey | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 1 |
| Pennsylvania | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 1 |
| Texas | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 2 | 0 | 0 | 0 | 2 |
| Total | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 4 | 0 | 0 | 0 | 4 |

Table No 5

Projected Openings as of December 31, ~~2016~~2017

| Column 1<br>State | Column 2<br>Area Representative Agreements Signed But Business Not Opened | Column 3<br>Projected New Area Representative Businesses in the Next Fiscal Year | Column 4<br>Projected New Company Owned Area Representative Businesses in the Current Fiscal Year |
|---|---|---|---|
| California | 0 | 1 | 0 |
| Texas | 0 | 1 | 0 |
| Total | 0 | 2 | 0 |

Exhibit E lists the location of each Full Psycle area representative business in our System

During our last fiscal year, no franchisee has had an area representative business terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document

~~No franchisee has signed confidentiality clauses during the last three years.~~

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

~~* Company-owned stores are operated by affiliated entities.~~

~~Exhibit F lists the location of each Full Psycle in our System.~~

No franchisee has signed confidentiality clauses during the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document

## ITEM 21 FINANCIAL STATEMENTS

Full Psycle Franchising, LLC, was formed on May 28, 2015 Because we have not been in business for three (3) years, we are not able to include the three (3) prior years of audited financial statements normally required by this Item 21 Our audited financial statements for the periods of January 1 – December 31, 2017, January 1 - December 31, 2016, and Date of Inception - December 31, 2015, are included in Exhibit D Our fiscal year end is December 31

## ITEM 22 CONTRACTS

Copies of all proposed agreements regarding the franchise offering are included in Exhibit B These include our Area Representative Agreement and all exhibits to it (Service Mark, Description of

Territory, General Release, Development Schedule, Statement of Ownership Interests in Area Representative, Personal Guaranty, and Confidentiality and Non-Compete Agreement) and our Franchise Agreement and all exhibits to it (Service Mark, Description of Territory, Address of Franchise Location, General Release, Conditional Assignment of Lease, Statement of Ownership Interests in Franchisee, Personal Guaranty and Confidentiality and Non-Compete Agreement)

**ITEM 23 RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit H You should sign both copies of the receipt Keep one copy for your own records and return the other signed copy to Judd Miller, III Full Psycle Franchising, LLC, 5712 Val Verde, Suite 275, Houston Texas, 77057

## EXHIBIT A

## AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states) This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process

| State | State Agency | Agent for Service of Process |
|---|---|---|
| CALIFORNIA | Commissioner of Business Oversight<br>Department of Business Oversight<br>320 West 4th Street, Suite 750<br>Los Angeles, CA 90013<br>(213) 576-7505<br>Toll-free (866-275-2677) | Commissioner of Business Oversight |
| HAWAII | Business Registration Division<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722 | Commissioner of Securities of the State of Hawaii |
| ILLINOIS | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465 | Illinois Attorney General |
| INDIANA | Indiana Secretary of State<br>Securities Division<br>302 West Washington St , Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681 | Indiana Secretary of State<br>201 State House<br>Indianapolis, IN 46204 |
| MARYLAND | Office of the Attorney General<br>Division of Securities<br>200 St Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | Maryland Securities Commissioner<br>200 St Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576 6360 |
| MICHIGAN | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117 | Michigan Department of Commerce, Corporations and Securities Bureau |
| MINNESOTA | Minnesota Department of Commerce<br>85 7th Place East, Suite 500<br>St Paul, MN 55101-2198<br>(651) 296-4026 | Minnesota Commissioner of Commerce |

| State | State Agency | Agent for Service of Process |
|---|---|---|
| NEW YORK | Office of the New York State Attorney General<br>Investor Protection Bureau, Franchise Section<br>~~120 Broadway, 23rd~~28 Liberty Street, 21st Floor<br>New York, NY ~~10271-0332~~10005<br>(212) 416 8211 Phone<br>(212) 416-6042 Fax | Attention New York Secretary of State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue 6th Floor<br>Albany, NY 11231-0001<br>(518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department<br>600 East Boulevard, 5th Floor<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | North Dakota Securities Commissioner |
| RHODE ISLAND | Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, RI 02920<br>(401) 462-9585 | Director of Rhode Island Department of Business Regulation |
| SOUTH DAKOTA | ~~Department of Labor and Regulation~~<br>Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-4823 | Director of South Dakota Division of Insurance-Securities Regulation |
| VIRGINIA | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219<br>(804) 371-9733 |
| WASHINGTON | Department of Financial Institutions<br>Securities Division<br>P O Box 9033<br>Olympia, WA 98507-9033<br>(360) 902-8760 | Director of Washington Financial Institutions<br>Securities Division<br>150 Israel Road, SW<br>Tumwater, WA 98501 |
| WISCONSIN | Wisconsin Securities Commissioner<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559 | Commissioner of Securities of Wisconsin |

EXHIBIT B

AREA REPRESENTATIVE AGREEMENT

FULL PSYCLE FRANCHISING, LLC
AREA REPRESENTATIVE AGREEMENT

THIS AREA REPRESENTIVE AGREEMENT (this "Agreement") is being entered into this ___ day of _____, 20____, (the "Effective Date") by and between Full Psycle Franchising, LLC, a Texas limited liability company (herein "Franchisor) and _____ _____ (herein "Area Representative") for the right to solicit sales and perform certain services on behalf of Franchisor, as more particularly set forth herein

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique and distinctive full-body indoor cycling studios which feature, among other things, proprietary workout concepts that incorporate standard indoor cycling routines with upper body strength training via hand weights and pilates-based core exercises, using Franchisor's format, trade dress, methods of marketing and presentation, training and assistance and using Franchisor's confidential operations manual ("Manual") of business practices and policies, and Franchisor's workout routines and methods, distinctive exterior and interior design, décor, color scheme, fixtures and furnishings, operations methods, uniform trade dress standards, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (taken together herein the "System") Training will occur at Franchisor's affiliated outlet in California and will be provided consistent with Franchisor's training manuals

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks "FULL PSYCLE" and design trademark, as set forth in Exhibit "A", and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the "Marks")

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance, and service

Area Representative understands and acknowledges the importance of Franchisor's high and uniform standards of quality, service, and appearance, and the necessity of operating the businesses franchised hereunder in conformity with Franchisor's standards and specifications

Area Representative understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards and thereby to protect and preserve the goodwill of the Marks and other intellectual property licensed to Area Representative in this Agreement or which may be added to the System from time to time

Area Representative understands and accepts that, pursuant to this Agreement, Area Representative is obligated to provide certain development services for Franchisor in the Territory (as hereinafter defined), including, but not limited to, identification of new potential third party franchisees, franchise sales assistance, assistance in the nature of consultation, advice and guidance

regarding location selection and lease negotiations, assistance with training new franchisees, assistance with overseeing compliance with Franchisor's requirements

It is the desire of Area Representative to become a area representative for Franchisor in the Territory after the Effective Date of this Agreement in order to receive a portion of the initial franchise fees (the "Initial Franchise Fee(s)") and continuing royalty fees ("Royalty Fee(s)" received from each franchisee in the Territory as hereinafter more fully detailed

Franchisor is willing to sell and grant to Area Representative the rights of an area representative, under the terms and conditions set forth herein for the Territory

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows

1 **RECITATIONS** The Recitations set out above form part of this Agreement

2 **GRANT OF RIGHTS AND CONSIDERATION**

2 1 Area Representative Business Franchisor hereby grants to Area Representative and Area Representative accepts, upon the terms and conditions herein contained, the license to (i) open and operate one or more Full Psycle studios (the "Full Psycle Studio" or "Full Psycle Studios") in the Territory, (ii) solicit, screen and offer for Franchisor's approval, prospective third-party franchisees to open and operate Full Psycle Studios in the Territory, and (iii) provide certain support services, as set forth in Section 9 7 hereof, to Full Psycle Studio franchisees in the Territory (the "Area Representative Business")

2 2 Consideration Payable by Area Representative In consideration of Franchisor's execution of this Agreement and the grant of the right to operate the Area Representative Business to Area Representative, Area Representative shall pay Franchisor _____ Dollars ($_____) ("Initial Area Representative Fee") The Initial Area Representative Fee includes the initial franchise fee for **one (1)** Full Psycle Studio franchise, which Area Representative is required to open, as further described in Section 8 2 hereof **The Initial Area Representative Fee is fully earned at the time this Area Representative Agreement is signed and is not refundable under any circumstances**

3 **TERRITORY**

3 1 Territory This Agreement grants Area Representative the rights set forth in Section 2 hereof within an exclusive territory that is designated by the description and/or mapped boundaries set forth in Exhibit "B" attached hereto and incorporated herein ("Territory") Subject to Franchisor's reservation of rights set forth in Section 3 2, below, Franchisor agrees that Franchisor will not grant area representative rights to anyone other than Area Representative in the Territory and will not grant franchises to anyone other than Area Representative or anyone solicited by Area Representative in the Territory, so long as Area Representative is not in default under this Agreement or this Agreement has not expired or been terminated Except as otherwise specified in this Agreement, Franchisor reserves the

right to solicit sales, or permit others to solicit sales, of Full Psycle franchises around, bordering and adjacent to the Territory

3 2 Reservation of Rights Notwithstanding the provisions of Section 3 1 above, Area Representative understands and agrees that all rights to any form of commerce, other than as specified in this Agreement, are fully reserved to Franchisor exclusively for sales, solicitation and distribution within or without the Territory This reservation of our right includes, but is not limited to, Franchisor's right to franchise, license, and contract or arrange others to utilize this right Area Representative agrees that such implementation of Franchisor's right is deemed not to impair or injure Area Representative's rights pursuant to Section 2 hereof By way of example only, Franchisor reserves the rights to

(i) own, operate or authorize others to own or operate Full Psycle studios or solicit sales of Full Psycle franchises outside the Territory and may operate other kinds of businesses within the Territory,

(ii) own and operate, directly by Franchisor or through an affiliate of Franchisor, one (1) or more Full Psycle studios in the Territory, provided however, Area Representative shall receive (a) an amount equal to fifty percent (50%) of the then-current initial franchise fee payable by a new franchisee and (b) satisfaction of one (1) unit on the Development Schedule, for each Full Psycle Studio so owned and operated by Franchisor or Franchisor's affiliate,

(iii) own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks

(iv) own, acquire, operate, and grant others the right to own, acquire or operate other exercise and fitness concepts at any location and on any terms and conditions,

(v) sell, solicit, franchise or license others to sell and solicit Full Psycle products, services, licenses and franchises for and/or through any channel of distribution other than a dedicated Full Psycle Studio in the Territory ("Alternate Distribution Channels") Alternate Distribution Channels specifically include captive market locations, such as outlets at universities, airports, hotels, medical and other health centers, expo centers, and business or other institutional campuses, co-branding with other exercise and fitness outlets, and the Internet

Franchisor makes no representation or warranty to Area Representative that there will be any right to participate in franchises, licensing programs or other business proposals for the sale and distribution of Full Psycle products, services, licenses or franchises through Alternate Distribution Channels whether in the Territory or outside the Territory Area Representative will receive no compensation for Franchisor's sales through Alternate Distribution Channels made within the Territory

4 **TERM** Unless terminated earlier in accordance with the terms set forth herein, this Agreement and the rights to operate the Area Representative Business granted hereunder shall commence upon the date hereof and terminate on the date that is ten (10) years following the Effective Date (the "Term")

5 **RENEWAL**

5 1 Right To Renew Subject to the terms and conditions of this Agreement, Area Representative shall have the right, but not the obligation, following the expiration of the Term hereof, to enter into a new Area Representative Agreement and other agreements and legal instruments and documents then customarily employed by Franchisor and in the form then generally being offered to prospective Area Representatives in the state in which the Territory is located (the "Renewal Area Representative Agreement") for one (1) additional term equal to ten (10) years The term of such Renewal Area Representative Agreement shall commence upon the date of expiration of the Term hereof Area Representative shall be charged a renewal fee equal to One Thousand Dollars ($1,000 00) for each Full Psycle franchise agreement in effect on the last day of the initial Term, or which becomes effective within sixty (60) days following the expiration of the initial Term In the event Area Representative is not in full compliance with Section 5 3 below at the time Area Representative notifies Franchisor of Area Representative's desire to renew, it shall be in Franchisor's sole and absolute discretion whether to permit the renewal

5 2 Form and Manner of Renewal If Area Representative desires to exercise Area Representative's right to enter into the Renewal Area Representative Agreement (the "Renewal Right"), it shall be done in the following manner

5 2 1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Area Representative shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement)

5 2 2 Area Representative must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Area Representative of a copy of Franchisor's then current Disclosure Document and two (2) copies of Franchisor's then current Renewal Area Representative Agreement and accompanying documents

5 2 3 The Renewal Area Representative Agreement shall supersede this Agreement in all respects, and Area Representative understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower Commission and other fees

5 2 4 Area Representative shall comply with Franchisor's then current qualification and training requirements

5 2 5 If Area Representative fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Area Representative not to exercise Area Representative's right and option to enter into the Renewal Franchise Agreement, and such failure shall cause Area Representative's right and option to automatically lapse and expire, without further notice by Franchisor

5 2 6 Area Representative acknowledges that the initial Term of this Agreement provides Area Representative more than a sufficient opportunity to recoup Area Representative's initial investment, as well as a reasonable return on such investment

5 3 Conditions of Renewal Area Representative's right to enter into the Renewal Area Representative Agreement is conditioned upon Area Representative's compliance with all of the following conditions

5 3 1 Area Representative shall be in full compliance with this Agreement and have materially performed Area Representative's obligations under this Agreement and shall be in compliance under all other agreements which may be in effect between Area Representative and Franchisor, including but not limited to all monetary obligations

5 3 2 Area Representative shall not have committed three (3) or more events constituting default during the then current Term of this Agreement, whether or not such defaults were cured

5 3 3 Area Representative shall execute a general release of all claims Area Representative may have against Full Psycle Franchising, LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Exhibit "C" This release will include all claims arising under any federal, state, or local law, rule, or ordinance and will be in a form satisfactory to Franchisor in Franchisor's sole and absolute discretion

5 3 4 Area Representative shall pay the required renewal fee and sign the Renewal Area Representative Agreement

5 4 Additional Reservation of Rights Notwithstanding anything herein to the contrary, Franchisor reserves the right not to renew this Area Representative Agreement if Franchisor has made the decision to withdraw from Area Representative's Territory

## 6 OBLIGATIONS OF FRANCHISOR

In additions to those obligations specifically set forth elsewhere in this Agreement, Franchisor shall

(i) Permit Area Representative to use the Marks, as they may be amended from time to time, and Franchisor's promotional material,

(ii) Furnish to Area Representative a copy of Franchisor's Operations Manual and

accompanying documents, if any as they may be amended from time to time (the "Manual") Area Representative agrees not to copy, publish or duplicate the contents of the Manual except as authorized by Franchisor in writing prior to such copying, publishing or duplicating,

(iii) Furnish to Area Representative, free of charge, franchise sales materials and forms, including the current form of Franchise Disclosure Document Except for the Franchise Disclosure Document and Franchise Agreement, Area Representative is responsible for all costs of duplicating materials and forms,

(iv) Provide training to Area Representative in accordance with Article 7 below,

(v) Provide initial franchisee training to the first three (3) franchisees, excluding Area Representative and/or Area Representative's affiliates, who sign Franchise Agreements in the Territory,

(vi) Pay fees due to Area Representative in accordance with Article 10 below,

(vii) Approve or reject, **in Franchisor's sole discretion**, each prospective franchisee in the Territory within ten (10) days after Franchisor receives from Area Representative a completed franchisee application and other information, as Franchisor may reasonably request, and

(viii) Determine, **in Franchisor's sole discretion**, whether to grant a Full Psycle Studio franchise and execute a Franchise Agreement to any prospective franchisee Area Representative acknowledges that the grant of a Full Psycle Studio franchise shall be effected only upon the full execution of a Franchise Agreement by and between Franchisor and a prospective franchisee

## 7 TRAINING

7 1 Area Representative Training Program Area Representative or Area Representative's principals (defined as all holders of an ownership interest, office or directorship in Area Representative and of any entity directly or indirectly controlling Area Representative, and any other person or entity controlling, controlled by or under common control with Area Representative and hereinafter referred to collectively as "Principals") shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's area representative training program ("Area Representative Training Program") prior to soliciting franchise sales or performing any Support Services (as hereinafter defined) The Area Representative Training Program consists of a one (1) day course conducted at one of our corporate offices in Southern California, Houston, Texas, or Philadelphia, Pennsylvania Franchisor reserves the right to designate an alternate location for the Area Representative Training Program No charge shall be made for Area Representative or Area Representative's principals to take the Area Representative Training Program, provided however, Area Representative shall be required to pay all of the expenses of its trainees, including, without limitation, costs of travel, lodging, meals and wages

7 2 Satisfactory Completion Franchisor shall determine, in Franchisor's sole discretion, whether the Area Representative or Area Representative's principals have satisfactorily completed the Area Representative Training Program If the Area Representative Training Program is not satisfactorily completed by the Area Representative or Area Representative's principals, or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Area Representative or Area Representative's principals, determine that the Area Representative Training Program cannot be satisfactorily completed by any such person, Franchisor, in its sole discretion, may terminate this Agreement

7 3 Additional Training Franchisor may offer mandatory and/or optional additional training programs from time to time If required by Franchisor, Area Representative or Area Representative's principals, if any, shall participate in refresher training for up to three (3) days per year, at a location designated by Franchisor Franchisor may also require Area Representative to attend a national business meeting or annual convention for up to three (3) days per year, at a location designated by Franchisor For all such programs, Franchisor will provide, at no charge, the instructors and training materials However, Franchisor reserves the right to impose a reasonable fee for such additional training programs that are not mandatory Area Representative shall be responsible for any and all incidental expenses incurred by Area Representative or Area Representative's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages Failure to attend and/or complete mandatory additional training by Area Representative or Area Representative's principal or failure of Area Representative to attend Franchisor's national business meeting or annual convention is a default of this Agreement

## 8 MINIMUM DEVELOPMENT OBLIGATIONS

8 1 Development Obligations Area Representative shall construct, equip, open and operate, directly and through its affiliates and/or qualified and approved franchisees, not less than the cumulative number of Full Psycle Studios in the Territory in the manner and time periods as set forth in Section 8 2 below and the development schedule attached hereto as Exhibit "D" ("Development Schedule") Each Full Psycle Studio opened pursuant to this Section 8 1 shall be subject to a separate franchise agreement, in its then-current form, by and between Franchisor and Area Representative, its affiliate or an approved franchisee ("Franchise Agreement") **Notwithstanding the foregoing, Area Representative hereby waives all obligations by Franchisor to provide any training to Area Representative (or its affiliate) contained in each Franchise Agreement, other than the Franchise Agreement for the Pilot Studio (as defined in Section 8 2 below), by and between Franchisor and Area Representative (or its affiliate) Area Representative hereby acknowledges and agrees that the training Area Representative receives pursuant to Article 7 of this Agreement is sufficient to allow Area Representative (or its affiliate) to construct, equip, open and operate each of Area Representative's (or its affiliate's) Full Psycle Studios in the Territory**

8 2 Pilot Studio In accordance with the Development Schedule, Area Representative acknowledges and agrees that it must initially construct, equip, open and operate one (1)

Full Psycle Studio within the Territory that successfully passes our operational review (the "Pilot Studio") The Pilot Studio shall be subject at all times to a Franchise Agreement executed by Area Representative and Franchisor contemporaneously with the execution of this Agreement, provided that Area Representative has no obligation to pay an initial franchise fee for the Pilot Studio The Pilot Studio shall be used by Area Representative as a prototype business and training facility for franchisees in the Territory Area Representative shall operate the Pilot Studio or replacement thereof at all times during the Term and any extension thereof

8 3 Solicitation of Franchisees After Area Representative successfully completes the Area Representative Training Program pursuant to Article 7 hereof, Area Representative may solicit, screen, and present to Franchisor for approval prospective franchisees to construct, equip, open and operate Full Psycle Studios in the Territory

8 4 Satisfaction of Development Schedule Full Psycle Studios, including the Pilot Studio, which are (i) the subject of a Franchise Agreement executed pursuant to this Agreement, whether by Area Representative, Area Representative's affiliate or by a franchisee, or (ii) owned and operated by Franchisor or Franchisor's affiliate pursuant to Section 3 2(ii) hereof, shall be counted in determining whether Area Representative is operating in accordance with the Development Schedule provided that such Full Psycle Studios are open for business to the public and operating within the Territory Area Representaive shall, at all times, be cognizant of and seek to be in compliance with the Development Schedule by replacing any terminated Franchise Agreements or otherwise vacated Full Psycle Studios in the Territory

## 9 OBLIGATIONS OF AREA REPRESENTATIVE

In additions to those obligations specifically set forth elsewhere in this Agreement, Area Representative shall perform the following obligations

9 1 Best Efforts Area Representative shall devote best efforts to develop and manage the Territory, including, but not limited to, identifying new potential franchisees, assistance with finding appropriate real estate and assisting with the sale and support of new franchisees in the Territory In furtherance thereof, Area Representative shall provide prompt, courteous and efficient service to prospective and approved franchisees, vendors and others who provide goods and services to franchisees in the Territory, and shall respond to mail, e-mail and voice messages within one (1) business day, where applicable Area Representative shall adhere to the highest degree of honesty, integrity and ethical conduct in fulfilling Area Representative's obligations under this Agreement

9 2 Sourcing Franchisees Area Representative shall promptly attend to all sales leads and other inquiries from prospective franchisees within the Territory Area Representative shall investigate the qualifications of each prospective franchisee in accordance with our then-current standards, policies, and procedures for qualifying prospective franchisees Upon Area Representative's satisfaction that a prospective franchisee meet Franchisor's standards, Area Representative shall promptly submit to Franchisor a franchisee application with all information relating to the prospective franchisee that Franchisor may reasonably request Franchisor shall approve or disapprove a franchisee application in the time frame set forth in Section 6(vii) hereof In the event of

(i) Franchisor's approval of a franchise application, Area Representative shall provide the applicable Franchise Disclosure Document to the prospective franchisee at Area Representative's sole cost and expense, or

(ii) Franchisor's rejection of a franchise application, Area Representative shall abandon all franchise sales efforts with such prospective franchisee

Area Representative acknowledges and agrees that Franchisor, in making its determination whether to (a) approve or disapprove a franchisee application and (b) grant a Full Psycle Studio franchise, may, in Franchisor's sole discretion, request of the prospective franchisee any and all further information that Franchisor deems necessary, including but not limited to, a personal interview and background check

9 3 Sales Statements Area Representative shall abide by and strictly comply with the terms, rules and requirements set forth in Franchisor's Manual and Franchise Disclosure Document and this Agreement Area Representative shall not make any promises, representations or commitments in connection with the sale of franchises other than as furnished or previously authorized in writing by Franchisor Area Representative shall not modify or offer to modify any proposed Franchise Agreement Area Representative further shall not make any representations to prospective franchisees regarding projected financial results, sales, profits, or any other financial representation of any Full Psycle Studio and shall direct all prospective franchisees to Item 19 of Franchisor's Disclosure Document in response to financial performance inquiries

9 4 Compliance with Laws Area Representative shall comply with all laws, rules and regulations applicable to Area Representative's activities pursuant to this Agreement and shall secure and maintain throughout the Term all required licenses and permits therefor Area Representative acknowledges that there may be laws applicable to the Territory that govern a franchise relationship, including laws regarding the advertising and sale of franchise offerings, and Area Representative agrees to comply with any such laws

9 5 Disclosure and Registration Requirements Within ten (10) days of Franchisor's request, Area Representative shall execute such forms and/or provide Franchisor with all information required or reasonably requested by Franchisor to update Franchisor's Disclosure Document in accordance with federal and state franchise laws Such information may include, but is not limited to, Area Representative's audited financial statements Notwithstanding anything to the contrary contained herein, Area Representative shall not solicit any prospective Full Psycle franchisees until Franchisor has registered Franchisor's current Disclosure Document, if such registration is required for sales in the Territory Area Representative acknowledges and accepts that laws applicable to the Territory may require not only that Franchisor register its Disclosure Document, but also that Area Representative prepare, amend, register, and/or file applications, forms, disclosures or its own disclosure document with a government agency or agencies before Area Representative may engage in franchise sales In such case, Area Representative shall draft or complete the required applications, forms, disclosures or document and shall submit such to Franchisor for Franchisor's approval prior to making the filing or registration The preparation, drafting and completion of all applications, forms, disclosures and/or documents and the filing and/or registration thereof shall be done directly by Area Representative at Area Representative's sole cost and expense

9 6 Advertising in the Territory Area Representative shall spend monthly, throughout the term of this Agreement, at least Two Hundred Fifty Dollars ($250 00) on marketing activities that target prospective franchisees in the Territory Within ten (10) business days of Franchisor's request, Area Representative shall provide a quarterly expenditure report accurately reflecting such expenditures for the preceding quarterly period All marketing activities by Area Representative, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise Area Representative shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Area Representative desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof If Franchisor fails to respond to Area Representative's submission within fifteen (15) business days, such plans and materials shall be deemed "disapproved" Area Representative shall not use such unapproved plans or materials until they have been approved by Franchisor in writing, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor Any advertising, marketing or sales concepts, programs or materials proposed or developed by Area Representative and approved by Franchisor may be used by other System Area Representatives without any compensation to Area Representative

9 7 Training and Support Services Area Representative shall provide to approved franchisees in the Territory (i) Franchisor's initial management training program, (ii) ongoing assistance to comply with System requirements, including but not limited to, guidance in connection with site selection, design, construction, equipping and opening of the Full Psycle Studios in the Territory, sourcing of equipment, fixtures, furnishings, inventory and supplies, use of required software for performance, purchasing and record-keeping, advertising and promotion, including grand opening campaigns, (iii) additional training and/or remedial training to non-compliant franchisees in the Territory, and (iv) other assistance and services as Franchisor shall reasonably request and require from time to time (collectively "Support Services")

9 8 Inspections Area Representative shall conduct inspections of the Full Psycle Studios and the operations of all franchisees (including Area Representative and its affiliate(s)) in the Territory, in accordance with Franchisor's standards Such inspections shall occur at least once every six (6) months Area Representative shall provide reports of such inspections to Franchisor, in such form and at such times as Franchisor may require

9 9 Reports of Business Activities Area Representative shall, in such form and as required by Franchisor from time to time, deliver to Franchisor a written report of Area Representative's activities conducted pursuant to this Agreement, including information regarding solicitation of prospective franchisees, advertising and marketing in the Territory, the status of pending real estate transactions, and sourcing of designated suppliers of goods and services

9 10 Notification of Claims Area Representative shall notify Franchisor in writing within five (5) days after Area Representative knows of or has reason to know of any demand, claim, investigation, action, suit, arbitration or other proceeding, or the issuance of any lien, penalty, order, writ, injunction, award or decree that names or is directed against Area Representative or otherwise concerns the operation or financial condition of Area Representative, Area Representative's activities pursuant to this Agreement, or any Full Psycle franchisee in the Territory

9 11 Reimbursement of Costs Area Representative shall reimburse Franchisor fifty percent (50%) of all administrative expenses, plus all actual attorneys' fees incurred by Franchisor, for the review, processing or preparation of any documentation in connection with approved franchisees in the Territory, including but not limited to, financing, Transfers and negotiation of the Collateral Assignment of Lease Agreement

## 10 PAYMENTS TO AREA REPRESENTATIVE

10 1 Commissions and Conditions of Payment Subject to the conditions contained in this Section 10 1, Area Representative shall be paid a commission equal to a percentage, as set forth in Section 10 2 below, of the initial franchise fee, continuing royalty fee, transfer fee and renewal fee, as those fees are defined in the applicable Franchise Agreement, paid to Franchisor by each qualifying franchisee, including qualifying franchisees for whom Area Representative or Area Representative's affiliate is the Principal or owner, for the purchase and operation of a Full Psycle franchise in the Territory (the "Commission") Area Representative's entitlement to the Commission for each qualifying franchisee shall be conditioned upon the satisfaction of the following (i) the franchisee has executed the Franchise Agreement with Franchisor, upon which the Commission is based, during the Term of this Agreement, (ii) Franchisor has actually received payment of the initial franchise fee, royalty fee, transfer fee and/or renewal fee, it being understood that payments held in escrow shall not be deemed "actually received" until the escrow agent remits to Franchisor the full amount of the escrowed funds and such funds are received by Franchisor, and (iii) Area Representative has complied with all of its obligations under this Agreement with respect to the qualifying franchisee and each Full Psycle Studio owned and operated by and Area Representative or Area Representative's affiliates, and (iv) Area Representative has complied with the Development Schedule Notwithstanding the foregoing, Area Representative shall not be entitled to any Commission with respect to a Full Psycle Studio established in the Territory prior to the Effective Date of this Agreement or for which Area Representative performed no sales services or Support Services

10 2 Commission Payable The Commission payable to Area Representative shall be in an amount equal to

(i) Fifty percent (50%) of the total initial franchise fee paid to Franchisor by a franchisee in the Territory for whom the sales lead originated with Area Representative,

(ii) Forty percent (40%) of the total initial franchise fee paid to Franchisor by a franchisee in the Territory for whom the sales lead originated with Franchisor,

(iii) Thirty-three percent (33%) of the total continuing royalty fee paid to Franchisor by a qualifying franchisee in the Territory,

(iv) Thirty percent (30%) of the transfer fee paid to Franchisor by a qualifying franchisee in the Territory, and

(v) Thirty percent (30%) of the renewal fee paid to Franchisor by a qualifying franchisee in the Territory

Commissions shall be payable to Area Representative within thirty (30) days of the last day of the calendar month in which any initial franchise fee, continuing royalty fee, transfer fee or renewal fee is received by Franchisor

10 3 Pilot Studio Initial Fee Commission Notwithstanding the provisions of Sections 10 1 and 10 2, Area Representative is not entitled to Commission on any part of the Initial Area Representative Fee payable pursuant to Section 2 2 hereof, including but not limited to, that portion of the Initial Area Representative Fee that may represent the initial franchise fee for the Pilot Studio

10 4 Payments Upon Termination All Commission under this Section 10 shall immediately and permanently cease after the expiration or termination of this Agreement Notwithstanding the foregoing, Area Representative shall be entitled to all Commission which have properly accrued to Area Representative prior to the effective date of expiration or termination, subject to Section 10 6 hereof

10 5 Application of Payments Received In the event of termination of a Franchise Agreement for a Full Psycle Studio, for which Area Representative receives Commission, under circumstances which entitles the franchisee to a return of all or part of the initial franchise fee or royalty fees paid (or in the event that Franchisor is legally obligated or decides, in Franchisor's sole discretion, to return all or part of the initial franchise fee or royalty fees paid), Franchisor may deduct Area Representative's proportionate share of returned amounts from future Commission payable to Area Representative Franchisor shall apply any payments received from a franchisee first to any past due indebtedness of that franchisee, including interest, late charges, past due continuing royalty fees or brand development fund contributions or other indebtedness To the extent that such payments are applied to a franchisee's overdue continuing royalty fee, Area Representative shall be entitled to Area Representative's proportionate share of such payment, less the proportionate share of the actual collection costs and expenses

10 6 No Set-Off Area Representative shall not set off any amounts that Area Representative owes to Franchisor by any Commission payable to Area Representative Franchisor may apply Commission payable to Area Representative to any overdue obligation, including, but not limited to, any Royalty, Brand Fund Contributions, late charges, and interest, of Area Representative or Area Representative's affiliate or to damages, including liquidated damages owed pursuant to this Agreement or any Franchise Agreement by and between Franchisor and Area Representative or Area Representative's affiliate

## 11 BOOKKEEPING AND RECORDS

11 1 Records Maintenance Area Representative shall keep and maintain, during the Term of this Agreement, and for three (3) years following its expiration or earlier termination, complete and accurate books and records of the Area Representative Business transactions and operations using the accounting procedures specified by Franchisor

11 2 Financial Reports Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Area Representative will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Area Representative Business during said period, together with a balance sheet for the Area Representative Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice Area Representative's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate

11 3 Audit Franchisor shall have the right at all reasonable times, upon reasonable notice to Area Representative, to examine all books, records, and tax returns of the Area Representative Business, including but not limited to, correspondence with prospective and approved franchisees, purchase orders, invoices and bank deposits and statements Area Representative shall cooperate fully with Franchisor in the exercise of Franchisor's rights pursuant to this Section 11 3 and shall provide Franchisor with the location of all books, records, tax returns and other documents of the Area Representative Business, and instructions and passwords to access computer-stored records

11 4 Access to Tax Filings Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Area Representative shall 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 sole purpose of obtaining any and all returns and reports filed by Area Representative with any state or federal taxing authority

## 12 INTELLECTUAL PROPERTY

12 1 Ownership

12 1 1 Area Representative expressly understands and acknowledges that Full Psycle Enterprises, LLC ("Licensor") is the record owner of the Marks Franchisor holds the exclusive right to license the Marks to Area Representatives of the System for use pursuant to the System Area Representative further expressly understands and acknowledges that Franchisor claims copyrights on certain written material used in the System, including but not limited to, forms, advertisements, promotional materials and the Manual, whether or not Franchisor has filed for copyrights thereto with the U S Copyright Office The Marks and copyrights are hereafter together referred to as the "Intellectual Property"

12 1 2 As between Franchisor and Area Representative, Franchisor and Licensor are the owners of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them

12 2 No Interference Neither Area Representative nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor's or Licensor's rights with respect to the Intellectual Property Nothing in this Agreement shall give the Area Representative any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's or Licensor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of the Area Representative Business

12 3 Goodwill Area Representative understands and agrees that any and all goodwill arising from Area Representative's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Area Representative's use of the Intellectual Property

12 4 Validity Area Representative shall not contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property

12 5 Infringement Area Representative acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor's or Licensor's rights in the Intellectual Property and a material event of default hereunder Area Representative shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain and enforce such rights in the Intellectual Property

12 6 Substitution Franchisor reserves the right to substitute different Marks for use in identifying the System if the current Marks no longer can be used by Franchisor, 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 Area Representative, at Area Representative's expense, to discontinue or modify Area Representative's use of any of the Marks or to use one or more additional or substitute Marks Franchisor will not be liable to Area Representative for any expenses, losses or damages sustained by Area Representative as a result of any additions, modifications, substitutions or discontinuation of the Marks, and Area Representative covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages

12 7 Area Representative's Use of the Intellectual Property With respect to Area Representative's use of the Intellectual Property pursuant to this Agreement, Area Representative further agrees that

12 7 1 Area Representative shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of its corporate or other legal name prior to filing it with the applicable state authority Area Representative shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability All fictitious names used by Area Representative shall bear the designation "an Area Representative of Full Psycle Franchising, LLC"

12 7 2 Area Representative shall identify itself as an independent Full Psycle Franchising, LLC, Area Representative in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice on any vehicle used in the operation of the Area Representative Business as Franchisor may designate in writing

12 7 3 Area Representative shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor

12 8 Claims Area Representative shall notify Franchisor immediately by telephone, and thereafter in writing, of any apparent infringement of or challenge to Area Representative's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property Area Representative shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Area Representative's counsel in connection with any such infringement, challenge or claim Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property Area Representative agrees to execute any and all 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 other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property If Area Representative is in full compliance with this Agreement, Franchisor will indemnify Area Representative against and reimburse Area Representative for all damages (including settlement amounts) for which Area Representative is held liable in any proceeding arising out of Area Representative's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Area Representative with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement

12 9 Area Representative shall not register or attempt to register the Intellectual Property in Area Representative's name or that of any other person, firm, entity or corporation

12 10 Area Representative acknowledge that any unauthorized use of the Intellectual Property shall constitute an infringement of Licensor's and Franchisor's rights in the Intellectual Property and a material default hereunder Area Representative agree that Area

Representative shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests in order to register, maintain or enforce such rights in the Intellectual Property

## 13 INSURANCE AND INDEMNIFICATION

13 1 Procurement Area Representative shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Area Representative's sole cost and expense and to Franchisor's sole satisfaction, insurance policies rated A or better with A M Best Company, protecting Area Representative and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds, for the minimum types, coverage and limits that Franchisor shall prescribe from time to time

13 2 Certificates Within ten (10) days business days of the Effective Date of this Agreement and on each policy renewal date thereafter, Area Representative shall submit to Franchisor original or duplicate copies of all policies and policy amendments The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days prior written notice to Franchisor

13 3 Failure to Procure If, for any reason, Area Representative should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all Area Representatives by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Area Representative for the cost thereof together with a reasonable fee for Franchisor's expenses in so acting, including all attorneys' fees Area Representative shall pay Franchisor immediately upon notice by Franchisor to Area Representative that Franchisor has undertaken such action and the cost thereof

13 4 Increase in Coverage Area Representative acknowledges that the levels and types of insurance required by Franchisor are minimum requirements Area Representative shall make an independent determination of the levels and types of insurance that are adequate for the Area Representative Business and shall obtain such higher levels or other types of coverage that Area Representative determines to be appropriate Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require Within thirty (30) days of any such required new limits or types of coverage, Area Representative must submit proof to Franchisor of Area Representative's coverage pursuant to Franchisor's requirements

13 5 Additional Insured All required insurance policies shall name Franchisor and their affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Area Representative of any policy provisions

13 6 Indemnification Area Representative will indemnify, defend and hold Franchisor, Licensor, and any of either's parent company, subsidiaries, divisions, affiliates, successors, assigns, designees, officers, directors, partners, owners and employees, harmless from and against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious, arising directly or indirectly out of or in connection with the operation of the Area Representative Business, use of the Intellectual Property inconsistent with this Agreement, advertising, solicitation of franchisees, or training or Support Services provided by Area Representative, whether due to an act or omission by Area Representative or anyone acting by authorization of, through or on behalf of Area Representative

13 7 Media Inquiries Any and all media inquiries concerning the Area Representative Business or a Full Psycle Studio in the Territory, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor Neither Area Representative, Area Representative's employees nor anyone on Area Representative's behalf may comment to any broadcast medium, except as directed by Franchisor Area Representative further may not disseminate any press release unless it is reviewed and approved by Franchisor Area Representative's breach of the foregoing provision shall entitle Franchisor to liquidated damages in the amount of $1,000 00 for the first violation, $5,000 00 for the second violation, and $10,000 00 for the third violation A breach or anticipated breach of this provision shall be an incurable default of this Agreement and, in addition to all other remedies afforded Franchisor hereunder and by law, Franchisor shall be entitled to injunctive relief

## 14 TRANSFERS

14 1 Transfers by Franchisor

14 1 1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Area Representative's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder Specifically, and without limitation to the foregoing, Area Representative expressly affirms and agrees that Franchisor may (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party, (ii) engage in a public or private placement of some or all of Franchisor's securities, (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors, (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring, and (v) with regard to any or all of the above sales, assignments and dispositions, Area Representative expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to

assign Franchisor's rights in this Agreement

14 1 2 Area Representative agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Area Representative acknowledges may be within the Territory) Franchisor may or may not, in Franchisor's sole discretion, convert any such acquired facilities that are operating within the Territory to a Full Psycle Studio, and Franchisor may or may not, in Franchisor's sole discretion, offer Area Representative the right to provide Support Services to any converted facilities

14 2 Restrictions on Transfers by Area Representative Area Representative's rights and duties under this Agreement are personal to Area Representative, and Franchisor has made this Agreement with Area Representative in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Area Representative Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval Franchisor may void any transfer made without such approval

14 3 Transfers by Area Representative Area Representative shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder, the Area Representative Business or any assets thereof (except in the ordinary course of business), or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law (a "Transfer") unless it first obtains the written consent of Franchisor A transfer of any stock in the Area Representative if it is a corporation or a transfer of any ownership rights in Area Representative if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder If Area Representative has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 14 6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements

14 3 1 The proposed transferee must be an individual of good moral character or the principals of the transferee must all be of good moral character and otherwise meet Franchisor's then-applicable standards for Area Representatives

14 3 2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Area Representative Business and to comply with this Agreement,

14 3 3 The transferee has agreed to complete Franchisor's Area Representative Training Program to Franchisor's satisfaction,

14 3 4 Area Representative has paid all amounts owed to Franchisor and third-party creditors,

14 3 5 The transferee has executed Franchisor's then-standard form of Area Representative Agreement and then-standard form of Franchise Agreement for the Pilot Studio, which may have terms and conditions different from this Agreement and the effective Franchise Agreement for the Pilot Studio, except that the transferee shall not be required to pay the Initial Area Representative and Franchise Fees,

14 3 6 Area Representative and the transferee and each of Area Representative's and the transferee's Principals shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances Area Representative will agree to subordinate any claims Area Representative may have against the transferee to Franchisor, and indemnify Franchisor against all claims brought against Franchisor by the transferee for a period of three (3) years following the transfer,

14 3 7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the operation of the Area Representative Business However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Area Representative Business on such terms and conditions Area Representative shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer,

14 3 8 If Area Representative or any Principal finances any part of the sale price of the Transfer, Area Representative or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Area Representative or its Principal will be subordinate to the transferee's obligations to Franchisor, and

14 3 9 If consent is required, the lessor of the Pilot Studio's premises consents to the assignment or further sublet of the premises to the transferee

14 4 Transfer Fee As a condition to any Transfer, Area Representative shall pay Franchisor a transfer fee equal to Twenty-Five Thousand Dollars ($25,000)

14 5 Entity Formation Documents The By-Laws of a corporation or Operating Agreement of a limited liability company of a Area Representative that is an entity must state that (i) the issuance and assignment of any interest in Area Representative are restricted by this Article 14, (ii) Area Representative may conduct no business except the operation of the Area Representative Business pursuant to the terms of this Agreement, (iii) transfers of interests in Area Representative are subject to the terms of this Agreement governing transfers, and (iv) stock or member certificates will contain a legend so indicating

14 6 Franchisor 's Right of First Refusal

14 6 1 If Area Representative wishes to transfer all or part of its interest in the this Agreement or if a Principal wishes to transfer any ownership interest in Area Representative, pursuant to any bona fide offer received from a third party to purchase such interest, then Area Representative or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require

14 6 2 Franchisor has the right, exercisable by written notice to Area Representative within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement or the Principal's interest in Area Representative for the price and on the terms and conditions contained in the offer, subject to Section 14 6 3

14 6 3 Area Representative further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer, (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing, (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee, (vi) Franchisor will have at least sixty (60) days to close the purchase, and (v) Franchisor will be entitled to receive from the Area Representative all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable

14 6 3 If Franchisor does not exercise its right to buy within thirty (30) days, Area Representative may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor 's prior written approval pursuant to Section 14 3 hereof However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal

14 7 Death or Permanent Disability The grant of rights under this Agreement is personal to Area Representative, and on the death or permanent disability of Area Representative or Area Representative's Principal, as the case may be, the Franchise granted by this Agreement will terminate, unless prohibited by applicable law If prohibited by applicable law, the executor, administrator, conservator or other personal representative of Area Representative or Area Representative's Principal, as the case may be, will transfer Area Representative's or Area Representative's Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor A transfer under this Section 14 7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 14 and unless transferred by gift, devise or inheritance, subject to the terms of Section 14 6 above For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from supervising the operation of Area Representative's Full Psycle Studio for six (6) months from its onset

Immediately after the death or permanent disability of such person, or while the Area Representative Business is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Area Representative Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management pending transfer of the Area Representative Business to the deceased or disabled individual's lawful heirs or successors In the event that Franchisor provides such interim management, Franchisor shall be entitled to keep all Commission otherwise payable during the interim management period

14 8 Effect of Consent to Transfer Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Area Representative or any Area Representative's Principal nor waive its right to demand that the transferee comply strictly with this Agreement

## 15 DEFAULTS

15 1 Default and Automatic Termination Area Representative shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Representative, if Area Representative shall become insolvent or makes a general assignment for the benefit of creditors, or if Area Representative 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 admits in writing its inability to pay its debts when due, or if Area Representative is adjudicated a bankrupt or insolvent in proceedings filed against Area Representative 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 Area Representative or other custodian for Area Representative's business or assets is filed and consented to by Area Representative, or if a receiver or other custodian (permanent or temporary) of Area Representative'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 Area Representative, or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed), or if Area Representative is dissolved, or if execution is levied against Area Representative's business or property

15 2 Defaults With No Opportunity to Cure Area Representative shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Area Representative any opportunity to cure the default, effective immediately upon notice to Area Representative, if Area Representative, or any Principal, as the case may be

15 2 1 knowingly maintains false books or records, or knowingly submits any false reports or franchisee applications,

15 2 2 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Area Representative Business, including, but not limited to, the failure to pay taxes,

15 2 3 permits a Transfer in violation of the provisions of Article 14 of this Agreement,

15 2 4 fails, or Area Representative's legal representative fails, to transfer the interests in this Area Representative Agreement upon death or permanent disability of Area Representative or any Principal of Area Representative as required by Section 14 7

15 2 5 has misrepresented or omitted material facts in applying for the Area Franchise Business,

15 2 6 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything to harm the reputation of the System or the goodwill associated with the Marks,

15 2 7 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion,

15 2 8 creates a threat or danger to public health or safety from the continued operation of the Area Representative Business,

15 2 9 refuses to permit Franchisor to inspect or audit Area Representative's books or records,

15 2 10 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 17 2),

15 2 11 fails to comply with the non-competition covenants in Section 17 4,

15 2 12 defaults in the performance of Area Representative's obligations under this Agreement three (3) or more times during the term of this Agreement or any renewals or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected,

15 2 13 defaults, or an affiliate of Area Representative defaults, under any other agreement, including any Franchise Agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement,

15 2 14 performs, or fails to perform, Area Representative's obligations under this Agreement in a manner that creates an excessive amount of complaints against Area Representative or the Area Representative Business and an investigation by Franchisor determines these complaints have merit, or

15 2 15 terminates this Agreement without cause

15 3 Curable Defaults Area Representative shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Area Representative fails to cure any of the following defaults within the time period set forth in this Section 15 3, effective immediately upon notice to Area Representative

15 3 1 Area Representative fails to comply with the Development Schedule and such failure continues for thirty (30) days after written notice to Area Representative of such non-compliance,

15 3 2 Area Representative fails to pay when due any amounts due to Franchisor under this Agreement or any Franchise Agreement by and between Franchisor and Area Representative or Area Representative's affiliate and does not correct the failure within five (5) days after written notice, provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)–month period, and the third such late payment in any twelve (12)–month period shall be a non-curable default under Section 15 2 12 and/or 15 2 13,

15 3 3 Area Representative fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 15 1 and 15 2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Area Representative proceeds diligently to cure, provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)–month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 15 2 12

## 16 POST-TERMINATION

16 1 Area Representative's Obligations Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Area Representative shall immediately terminate and Area Representative and each Principal, if any, shall

16 1 1 immediately cease to operate the Area Representative Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current or former Full Psycle franchise area representative, owner or licensee,

16 1 2 immediately and permanently cease to use the Marks, any imitation of any Mark or other indicia of a Full Psycle franchise, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Licensor, or the System In particular, Area Representative shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles, which display the Marks,

16 1 3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Area Representative shall furnish Franchisor with evidence of

compliance with this obligation which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement,

16 1 4 promptly pay all sums owing to Franchisor and its affiliates Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Area Representative The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the assets of the Area Representative Business, including any Commission due,

16 1 5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination,

16 1 6 immediately deliver to Franchisor the Manual, all training material, all marketing and promotional material, all copies of Franchisor's Disclosure Document and Area Representative's Disclosure Document, if any, and all records, files, instructions, correspondence, invoices, agreements and all other materials related to operation of the Area Representative Business (all of which are acknowledged to be Franchisor's property), and retain no copy or record of any of the foregoing, except Area Representative's copy of this Agreement and of any correspondence between the parties and any other documents that Area Representative reasonably needs for compliance with any provision of law,

16 1 7 immediately deliver to Franchisor all past and present franchise sales leads, records, contracts, correspondence, receipts and all other information and documents related to franchisees located in the Territory, and

16 1 8 comply with the non-disclosure and non-competition covenants contained in Article 17

16 2 Liquidated Damages In the event this Agreement is terminated due to Area Representative's failure to adequately provide any training or Support Services to franchisees in the Territory as required by this Agreement, then, in addition other amounts payable by Area Representative pursuant to this Article 16, Area Representative shall promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for such default an amount equal to Fifteen Thousand Dollars ($15,000 00) Area Representative acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event this Agreement is terminated as a result of Area Representative's failure to adequately provide training or Support Services is difficult to determine and that this lump sum payment is reasonable in light of the damages Franchisor will incur

16 3 Survival The rights and obligations of the parties contained in this Article 16 shall survive the expiration or sooner termination of this Agreement

## 17 NON-DISCLOSURE AND NON-COMPETITION COVENANTS

17 1 Operations Manual

17 1 1 Franchisor has provided to Area Representative, on loan, a current copy of the Manual The Manual may be in hard copy or made available to Area Representative in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Area Representative to view the contents thereof If the Manual (or any changes thereto) are provided in a form other than paper copy, Area Representative shall pay any and all costs to retrieve, review, use or access the Manual To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Area Representative shall operate all aspects of the Area Representative Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Area Representative from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the franchised business

17 1 2 Area Representative and any and all Principals shall at all times treat the Manual, any written directives of Franchisor, and any other manual and materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement Area Representative and Area Representative's Principals, if any, shall not divulge and make such materials available to anyone other than those of Area Representative's employees who require the information contained therein to operate the Area Representative Business Area Representative and Area Representative's Principals, if any, shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent

17 1 3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor Area Representative shall maintain the Manual at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor At a minimum, Area Representative shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access Area Representative shall return the Manual to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement

17 1 4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Area Representative Business Area Representative expressly agrees to comply with each new or changed policy, standard or directive Area Representative shall at all times ensure that the Manual is kept current and up to date In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control

17 2 Confidential Information Area Representative and any Principal acknowledge and accept that during the term of this Agreement Area Representative and any Principal will have access to Franchisor's trade secrets, including, but not limited to, formulas, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Area Representative Business and a Full Psycle Studio, systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System, the Manual, methods of advertising and promotion, instructional materials, marketing plans, business methods, research, development or know-how, any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary", and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information") Neither Area Representative nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Area Representative or any Principal or of which Area Representative or any Principal may be apprised in connection with the operation of the Full Psycle Studio under the terms of this Agreement Area Representative and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Area Representative's employees who require the Confidential Information to operate the Full Psycle Studio Area Representative and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent The covenant in this Section 19 2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Area Representative and each Principal

17 3 Protection of Information Area Representative shall take all steps necessary, at Area Representative's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Area Representative finds that any Confidential Information has been divulged in violation of this Agreement

17 4 Non-competition Covenants Area Representative and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Area Representative and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Area Representative, each Principal and Area Representative's managers and employees Area Representative and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Area Representative Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Area Representative and each Principal, if any, are entering into this Agreement In consideration for such specialized training, trade secrets, Confidential Information and rights, Area Representative and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor

17 4 1 During the term of this Agreement, Area Representative and each Principal, if any, shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of any Full Psycle Studio or of other area representatives in the System to any competitor, by direct or indirect inducement or otherwise, (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business similar to the System, or (iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee or area representative, or otherwise induce such person to leave his or her employment, or (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisee or area representative

17 4 2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Area Representative and Principals, if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of any Full Psycle Studio or of other area representatives in the System to any competitor, by direct or indirect inducement or otherwise, (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business within twenty-five (25) miles of the Territory or any Full Psycle location, or (iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee or area representative, or otherwise induce such person to leave his or her employment or (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisee or area representative

17 5 Reasonableness of Restrictions Area Representative acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Area Representative or Principals, if any, since Area Representative or Principals, as the case may be, have other considerable skills, experience and education which afford Area Representative or Principals, as the case may be, the opportunity to derive income from other endeavors

17 6 Reduction of Time or Scope If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 17 or any portion thereof, without Area Representative's consent, effective immediately upon receipt by Area Representative of written notice thereof, and Area Representative agrees to forthwith comply with any covenant as so modified

17 7 Injunctive Relief Area Representative acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available Accordingly, Area Representative hereby consents to the entry of an injunction prohibiting any conduct by Area Representative or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement

17 8 No Defense Area Representative and each Principal, if any, expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section

## 18 DISPUTE RESOLUTION

18 1 Mediation Except as set forth in section 18 3, Franchisor, Area Representative and/or any Principals may first submit any claim, controversy or dispute arising out of or relating to this Agreement, the Exhibits hereto or the relationship created by this Agreement to non-binding mediation The mediation shall be conducted through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of disputes between franchisors and area representatives, agreed upon by the parties and, failing such agreement within ten (10) business 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 Such mediation shall take place at Franchisor's corporate headquarters in Houston, Texas The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys fees incurred by either party), shall 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 the matter shall be submitted to arbitration in accordance with Section 18 2, unless such time period is extended by written agreement of the parties

18 2 Arbitration

18 2 1 Except disputes not subject to alternative dispute resolution as set forth in Section 18 3, any dispute between Franchisor and Area Representative and/or any Principal arising out of or relating to this Agreement, the Exhibits hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 18 1, will be resolved by submission to the American Arbitration Association offices in Houston, Texas, to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association

18 2 2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U S C §1 *et seq*) and the federal common law of arbitration All hearings and other proceedings will take place in Harris County, Texas, or the offices of the American

Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Area Representative is then located

18 2 3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal No punitive or exemplary damages will be awarded against Franchisor, Area Representative, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived

18 2 4 The provisions of this Section 18 2 are independent of any other covenant or provision of this Agreement, provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law

18 2 5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement

18 2 6 Except as expressly required by law, Franchisor, Area Representative and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information

18 3 Exceptions Notwithstanding the requirements of Sections 18 1 and 18 2, the following claims shall not be subject to mediation or arbitration

18 3 1 Franchisor's claims for (i) monies owed or (ii) injunctive or other extraordinary relief,

18 3 2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law,

18 3 3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks

18 4 Governing Law and Venue With respect to any claims, controversies or disputes that are not finally resolved through mediation or arbitration, or as otherwise provided above, Area Representative and any Principal, except where specifically prohibited by the franchise laws of the jurisdiction applicable to Area Representative or Principal, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state courts of Harris

County, Texas, and the Federal District Court for the Southern District of Texas, Houston Area Representative and any Principal, hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision Area Representative and any Principal hereby 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 by this Agreement by any means allowed by Texas or federal law Area Representative and any Principal further agree that venue for any proceeding relating to or arising out of this Agreement shall be Harris County, Texas, provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, Franchisor may bring such action in any state or federal district court that has jurisdiction With respect to all claims, controversies, disputes or actions, related to this Agreement, the Exhibits hereto or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under Texas law

18 5 Mutual benefit Area Representative, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 18 4 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder Each of Area Representative, Principals, if any, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement

18 6 Performance of Obligations Area Representative, each Principal, if any, and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Harris County, Texas, and further acknowledge that the performance of certain obligations of Area Representative arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of Franchisor's training requirements shall occur in Harris County, Texas

18 7 Waiver of Certain Damages Area Representative and each Principal, if any, hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever Each of Area Representative and Principals, if any, agree that in the event of a dispute, Area Representative and each Principal shall be limited to the recovery of any actual damages sustained

18 8 Limitations of Claims Any and all claims arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims

18 9 Survival The provisions of this Article 18 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Area Representative or any Principal of their respective interests in this Agreement

## 19 WAIVER AND RELEASE OF CERTAIN CLAIMS

19 1 Waiver of Claim for Lack of Business Success Area Representative acknowledges that Area Representative has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Area Representative Business Except for disclosures contained in Franchisor's Disclosure Document, Area Representative further acknowledges that no representations of performance (financial or otherwise) for the Area Representative Business provided for in this Agreement has been made to Area Representative by Franchisor and Area Representative and any and all Principals hereby waive any claim against Franchisor for any business failure Area Representative may experience as a Area Representative under this Agreement

_____
Initial

19 2 Waiver of Claim for Lost Future Commission Area Representative acknowledges that each franchisee in the Territory shall be subject to a Franchise Agreement directly between Franchisor and each franchisee and that Area Representative is not a party to such Franchise Agreement Area Representative further acknowledges that any such Franchise Agreement may be cancelled or terminated or may not be renewed in Franchisor's sole commercial judgment Area Representative and any and all Principals hereby waive any claim against Franchisor for lost Commission resulting from the termination, cancellation or non-renewal of any Franchise Agreement in the Territory for whatever reason

_____
Initial

19 3 Release of Prior Claims BY EXECUTING THIS AGREEMENT, AREA REPRESENTATIVE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF AREA REPRESENTATIVE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE FULL PSYCLE FRANCHISING, LLC, FULL PSYCLE ENTERPRISES, LLC, ANY OF EITHER'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS, DESIGNEES, OFFICERS, DIRECTORS, PARTNERS, OWNERS AND EMPLOYEES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF

_____
Initial

## 20 GENERAL

20 1 Independent Contractor Area Representative is and shall be an independent contractor under this Agreement, and no partnership shall exist between Area Representative and Franchisor This Agreement does not constitute Area Representative as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Area Representative is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor Area Representative agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other Area Representatives of Franchisor Pursuant to the above, Area Representative agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorney's fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees, relative to assignment or the transfer of right to franchise and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the operation of the Franchise

20 2 Corporate Representations If Area Representative is a corporation, partnership, limited liability company, or other legal entity, Area Representative and each Principal represent, warrant and covenant that

20 2 1 Area Representative is duly organized and validly existing under the state law of its formation and is duly qualified and is authorized to do business in the jurisdiction of the Territory,

20 2 2 Area Representative's organizational documents shall at all times provide that the activities of Area Representative are confined exclusively to the performance of the rights and obligations granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion,

20 2 3 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Area Representative's power and have been duly authorized by Area Representative,

20 2 4 Copies of Area Representative's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Area Representative, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement,

20 2 5 The ownership interests in Area Representative are accurately and completely described on Exhibit "E" of this Agreement Upon the occurrence of any change of

ownership, Area Representative shall immediately provide Franchisor with a copy of the updated list of all owners of the entity Area Representative shall make a list of its owners available to Franchisor at any time upon request,

20 2 6 If Area Representative is a corporation, Area Representative shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities Each stock certificate shall conspicuously state, in a form satisfactory to Franchisor, that it is held subject to all restrictions on assignments imposed by this Agreement, provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation For purposes of this Agreement, a 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 If Area Representative is a partnership or limited liability company, its written partnership or limited liability company operating agreement shall provide that ownership of an interest in such entity is held subject to all restrictions on assignments imposed by this Agreement,

20 2 7 Each Principal shall personally execute and bind himself or herself to the Guaranty and Confidentiality and Non-Compete Agreement, in the forms of Exhibits "F" and "G" to this Agreement, respectively Each shall jointly and severally guarantee Area Representative's performance of all of Area Representative's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Guaranty and Confidentiality and Non-Compete Agreement

20 3 Successors This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Area Representative (including the individuals executing this Agreement on behalf of a corporation if Area Representative is a corporation) and its or their respective heirs, executors, administrators and successors or assigns, provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Area Representative or Principals, if any, in this Agreement or the Franchised Location, except in accordance with Article 14 hereof

20 4 Invalidity of Part of Agreement Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement

20 5 Entire Agreement This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Area Representative, except the representations made to Area Representative in Franchisor's Franchise Disclosure Document Nothing in this Agreement or in any related agreement is intended to disclaim any representation made in Franchisor's Franchise Disclosure Document No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties

20 6 Construction All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender All covenants, agreements and obligations assumed herein by Area Representative and any Principals shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Area Representative, if more than one person is so named

20 7 Captions Captions and section headings are used herein for convenience only They are not part of this Agreement and shall not be used in construing it

20 8 Notices Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing

20 9 Effect of Waivers No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Area Representative shall affect or impair the rights of these parties with respect to any subsequent default of the same or of a different kind Any use by Area Representative of the System or any part thereof at any place other than the Territory shall not give Area Representative any rights not specifically granted hereunder Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Area Representative to restrict said use to the Territory

20 10 Remedies Cumulative All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that 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 Area Representative or any of its affiliates and Franchisor or any of its affiliates The rights and remedies of the parties to this Agreement shall be continuing and shall 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 Article 15 shall not discharge or release Area Representative or any Principal 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

20 11 Consent to Do Business Electronically The parties to this Area Representative Agreement hereby consent to do business electronically Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Texas, the parties hereby affirm to each other that they agree with the terms of this Area Representative Agreement and its

Addenda, and by attaching their DocuSign Signature to this Area Representative Agreement, they are executing the document and intending to attach their electronic signature to it Furthermore, the parties acknowledge that the other parties to this Area Representative Agreement can rely on a DocuSign signature(s) as the respective party's signature

20 11 Counterparts This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument Confirmation of execution by electronic transmission of a facsimile or pdf signature page shall be binding

20 12 Survival Any obligation of Area Representative or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Area Representative or any Principal therein shall be deemed to survive such termination, expiration or transfer

## 21 ACKNOWLEDGMENTS

Area Representative hereby acknowledges the following

21 1 Area Representative has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Area Representative and its efforts as an independent business operation

_____
Initial

21 2 Area Representative agrees that no claims of success or failure have been made to it or him or her prior to signing this Agreement and that it/she/he understands all the terms and conditions of this Agreement Area Representative further acknowledges that this Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally

_____
Initial

21 3 Area Representative has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein Area Representative acknowledges that no representations or warranties are made or implied, except as specifically set forth herein Area Representative represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining this Agreement

_____
Initial

21 4 Franchisor expressly disclaims the making of, and Area Representative acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement

Initial

21 5 Area Representative acknowledges that it has received the Full Psycle Franchising, LLC Franchise Disclosure Document with a complete copy of this Agreement and all related Exhibits and agreements at least fourteen (14) calendar days prior to the date on which this Agreement was executed Area Representative further acknowledges that Area Representative has read such Franchise Disclosure Document and understands its contents

Initial

21 6 Area Representative acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Area Representative with respect to this Agreement or the relationship thereby created

Initial

21 7 Area Representative, together with Area Representative's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by this Agreement

Initial

21 8 Area Representative is aware of the fact that other present or future area representatives of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various area representatives may differ materially in certain circumstances

Initial

21 9 Area Representative acknowledges that this Agreement contains restrictions on Area Representative's rights to communicate with the media and that liquidated damages shall be imposed upon a breach of any of these restrictions

Initial

The parties hereto have executed this Area Representative Agreement in triplicate the day and year first above written

FRANCHISOR
FULL PSYCLE FRANCHISING, LLC

Attest _____ By _____

AREA REPRESENTATIVE

_____ _____

**EXHIBIT A**

Service Mark –

**EXHIBIT B**

**TERRITORY DESCRIPTION**

**EXHIBIT C**

**GENERAL RELEASE**

_____ ("Area Representative") and _____ (collectively, "Area Representative's Principal(s)"), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the "Area Representative Releasors"), hereby release, discharge and hold harmless Full Psycle Franchising, LLC ("Franchisor"), Full Psycle Enterprises, LLC, their affiliates, and each of their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Area Representative Agreement dated _____ between Area Representative and Franchisor and any related agreements and the relationship created thereby, or the Area Representative Business operated under the Area Representative Agreement, or any claims or representations made relative to the sale of the rights and license to operate such Area Representative Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Area Representative Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Area Representative Released Claims")

AREA REPRESENTATIVE AND AREA REPRESENTATIVE'S PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE AREA REPRESENTATIVE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE AREA REPRESENTATIVE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT The Area Representative Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Area Representative Released Claim

Executed as of _____, 20___

AREA REPRESENTATIVE

_____ _____

Attest By

AREA REPRESENTATIVE'S PRINCIPAL

_____ _____

Witness Name

_____ _____

Witness Name

**EXHIBIT D**

**DEVELOPMENT SCHEDULE**

## EXHIBIT E

## STATEMENT OF OWNERSHIP INTERESTS IN AREA REPRESENTATIVE

| Name | Percentage of Ownership |
|---|---|

## EXHIBIT F

## AREA REPRESENTATIVE'S PRINCIPAL GUARANTY

This Area Representative's Principal Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on _____, 20__ to Full Psycle Franchising, LLC , a Texas limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Area Representative Agreement dated of even date herewith (the "Area Representative Agreement") with _____, a _____ ("Area Representative")

Guarantor acknowledges that Guarantor is included in the term "Area Representative's Principal" or is the spouse of an "Area Representative's Principal" as that term is defined in Section 7 1 of the Area Representative Agreement

Guarantor acknowledges that Guarantor has read the terms and conditions of the Area Representative Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Area Representative's Principal herein and in the Area Representative Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Area Representative Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Area Representative's Principal as set forth in the Area Representative Agreement

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Area Representative Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Area Representative and/or any of it assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Area Representative (collectively, the "Guaranteed Obligations") Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Area Representative Agreement or other applicable document forthwith upon demand by Franchisor

This Guaranty is irrevocable and unlimited This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Area Representative by bankruptcy, operation of law or otherwise Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Area Representative and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor Guarantor waives notice of amendment of any agreement between Area Representative and Franchisor and notice of demand for payment by Area Representative Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Area Representative and Franchisor

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Representative to perform any obligation of Area Representative under the Area Representative Agreement and any other agreement between Area Representative and Franchisor

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Area Representative and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Area Representative shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Area Representative, notwithstanding any change(s) in the name or shareholders of the Area Representative, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns

Notwithstanding anything to the contrary contained herein, the personal liability of a Guarantor who is a spouse of a Area Representative's Principal, but not either Area Representative or Area Representative's Principal in his or her own capacity, shall be limited to only monetary obligations arising under the Franchise Agreement and all obligations separately arising under this Guaranty

IN WITNESS WHEREOF, Guarantor has signed this Area Representative Principal's Guaranty as of the date set forth above

GUARANTOR - AREA REPRESENTATIVE'S PRINCIPAL

_____

Printed Name

GUARANTOR - SPOUSE OF AREA REPRESENTATIVE'S PRINCIPAL

_____

Printed Name

**EXHIBIT G**

**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

This Confidentiality and Non-Compete Agreement (the "Agreement") is made and entered into this ____ day of _____, 20__, among Full Psycle Franchising, LLC a Texas limited liability company ("Franchisor"), _____ ("Area Representative") and _____ ("Covenantor") in connection with an Area Representative Agreement dated _____, 20__ between Franchisor and Area Representative (the "Area Representative Agreement")

**WHEREAS,** Franchisor has the right to use and license the use of certain trademarks, including, the trademark "Full Psycle and design", and certain proprietary products, services, promotions and methods (the "System") for the establishment and operation of Full Psycle studio outlets,

**WHEREAS,** Franchisor has granted Area Representative the right to operate an area representative business to establish and operate, though Area Representative and others, Full Psycle studios pursuant to the System in a territory, as specifically defined in Exhibit B of the Area Representative Agreement (the "Territory"), in strict accordance with the terms and conditions of the Area Representative Agreement,

**WHEREAS,** in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Full Psycle operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as "Confidential Information"),

**WHEREAS,** the Confidential Information provides economic advantages to Franchisor and licensed users of the System,

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

**WHEREAS,** 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

**1 Confidentiality Agreement**

**a** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Area Representative in connection with the operation of the Area Representative Business under the Area Representative Agreement

**b** Covenantor shall 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

**c** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Area Representative for training and assisting such employees in the operation of the Area Representative Business

**d** Covenantor shall surrender any material containing some or all of the Confidential Information to Area Representative or Franchisor, upon request, or upon termination of employment or association with Area Representative

**e.** Covenantor shall 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

**f** Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without Franchisor's written consent

**2 Covenants Not to Compete**

**a** In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Area Representative, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity

(i) divert, or attempt to divert, any business or customer of any Full Psycle Studio or of other area representatives in the System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business substantially similar to the System, or

(iii) seek to employ any person who is at that time employed by Franchisor or by any System franchisee or area representative, or otherwise induce such person to leave his or her employment, or

(iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System, or

(v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisee or area representative

**b** In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Area Representative and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity

(i) divert, or attempt to divert, any business or customer of any Full Psycle Studio or of other area representatives in the System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any fitness or exercise business within twenty-five (25) miles of the Territory or any Full Psycle studio location, or

(iii) seek to employ any person who is at that time employed by Franchisor or by any System franchisee or area representative, or otherwise induce such person to leave his or her employment, or

(iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System, or

(v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisee or area representative

**c** The parties acknowledge and agree that each of the covenants contained herein are 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

**d** If the period of time or the geographic scope specified Section 2 b above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Area Representative's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified

## 3 General

**a** Area Representative shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement

**b** Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it 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

**c** Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Area Representative in enforcing this Agreement

**d** Any failure by Franchisor or the Area Representative to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor

**e** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE COURTS OF HARRIS COUNTY, TEXAS, AND THE FEDERAL DISTRICT COURTS FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON 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 COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE HARRIS COUNTY, TEXAS, PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR AREA REPRESENTATIVE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION

**f** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement

**g** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors

**h** 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

**i** All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused All such notices shall be addressed to the party to be notified at the following addresses

If directed to Franchisor

Full Psycle Franchising, LLC
5712 Val Verde Suite 275
Houston TX 77057
Attention Judd Miller, III

If directed to Area Representative

_____
_____

If directed to Covenantor

_____
_____

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties

The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns The respective obligations of Area Representative and Covenantor hereunder may not be assigned by Area Representative or Covenantor, without the prior written consent of Franchisor

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below

FRANCHISOR

FULL PSYCLE FRANCHISING, LLC

By _____
Name _____
Title _____

AREA REPRESENTATIVE

_____

By _____
Name _____
Title _____

COVENANTOR

_____

Name _____

# EXHIBIT C

# FRANCHISE AGREEMENT

FULL PSYCLE FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (herein "Agreement" or "Franchise") is being entered into this ___ day of _____, 20__, by and between _____, a Full Psycle Franchising, LLC, a Texas limited liability company (herein "Franchisor) and _____ _____ (herein "Franchisee") for a single unit Franchise as hereinafter defined

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique and distinctive full-body indoor cycling studios which feature, among other things, proprietary workout concepts that incorporate standard indoor cycling routines with upper body strength training via hand weights and pilates-based core exercises, using Franchisor's format, trade dress, methods of marketing and presentation, training and assistance and using Franchisor's confidential operations manual ("Manual") of business practices and policies, and Franchisor's workout routines and methods, distinctive exterior and interior design, decor, color scheme, fixtures and furnishings, operations methods, uniform trade dress standards, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (taken together herein the "System") Training will occur at Franchisor's affiliated outlet in California and will be provided consistent with Franchisor's training manuals

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks "FULL PSYCLE" and design trademark, as set forth in Exhibit "A", and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the "Marks")

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance, and service

Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications

In recognition of the above, Franchisee has determined to enter into this Agreement because Franchisee desires to operate a high quality, indoor cycling business utilizing the System Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards and thereby to protect and preserve the goodwill of the Marks and other intellectual property licensed to Franchisee in this Agreement or which may be added to the System from time to time

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows

1 **RECITATIONS** The Recitations set out above form part of this Agreement

2 **GRANT OF FRANCHISE** Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions herein contained, the license to operate a Full Psycle franchise (the "Full Psycle Studio"), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time This grant applies only to the territory which will be selected by Franchisee and approved by Franchisor, which is more particularly described in Section 3 herein and in Exhibit "B" (the "Territory")

3 **TERRITORY**

3 1 Territory This Agreement grants Franchisee the right to operate the Full Psycle Studio at a single location within a Territory ("Franchised Location") that is designated by the description and/or mapped boundaries set forth in Exhibit "B" attached hereto and incorporated herein Franchisor agrees that Franchisor will not, and Franchisor will not permit any other of our franchisees, to operate a Full Psycle Studio in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not expired or been terminated Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise Full Psycle franchises around, bordering and adjacent to the Territory Franchisee will be selling its services from a single location that will be determined by Franchisee with Franchisor's prior written approval, which may be withheld or denied in Franchisor's sole discretion Franchisee is prohibited from selling and soliciting customers outside of the Territory and from alternative methods of distribution as more fully specified herein

3 2 Reservation of Rights Franchisee understands and agrees that all rights to any form of commerce, other than as specified in this Agreement are fully reserved to Franchisor exclusively for sales, solicitation and distribution within or without the Territory This reservation of our right for the sale, solicitation and distribution of products and services within or without the Territory through alternate channels of commerce includes, but is not limited to, Franchisor's right to franchise, license, and contract or arrange others to utilize this right Franchisee agrees that such implementation of Franchisor's right is deemed not to impair or injure Franchisee's Full Psycle Studio Franchisor reserves all rights not expressly granted in writing in the Franchise Agreement By way of example only, Franchisor or Franchisor's affiliates may own, operate or authorize others to own or operate Full Psycle studios outside the Territory and may operate other kinds of businesses within the Territory Franchisor and Franchisor's affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks Further Franchisor reserves the right to sell, solicit, franchise or license others to sell and solicit Full Psycle products and services through other channels of distribution in the Territory including, but not limited to, universities, airports, hotels, medical and other health centers, expo centers, and business or

other institutional campuses This reservation of Franchisor's rights for the sale, solicitation and distribution of Full Psycle products and services within or without the Territory through alternate channels of commerce includes Franchisor's right to franchise, license, contract or arrange others to utilize this right Franchisor makes no representation or warranty to Franchisee that there will be any right to participate in franchises, licensing programs or other business proposals for the sale and distribution of Full Psycle products and services through alternate channels of commerce whether in the Territory or outside the Territory Franchisee further understands and agrees that Franchisor may exercise this right of sales and distribution in the Territory through other channels of distribution when it is determined in Franchisor's sole and absolute discretion that it is in Franchisor's interest to do so and Franchisee agrees that such implementation of Franchisor's right is deemed not to impair or injure Franchisee's sales or Franchisee's business Franchisor has the right to own, acquire, operate, and grant others the right to own, acquire or operate other exercise and fitness concepts at any location and on any terms and conditions Franchisor also reserves the right to sell products or services, or grant the right to others to sell products or services under the Marks within and outside the Territory at any time using any method of distribution other than a dedicated Full Psycle Studio, including sales through such channels of distribution as co-branding with other exercise and fitness outlets, the Internet, catalog sales, telemarketing or direct marketing Franchisee may not use any alternative channels of distribution to make sales outside or inside the Territory, and Franchisee will receive no compensation for Franchisor's sales through alternative distribution channels made within the Territory

4 **TERM** Unless terminated earlier in accordance with the terms set forth herein, this Agreement and the Franchise granted hereunder shall commence upon the date hereof and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the "Term")

5 **RENEWAL**

5 1 Right To Renew Subject to the terms and conditions of this Agreement, Franchisee shall have the right, but not the obligation, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements and legal instruments and documents then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Renewal Franchise Agreement") for one (1) additional term equal to ten (10) years The term of such Renewal Franchise Agreement shall commence upon the date of expiration of the Term hereof Franchisee shall be charged a renewal fee equal to twenty-five percent (25%) of the then-current initial franchise fee charged to new franchisees or Eleven Thousand Two Hundred Fifty Dollars ($11,250 00), whichever is greater In the event Franchisee is not in full compliance with Section 5 3 below at the time Franchisee notifies Franchisor of Franchisee's desire to renew, it shall be in Franchisor's sole and absolute discretion whether to permit the renewal

5 2 Form and Manner of Renewal If Franchisee desires to exercise Franchisee's right to enter into the Renewal Franchise Agreement (the "Renewal Right"), it shall be done in the following manner

5 2 1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement)

5 2 2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then current Disclosure Document and two (2) copies of Franchisor's then current Renewal Franchise Agreement and accompanying documents

5 2 3 The Renewal Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees

5 2 4 Franchisee shall comply with Franchisor's then current qualification and training requirements

5 2 5 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's right and option to enter into the Renewal Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor

5 2 6 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment

5 3 Conditions of Renewal Franchisee's right to enter into the Renewal Franchise Agreement is conditioned upon Franchisee's compliance with all of the following conditions

5 3 1 Franchisee shall be in full compliance with this Agreement and the Manual and have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements which may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.

5 3 2 Franchisee shall not have committed three (3) or more events constituting default during the then current Term of this Agreement, whether or not such defaults were cured

5 3 3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction

5 3 4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Location following the expiration of the Term hereof for the full term of the Renewal Franchise Agreement or have received Franchisor's approval

regarding locating the Full Psycle Studio at a new location and the terms of any new lease or lease renewal for the full term of the Renewal Franchise Agreement

5 3 5 Franchisee shall execute a general release of all claims Franchisee may have against Full Psycle Franchising, LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Exhibit "C" This release will include all claims arising under any federal, state, or local law, rule, or ordinance and will be in a form satisfactory to Franchisor in Franchisor's sole and absolute discretion

5 3 6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require in order to cause the Full Psycle Studio premises, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled Full Psycle studios on the renewal date

5 3 7 Franchisee shall pay the required renewal Franchise fee and sign the Renewal Franchise Agreement

5 4 Notice Required by Law If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law If Franchisor is not offering new Full Psycle franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then current form of Renewal Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5 2 hereof that Franchisee desires to renew, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Renewal Franchise Agreement Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods

5 5 Additional Reservation of Rights Notwithstanding anything herein to the contrary, Franchisor reserves the right not to renew this Franchise as a result of a decision to withdraw from a marketing area or the Territory in which Franchisee's Full Psycle Studio is located

## 6 FEES

6 1 Initial Franchise and Royalty Fee As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees

6 1 1 Initial Franchise Fee Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Forty-Five

Thousand Dollars ($45,000 00) (the "Initial Fee") **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances** Franchise shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement

6 1 2 Royalty Fee Franchisee agrees to pay Franchisor, weekly and throughout the Term, the following royalty fee ("Royalty Fee")

| WEEK OF OPERATION | WEEKLY ROYALTY FEE |
|---|---|
| Weeks 1 - 26 | 6% of Gross Revenue |
| Weeks 27 - 52 | 6% of Gross Revenue or $200 00, whichever is greater |
| Weeks 53 - 104 | 6% of Gross Revenue or $250 00 whichever is greater |
| Weeks 105 – balance of Term | 6% of Gross Revenue or $300 00 whichever is greater |

The term "Gross Revenue" includes all revenue of every kind and nature at or from the Franchised Location or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i e coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Revenue) Currently, Gross Revenue includes gift card purchases, which shall be recognized at the time of purchase, however, Franchisee agrees to participate in any System-wide gift card program Franchisor may institute in the future, including any reasonable revenue recognition policies associated therewith

6 1 3 Gross Revenue Reports Franchisee shall, on the Wednesday following the close of each calendar week (Monday through Sunday), furnish Franchisor with a report showing Franchisee's Gross Revenue at or from the Franchised Location and/or made pursuant to the rights granted hereunder during such period (the "Gross Revenue Report") The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe At Franchisor's discretion, Franchisee shall submit the Gross Revenue Report by an electronic transfer of data via the point of sale systems ("POS System") that Franchisor may require Franchisee use in the operation of the Full Psycle Studio

6 1 4 Method of Payment Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee and the Brand Fund Contribution, as defined and more particularly described in Article 13, then due At Franchisor's request, Franchisee must execute documents that allow Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers Franchisee's failure to allow electronic funds transfers on an ongoing basis is a material breach of this Agreement

6 2 Technology Fees Franchisee shall pay Franchisor or a third-party, as directed by Franchisor, an initial fee of Six Hundred Fifty Dollars ($650 00) to install required software Franchisee shall pay Franchisor or a third-party, as directed by Franchisor, monthly and throughout the Term, a technology fee of Eight Hundred Sixty Dollars ($860 00) per month, for access to (i) a franchisee intranet portal, (ii) the POS System, and (iii) performance metrics tracking software In Franchisor's sole discretion, Franchisor may (i) increase the amount of the technology fee or (ii) replace the foregoing technology with different technology, developed by Franchisor or a third-party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto

6 3 Late Fee If the Royalty Fee, Brand Fund Contribution, or any Gross Revenue Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of Seventy-Five Dollars ($75 00) This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee, the Brand Fund Contribution, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement

6 4 Interest Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of 18% per annum or at the highest rate permitted by law, whichever is lower

6 5 Non-Sufficient Funds Fee In the event any of Franchisee's checks are returned, or an electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Fifty Dollars ($50 00) per occurrence This non-sufficient funds fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement

6 6 Taxes If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax

## 7 TRAINING

7 1 Initial Management Training Program Franchisee or Franchisee's principals (defined as all holders of an ownership interest, office or directorship in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee and hereinafter referred to collectively as "Principals") and Franchisee's general manager shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial management training program ("Initial Management Training Program") at least four (4) weeks prior to the opening of the Full Psycle Studio The Initial Management Training Program consists of a four (4)-day course conducted at Franchisor's affiliated outlet in Southern California Franchisor reserves the right to designate an alternate location for the Initial Management Training Program Franchisee must at all times during the term of this Agreement have a

principal and a general manager who have successfully completed the Initial Management Training Program to Franchisor's sole and complete satisfaction Subject to Section 8 1 3 below, no charge shall be made for up to two (2) people, and in our sole discretion, up to three (3) additional people provided that provided that they can be accommodated into an existing scheduled class at the same time as Franchisee's training, to take the Initial Management Training Program prior to opening the Full Psycle Studio ("Initial Trainees") Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages

7 2 Satisfactory Completion Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Management Training Program If the Initial Management Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determine that the Initial Management Training Program cannot be satisfactorily completed by any such person, Franchisee shall designate a replacement person, who meets the qualifications set forth in Section 11 3 2 hereof, to satisfactorily complete such training Any general manager subsequently designated by Franchisee shall also receive and satisfactorily complete such initial training

7 3 Fee for Training Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any replacement of an Initial Trainee who does not complete the Initial Management Training Program to Franchisor's sole and complete satisfaction Franchisor also reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any replacement or successor general manager, if Franchisee is not approved by Franchisor to provide such training Franchisee further shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with initial or subsequent training, including, without limitation, costs of travel, lodging, meals and wages

7 4 Opening Assistance In connection with the opening of the Full Psycle Studio, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor The trainer will provide on-site opening training, supervision, and assistance to Franchisee for up to four (4) days at no charge to Franchisee

7 5 Additional Training Franchisor may offer mandatory and/or optional additional training programs from time to time If required by Franchisor, Franchisee, Franchisee's principals, if any, and general manager shall participate in refresher training for up to five (5) days per year, at a location designated by Franchisor Franchisor may also require Franchisee to attend a national business meeting or annual convention for up to three (3) days per year, at a location designated by Franchisor For all such programs, Franchisor will provide, at no charge, the instructors and training materials However, Franchisor reserves the right to impose a reasonable fee for such additional training programs that are not mandatory Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages Failure to attend and/or complete mandatory additional training by Franchisee, Franchisee's principal and/or general manager or failure of Franchisee to

attend Franchisor's national business meeting or annual convention is a default of this Agreement Franchisee, Franchisee's principal and/or general manager shall be required to obtain any missed mandatory additional training at a location Franchisor designates Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal and/or general manager and Franchisor's training personnel Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee

7 6 On-Site Remedial Training Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Location For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals

7 7 Counseling and Assistance In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Location pursuant to Section 7 6, furnish consultation and assistance to Franchisee, either in person or by telephone, fax, electronic mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Full Psycle Studio, including consultation and advice regarding employee training, marketing, operation issues, purchasing and inventory control, bookkeeping and System improvements

## 8 FRANCHISED LOCATION REQUIREMENTS

### 8 1 Site Selection

8 1 1 Franchisee assumes all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Franchised Location within Franchisee's Territory and for constructing and equipping the Franchised Location at such site Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Location unless the site is accepted as set forth below While Franchisor may render assistance to Franchisee in the selection of a site, Franchisee has sole responsibility for locating, selecting, procuring and developing a site for the Full Psycle Studio and Franchisee may and is encouraged to consult with real estate and other professionals of Franchisee's choosing in discharging such responsibility Franchisee acknowledges that Franchisor's consent to a prospective site is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Full Psycle Studio operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability for Franchisor Franchisee releases Franchisor from any claims over the site selection and evaluation services provided

by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Full Psycle Studio

8 1 2 Prior to acquiring by lease or purchase a site for the Franchised Location, Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in the form specified by Franchisor, a description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the site Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its consent no later than ninety (90) days after the execution of this Agreement Franchisor shall have fifteen (15) business days after receipt of this information and materials to consent, in its sole and absolute discretion, to the proposed site as the location for the Full Psycle Studio No site may be used for the location of the Full Psycle Studio unless it is consented to in writing by Franchisor

8 1 3 If Franchisee will purchase the premises for the Full Psycle, Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written consent prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution If Franchisee will occupy the premises of the Full Psycle Studio under a lease, Franchisee shall submit a copy of the lease to Franchisor for written consent prior to its execution and shall furnish to Franchisor a copy of the executed lease within ten (10) days after execution Any lease must include our Collateral Assignment of Lease Agreement, a copy of which is attached hereto as Exhibit "D" Franchisor shall have fifteen (15) days after receipt of the lease or the proposed contract of sale to consent to such documentation prior to its execution Within forty-five (45) days after Franchisor has consented to the site for the Full Psycle Studio (or such longer period as Franchisor consents to in writing), Franchisee shall obtain physical possession of the premises Any material change to the lease or contract of sale must be submitted to Franchisor for Franchisor's approval at least fifteen (15) days prior to execution Failure by Franchisee to acquire the site for the Full Psycle Studio within the time and in the manner required herein shall constitute a material event of default under this Agreement

8 1 4 After a location for the Full Psycle Studio is consented to by Franchisor and acquired by Franchisee pursuant to this Agreement, the location shall be set forth on Exhibit "B-1" of this Agreement, which location and attachment shall be incorporated herein and made a part hereof

8 2 Construction

8 2 1 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Full Psycle Studio premises Prior to beginning the construction of the Full Psycle Studio, Franchisee shall (a) obtain all permits, licenses and certifications required for the lawful

construction or remodeling and operation of the Full Psycle Studio, including, but not limited to, permits for the installation of exterior signage, and (b) certify in writing to Franchisor that the insurance coverage specified in Franchisee's lease is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications Franchisor may, in its sole discretion, withhold or revoke its approval of the Lease for the selected site if the costs for leasehold improvements, construction and/or remodeling exceed by more than twenty percent (20%) the estimated costs for such work in the Franchise Disclosure Document provided to Franchisee prior to signing this Agreement

8 2 2 Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction and/or remodeling of the Full Psycle Studio, including the installation of signage, at its own expense from a reputable architectural design firm approved by Franchisor Franchisee shall adapt the prototypical architectural, design and signage plans and specifications for construction of the Full Psycle Studio provided to Franchisee by Franchisor as necessary for the construction of Franchisee's Full Psycle Studio and shall submit such adapted plans to Franchisor or its designated representative for review If Franchisor or its representative determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans Franchisor will notify Franchisee of any objection(s) to such plans within thirty (30) days of receiving such plans Franchisee may proceed in using such plans if Franchisor or its representative fails to notify Franchisee of an objection to the plans within this time period If Franchisor or its representative objects to any such plans, Franchisor or its representative shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable Within twenty (20) days of receiving such objections, Franchisee shall incorporate the requested changes into such plans and resubmit them to Franchisor or its representative for review Franchisor or its representative shall notify Franchisee within fifteen (15) days of receiving the resubmitted plans whether these new plans are acceptable If Franchisor or its representative fails to notify Franchisee of any objection within such time period, Franchisee may use the resubmitted plans Franchisee acknowledges that Franchisor's or its representative's review of such plans relates only to compliance with the System and that acceptance by Franchisor of such plans does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative, including, but not limited to, any representation, warranty or guarantee that such plans are accurate or free of error, concerning their design or structural application

8 2 3 Prior to commencing construction of the Full Psycle Studio, Franchisee shall hire, at its own expense, a project manager consented to by Franchisor to oversee all aspects of the construction or remodeling (as applicable) and equipping of the Full Psycle Studio, including obtaining all permits, licenses and certifications required for the lawful construction or remodeling (as applicable) and equipping of the Full Psycle Studio

8 2 4 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor or its representative In addition, Franchisor or its representative shall make such on-site inspections as it may deem reasonably necessary to evaluate such progress At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Full Psycle Studio

8 2 5 Franchisee acknowledges and agrees that it will not open the Full Psycle Studio for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement

8 2 6 Notwithstanding Franchisor's consent to a location pursuant to Section 8 1 or anything to the contrary in this Section 8 2, Franchisor may, in its sole business judgment, withhold its approval of a lease for the selected site if the costs for the leasehold improvements, construction and/or remodeling exceed by more than twenty percent (20%) the estimated costs for such work in the Franchise Disclosure Document provided by Franchisor at the time of execution of this Franchise Agreement

8 3 Time to Open Franchisee acknowledges that time is of the essence in this Agreement Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Full Psycle Studio and commence business within one hundred twenty (120) days after Franchisee has obtained possession of the premises, unless Franchisee obtains a written extension of such time period from Franchisor The date the Full Psycle Studio opens for business to the public shall be defined herein as the "Opening Date" Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Full Psycle Studio, including installation and cleaning of equipment, fixtures, furnishings and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Management Training Program, as further set forth in Article 7, and (iii) hire staff, as required by Franchisor, who shall be available for training during the opening period as described in Section 7 4 If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business Franchisee's failure to open the Full Psycle Studio and commence business (i) in accordance with the foregoing and (ii) within three hundred sixty-five (365) days of the date of this Agreement shall be deemed a material event of default under this Agreement

8 4 Liquidated Damages If Franchisee fails to open the Full Psycle Studio for business as required herein, then Franchisee shall pay to Franchisor $200 00 per week until the Franchised Location is open, such payments to commence on the first day of the month following the date that the Full Psycle Studio should have been opened for business Such payment represents liquidated damages for lost revenues which Franchisor would have received had Franchisee opened as required in this Agreement In the event that such failure to open on schedule shall continue for more than ninety (90) days, Franchisor shall have the right, but not the obligation, to terminate this Agreement and all of Franchisee's rights herein, select a new franchisee for

the Franchised Location and retain all monies paid to Franchisor by Franchisee, as well as any and all other rights and remedies of Franchisor on Franchisee's default, whether provided by this Agreement or by law

8 5 Lease Term Renewal If the Lease for the Full Psycle Studio contains term renewal or extension rights and Franchisee does not intend to exercise said rights, Franchisee shall give written notice thereof to Franchisor simultaneously with any required notice to Franchisee's landlord or at least two hundred seventy (270) days prior to the termination of the lease, whichever is earlier Any failure to comply with the requirements of this Section 8 5 shall be a material default of this Agreement

8 6 Relocation In the event Franchisee loses possession of the premises of the Full Psycle Studio through no fault of Franchisee, Franchisee, at Franchisee's option and upon Franchisor's consent, shall relocate the Full Psycle Studio, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Franchisor, in accordance with Franchisor's then-current site selection procedures and the provisions of this Article 8 and subject to the following

8 6 1 Franchisee must exercise its option to relocate by providing written notice of such election to Franchisor at least sixty (60) days, or as soon as the expected loss of possession is known, prior to the loss of possession, or within thirty (30) days after loss possession due to casualty, Franchisee's option to relocate will be waived if Franchisee fails to provide such written notice within the required time period

8 6 2 Franchisee shall construct and develop the new premises to conform to Franchisor's then-current specifications for design, appearance and leasehold improvements for new Full Psycle studios,

8 6 3 Franchisee shall remove any signs or other property from the original Franchised Location which identified the original Franchise Location as part of the System,

8 6 4 Franchisee agrees that, during the build-out, decorating and furnishing of the new location, and at Franchisor's sole and absolute discretion (i) the term of this Agreement shall not be abated, and (ii) Franchisee shall remain liable to pay a minimum weekly Royalty Fee and Brand Fund Contribution that equal the average amount paid by Franchisee during the four (4) calendar quarters immediately preceding the date that operations cease or the shorter period that Franchisee had been in business at the original Franchised Location,

8 6 5 Franchisee shall pay Franchisor's actual costs incurred to approve Franchisee's relocation request Such costs include, but are not limited to, wages, travel expenses, professional fees, and demographic reports, and

8 6 6 The parties shall amend Exhibit "B-1" to reflect the address of the new Franchised Location

## 9 MAINTENANCE AND IMPROVEMENT OF THE FRANCHISED LOCATION AND SYSTEM

9 1 Maintenance of Franchised Location Franchisee shall maintain the Full Psycle Studio and Franchised Location to the standards of sanitation, repair and condition required by Franchisor, which standards are specified in Manual and other written directives, standards and specifications Franchisor shall loan a copy of the Manual to Franchisee The Manual and other documents are subject to modification from time to time as Franchisor determines, in its sole discretion Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired furniture, fixtures, equipment, and signage as Franchisor may direct

9 2 Inspections Franchisee shall operate and maintain the Full Psycle Studio and Franchised Location in a manner that will insure the highest rating possible for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory Franchisee shall submit to Franchisor a copy of any inspection reports If, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, then Franchisor may, at its option, place such of its representatives at the Franchised Location as it deems necessary to train Franchisee's personnel until the Full Psycle Studio and Franchised Location can obtain the highest rating or meet said general standards Franchisor's representatives shall remain at the Franchised Location until such standards are met or until Franchisor, in its sole and absolute discretion, decides to remove them Franchisee shall pay all costs of placing Franchisor's representatives at the Franchised Location, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits, which shall be deemed to be 15% of such representatives' salary and wages

9 3 Equipment and Technology Updates Franchisee shall make any and all upgrades to equipment, including but not limited to, equipment, the POS system, and computer hardware and software, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion

9 4 Trade Dress Modifications

9 4 1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior building designs, new interior decors, new color schemes, new or modified marks, and new furnishings (collectively, "Trade Dress Modifications")

9 4 2 Franchisee shall refurbish the Full Psycle Studio and Franchised Location at Franchisee's sole expense, as required by Franchisor, but not more frequently than every five (5) years, to conform to Trade Dress Modifications This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements Notwithstanding the foregoing restriction on the frequency of Trade

Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14 6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs

9 4 3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof

9 5 No Liability/Waiver of Claims Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9 Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing

9 6 Franchisee Advisory Council Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas In the event a franchisee advisory council is created, Franchisor may require Franchisee to participate in council-related activities and meetings and to pay any fees assessed for the administration of the council

## 10 FRANCHISOR'S OBLIGATIONS

Franchisor and/or its designated representative will provide the services described below

10 1 Site Selection Guidelines Written site selection guidelines and such site selection assistance as Franchisor may deem advisable, in Franchisor's sole discretion

10 2 Site Approval and On-Site Evaluation Approve the site for the Full Psycle Studio in accordance with Section 8 1 2 Prior to approval, Franchisor may conduct an on-site evaluation of a proposed site as Franchisor may deem necessary, or, if Franchisor agrees, in Franchisor's sole discretion, in response to Franchisee's reasonable request for site evaluation, provided, however, that Franchisor shall not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared pursuant to Article 8 If on-site evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisee shall reimburse Franchisor for actual expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, meals and wages

10 3 Plans and Specifications Loan to Franchisee a set of prototypical architectural and design plans and specifications for a Full Psycle Studio Franchisee shall independently, and at Franchisee's expense, have such architectural and design plans and specifications adapted for construction of the Full Psycle Studio in accordance with Article 8

10 4 Manual A loan of one (1) set of the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion

10 5 Inspection Inspection of the Franchised Location and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor

10 6 Pre-Opening Requirements Provide a written list of equipment, fixtures, furnishings, signage, supplies and products that will be required to open the Full Psycle Studio for business

10 7 Advertising Materials Provide samples or camera-ready artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Full Psycle Studio

10 8 Merchandise From time to time, and at Franchisor's sole discretion, make certain merchandise promoting the System available for resale to Franchisee's customers, such as, by way of example only, branded apparel and promotional items

10 9 List of Suppliers Make available from time to time, and amend as deemed appropriate by Franchisor, a list of approved suppliers of products and services for System franchisees

10 10 Training The training programs specified in Article 7 herein

10 11 On-Site Assistance On-site pre-opening and post-opening assistance at the Franchised Location in accordance with the provisions of Article 7

10 12 Brand Fund Administer a Brand Fund, and/or, advertising cooperatives, in accordance with Section 13 3

## 11 FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

11 1 Best Efforts Franchisee, or if Franchisee is not a natural person, each of Franchisee's Principals covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Location so as to achieve optimum sales

11 2 Corporate Representations If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that

11 2 1 Franchisee is duly organized and validly existing under the state law of its formation,

11 2 2 Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Franchised Location and the Territory,

11 2 3 Franchisee's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein,

unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion,

11 2 4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee,

11 2 5 Copies of Franchisee's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement,

11 2 6 The ownership interests in Franchisee are accurately and completely described on Exhibit E of this Agreement Upon the occurrence of any change of ownership, Franchisee shall immediately provide Franchisor with a copy of the updated list of all owners of the entity Franchisee shall make a list of its owners available to Franchisor at any time upon request,

11 2 7 If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities Each stock certificate shall conspicuously state, in a form satisfactory to Franchisor, that it is held subject to all restrictions on assignments imposed by this Agreement, provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation For purposes of this Agreement, a 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 If Franchisee is a partnership or limited liability company, its written partnership or limited liability company operating agreement shall provide that ownership of an interest in such entity is held subject to all restrictions on assignments imposed by this Agreement,

11 2 8 Franchisee and, at Franchisor's request, each Principal, have provided Franchisor with the most recent financial statements and tax returns of Franchisee and such Principal Such financial statements and tax returns shall present fairly the financial position of Franchisee and each Principal, 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 Franchisee shall at all times maintain sufficient working capital to fulfill its obligations under this Agreement Each of the financial statements and tax returns mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Franchisee or Principal, and

11 2 9 Each Principal shall personally execute and bind himself or herself to the Guaranty and Confidentiality and Non-Compete Agreement, in the forms of Exhibits F and G to this Agreement, respectively Each shall jointly and severally guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Guaranty and Confidentiality and Non-Compete Agreement

11 2 10 Franchisee or Franchisee's Principal, if Franchisee or Principal is a married individual, shall cause his or her spouse to personally execute and bind himself or herself to the Guaranty to the extent that such spouse shall personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary obligations under this Agreement, as if each were an original party to this Agreement in his or her individual capacity

11 3 Appointment of General Manager

11 3 1 Franchisee shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Franchised Location Franchisee shall designate its General Manager prior to attending the Initial Management Training Program The General Manager shall be responsible for the daily operation of the Franchised Location The General Manager may, but does not have to be, Franchisee, if Franchisee is an individual, or a Principal

11 3 2 The General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications

11 3 2 1 The General Manager shall meet Franchisor's standards and criteria for such individual, as set forth in the Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion

11 3 2 2 The General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Location, and may not engage in any other business activity without the Franchisor's consent, which may be withheld in Franchisor's sole discretion

11 3 2 3 The General Manager shall satisfy the training requirements set forth in Article 7

11 3 3 If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement (including, but not limited to, completing all training and obtaining all certifications required by Franchisor) Until such replacement is designated, Franchisee shall provide for interim management of the

Franchised Location, who shall act in accordance with the terms of this Agreement Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee an interim management support fee until such General Manager is properly trained or certified in accordance with Franchisor's requirements Such interim management support fee shall be in the amount equal to ten percent (10%) of Gross Revenue earned at the Franchised Location during the interim management, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6 1 4

11 4 Legal Compliance Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Full Psycle Studio Such laws, rules and regulations shall include, without limitation, licenses to do business, fictitious name registrations, sales and other tax permits, fire and police department clearances, Americans With Disability Act compliance, health permits, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction

11 5 Claims Franchisee shall notify Franchisor in writing within three (3) 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 in any way relating to or affecting the operation or financial condition of the Full Psycle Studio

11 6 Assignment of Numbers and Listings At Franchisor's request, Franchisee shall 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 sole purpose of assigning to Franchisor, Franchisee's telephone numbers and listings Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Location and all related Yellow Pages, White Pages and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usages related to the Full Psycle Studio

11 7 Access to Tax Filings Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall 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 sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority

11 8 Continuing Obligation Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of

default under this Agreement Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants

## 12 FRANCHISEE'S OPERATIONS

12 1 Operation of Franchised Location In order to maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Full Psycle Studio in conformity with the methods, standards and specifications prescribed by Franchisor Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things

12 1 1 Use only those furnishings, fixtures, equipment and signage that with Franchisor's specifications for materials, finish, style, pattern, and design,

12 1 2 Maintain and operate the Full Psycle Studio and Franchised Location in good condition and repair and in a proper and businesslike manner, using Franchisee's best efforts to maintain a clean, sanitary and respectable atmosphere therein in accordance with System standards, the Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time,

12 1 3 Comply with all applicable governmental laws, ordinances, rules and regulations,

12 1 4 Maintain sufficient inventories of merchandise and equipment as prescribed by Franchisor and employ sufficient employees as prescribed by Franchisor to operate the Full Psycle Studio at its maximum capacity and efficiency as required by Franchisor Franchisee may not be open for additional hours or fewer hours or fewer days without prior approval of Franchisor,

12 1 5 Maintain a service contract for the regular maintenance of Franchisee's cycling equipment with a service contractor that meets Franchisor's approval and who shall provide inspection and servicing of Franchisee's cycling equipment at least monthly Upon Franchisor's request, Franchisee shall provide a copy of the service contract to Franchisor

12 1 6 Require all employees at the Franchised Location to wear uniforms or clothes conforming to Franchisor's specifications as to style, color, and design as Franchisor may from time to time reasonably designate so as to maintain the goodwill and reputation of Franchisor, the System and the Marks,

12 1 7 Employ only qualified individuals who are trained in accordance with Franchisor's standards and who will at all times conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System Franchisee shall use its best efforts to insure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Location Franchisee acknowledges and agrees that poorly

trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement,

12 1 8 Use only products, supplies, business forms, signs, stationery, furnishings, services and equipment that conform to the current standards and specifications for the System and which are obtained from Franchisor's previously approved suppliers Franchisor shall have the right to terminate this Agreement if Franchisee uses any products, supplies, furnishings or equipment that do not conform to such standards and specifications or which are purchased from suppliers that have not been previously approved in writing by Franchisor,

12 1 9 Permit Franchisor or its agents, to remove from the Franchised Location without payment to Franchisee for same, any product or equipment, to determine whether such product or equipment meets Franchisor's then-current standards, specifications and requirements In addition to any other remedies it may have, Franchisee shall reimburse Franchisor for Franchisor's cost of testing any product or equipment that does not conform to the System standards and specifications,

12 1 10 Prominently display signs in and upon the Franchised Location using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing, and to not display in or upon the Franchised Location or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have been outdated Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Location or elsewhere and remove any objectionable or non-approved signs or advertising media and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort,

12 1 11 Conduct all advertising programs in a dignified manner that will not detract from the reputation of the System or the Marks,

12 1 12 Submit all advertising, print materials (including, but not limited to, signs, brochures, websites, etc ), press releases, media packets and media information and any other information to be released for publication relating to the Full Psycle Studio, to Franchisor for written approval prior to their being printed or published,

12 1 13 Carry only such merchandise as may from time to time be previously approved and required by Franchisor and only using the manner and method of presentation approved by Franchisor,

12 1 14 Devote Franchisee's full time, energy and best efforts to the efficient and effective management and operation of the Full Psycle Studio and use the Franchised Location only for the purposes designated in this Agreement and avoid any activities that would conflict or interfere with or be detrimental to such purposes,

12 1 15 Not sell, display or use at the Franchised Location vending machines, entertainment devices, gambling devices, games of chance, and products and equipment that are not previously approved in writing by Franchisor,

12 1 16 Not use the Marks except as they relate to the System, and then only as previously approved by Franchisor in writing, and

12 1 17 Have at all times a General Manager and a Principal who have been properly trained as required herein

12 2 Bookkeeping and Reports

12 2 1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations utilizing the accounting procedures specified by Franchisor Franchisee agrees to purchase the computer systems specified in Section 12 3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor

12 2 2 Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Full Psycle Studio during said period, together with a balance sheet for the Full Psycle Studio, all of which shall be prepared in accordance with generally accepted accounting principles and practice Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct

12 2 3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate

12 2 4 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns If Franchisor's examination finds that any Gross Revenue Report was understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination and pay the Franchisor the amounts due together with interest thereon at the rate provided herein Such understatement may be considered a material default hereunder Three (3) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein

12 3 Computer Systems

12 3 1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer hardware and software Franchisor requires for the operation of the Full Psycle Studio and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing

12 3 2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems that permit Franchisor to electronically access and retrieve any

information stored in Franchisee's POS System and other computer systems, including, without limitation, information concerning Gross Revenue Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to electronically access and retrieve all information stored on Franchisee's POS System and other computer systems

12 3 3 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor Franchisor has the right to use such data in any manner without compensation to Franchisee Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Full Psycle Studio, provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement

12 3 4 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System

12 3 5 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time Franchisee shall maintain an electronic mail account with an Internet service provider acceptable to Franchisor Franchisee shall read all electronic mail related to the Full Psycle Studio on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein

12 3 6 Franchisor has established a website that provides information about the System and the products and services offered by the Full Psycle System (the "The Website") Franchisor has sole discretion and control over The Website Franchisor shall include an interior webpage on The Website for Franchisee's Franchised Location Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides All such information will be subject to Franchisor's approval prior to posting Franchisee has no ownership or other proprietary rights to such page and will lose all rights to such page upon expiration or termination of this Agreement for any reason

12 3 7 In addition to Franchisee's obligations pursuant to Section 6 2 hereof, Franchisee shall pay all fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, Internet access, license fees, help desk fees, licensing or user-based fees for a franchise portal or a benchmarking platform, web page design, and fees related to exposure on Franchisor's website

12 4 Safety and Security of Premises Franchisee is solely responsible for the safety and security of the Franchised Location for Franchisee, Franchisee's personnel, customers, agents and the general public Any suggestions by Franchisor on such matters are for guidance only and not binding on Franchisee All matters of safety and security are within Franchisee's

discretion and control, and Franchisee's indemnification obligations set forth in Section 15 9 hereof shall apply to any claims made against Franchisor regarding safety or security

12 5 Prices With respect to the offer and sale of all services and products, Franchisor may from time to time offer guidance with respect to the selling price for such goods, products and services Franchisee is in no way bound to adhere to any such recommended or suggested price Franchisee shall have the right to sell its products and provide services at any price that Franchisee may determine If Franchisee elects to sell any or all its products or services at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or services at the recommended price will enhance Franchisee's sales or profits

12 6 Volume Rebates If Franchisor receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee's account, or franchisees generally, or (ii) by Franchisee directly for its own account, Franchisor may, but shall not be required to, contribute such Discounts into the Brand Fund (as hereinafter defined) Franchisor reserves the right to discontinue these contributions and retain the whole or any partial amount of such Discounts at any time

12 7 Unapproved Item/Suppliers

12 7 1 If Franchisee desires to purchase, lease or use any unapproved equipment, products or other items or equipment, products or other items of any nature or kind from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such item or supplier Franchisee shall not purchase or lease any item or from any supplier until and unless such item or supplier has been approved in writing by Franchisor Franchisor shall 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 proposed item/supplier evaluation fee (the "Evaluation Fee") equal to Five Hundred Dollars ($500 00) plus the actual cost of the inspection and the actual cost of the test shall be paid by Franchisee Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product or service 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 shall be construed to require Franchisor to approve any particular item or supplier

12 7 2 Should Franchisor approve Franchisee's proposed item or supplier for use by the entire System, Franchisor will reimburse to Franchisee the Evaluation Fee

12 7 3 In Franchisor's discretion, Franchisor may pay a finder's fee of up to One Thousand Dollars ($1,000 00) if Franchisee's proposed item or supplier is approved for use by the entire System

12 8 Variations in Standards Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation

## 13 ADVERTISING, PROMOTIONS AND RELATED FEES

13 1 Advertising Programs Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Full Psycle studios operating under the System Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee

13 2 Local Advertising

13 2 1 In addition to the ongoing advertising contributions set forth herein, Franchisee shall spend monthly, throughout the term of this Agreement, not less than two percent (2%) of Gross Revenues per month on advertising for the Franchised Location in the Territory ("Local Advertising") Franchisor may require Franchisee to allocate to a regional advertising cooperative, as described in Section 13 4, up to one percent (1%) of Franchisee's required Local Advertising expenditures

13 2 2 Within ten (10) business days of Franchisor's request, Franchisee shall provide a quarterly expenditure report accurately reflecting such expenditures for the preceding quarterly period The following costs and expenditures incurred by Franchisee shall ***not*** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing (i) incentive programs for employees or agents of Franchisee, (ii) research expenditures, (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities, (iv) charitable, political or other contributions or donations

13 2 3 In addition to the requirements of Section 13 2 1, Franchisee shall spend at least Twelve Thousand Dollars ($12,000 00) on Local Advertising and promotional activities within and around the Franchisee's Territory at least sixty (60) days prior to

and within the first ninety (90) days after the opening of the Full Psycle Studio to promote the opening of the Franchisee's Full Psycle Studio

13 3 Brand Fund

13 3 1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising and marketing Franchisee is required to contribute an amount equal to one percent (1%) of the Gross Revenue generated weekly by Franchisee's Full Psycle Studio to the Brand Fund ("Brand Fund Contribution") Franchisor reserves the right, in Franchisor's sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed two percent (2%) of the Gross Revenue generated weekly by Franchisee's Full Psycle Studio Payments will be made in the same manner and time as the Royalty Fees If Franchisee fails to report Gross Revenue in any week, then, in addition to a late fee and interest pursuant to Sections 6 3 and 6 4 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable Franchisor shall reconcile amounts when Gross Revenues are reported

13 3 2 Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Full Psycle studios operating under the System

13 3 3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Full Psycle studios operated by Franchisor

13 3 4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, newspaper and electronic advertising campaigns, direct mail and outdoor billboard advertising, public relations activities, conducting marketing research, employing advertising agencies to assist therein, developing and maintaining an Internet website, and personnel and other departmental costs for advertising that Franchisor internally administers or prepares)

13 3 5 The Brand Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13 3 4 The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit

13 3 6 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 that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising

13 3 7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions

13 4 Regional Advertising Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts Franchisor requires, in addition to required Brand Fund Contributions

13 5 Directory Listings At Franchisee's sole cost and expense, Franchisee must have paid advertising on the Internet, advertising Franchisee's Full Psycle, including, but not limited to, Google, Yahoo, Bing and MSN If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative advertising with other System franchisees

13 6 Approval of Advertising All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise Franchisee shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof If Franchisor fails to respond to Franchisee's submission within fifteen (15) business days, such plans and materials shall be deemed "disapproved" Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor Franchisee shall not advertise or use the Marks in any fashion on the Internet or via other means of advertising through telecommunication, or establish any website listing, without the express written consent of Franchisor, which may be withheld in Franchisor's sole discretion Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Full Psycle and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee

13 8 Special Promotional Items Franchisor may, from time to time, develop and market special promotional items which may be made available to Franchisee for sale at the Full Psycle Studio Franchisee shall purchase and maintain, at Franchisee's expense, a representative inventory of such promotional items to meet public demand

13 9 Promotional Programs Franchisor may, from time to time, initiate promotional programs for the benefit of all franchisees of the System such as "frequent purchase" card programs, complimentary cards (free class) or special product discounts Franchisee agrees to accept and honor all cards, promotional coupons, or other System-wide offers, on a uniform basis, as accepted by other franchisees in the System

## 14 INTELLECTUAL PROPERTY

14 1 Ownership

14 1 1 Franchisee expressly understands and acknowledges that Full Psycle Enterprises, LLC ("Licensor") is the record owner of the Marks Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System Franchisee further expressly understands and acknowledges that Franchisor claims copyrights on certain written material used in the System, including but not limited to, forms, advertisements, promotional materials and the Manual, whether or not Franchisor has filed for copyrights thereto with the U S Copyright Office The Marks and copyrights are hereafter together referred to as the "Intellectual Property"

14 1 2 As between Franchisor and Franchisee, Franchisor and Licensor are the owners of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them

14 2 No Interference Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor's or Licensor's rights with respect to the Intellectual Property Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's or Licensor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Full Psycle Studio and only at or from the Franchised Location or in approved advertising related to the Franchised Location

14 3 Goodwill Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property

14 4 Validity Franchisee shall not contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property

14 5 Infringement Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor's or Licensor's rights in the Intellectual Property and a material event of default hereunder Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain and enforce such rights in the Intellectual Property

14 6 Substitution Franchisor reserves the right to substitute different Marks for use in identifying the System and the Full Psycle Studio if the current Marks no longer can be used by Franchisor, 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

14 7 Franchisee's Use of the Intellectual Property With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that

14 7 1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Full Psycle Studio only under the Marks "Full Psycle" and design Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of its corporate or other legal name prior to filing it with the applicable state authority Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability All fictitious names used by Franchisee shall bear the designation "a franchisee of Full Psycle Franchising, LLC"

14 7 2 Franchisee shall identify itself as the owner of the Full Psycle Studio and as an independent Full Psycle Franchising, LLC, franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Location or any vehicle used in the operation of the Full Psycle Studio as Franchisor may designate in writing

14 7 3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor

14 7 4 Any merchandise offered by Franchisee that utilizes the Marks, must be approved by Franchisor in writing prior to being sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion

14 8 Claims Franchisee shall notify Franchisor immediately by telephone, and thereafter in writing, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property

Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property Franchisee agrees to execute any and all 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 other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property If Franchisee is in full compliance with this Agreement, Franchisor will indemnify Franchisee against and reimburse Franchisee for all damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement

14 9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby

14 10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity or corporation

14 11 Franchisee acknowledge that any unauthorized use of the Intellectual Property shall constitute an infringement of Licensor's and Franchisor's rights in the Intellectual Property and a material default hereunder Franchisee agree that Franchisee shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests in order to register, maintain or enforce such rights in the Intellectual Property

14 12 Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in Franchisor's sole opinion, reasonably be necessary or advisable to protect and maintain Franchisor's or Licensor's interests in any litigation or other proceeding or to otherwise protect and maintain Franchisor's or Licensor's interests or any other interested party in the Intellectual Property

14 13 If it becomes advisable at any time in Franchisor's sole discretion to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, Franchisee shall immediately modify or discontinue the use of any such name or mark, and use such additional or substitute name or mark

14 14 In the event that litigation alleging that the Intellectual Property infringe a third party's

rights is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully in defending or settling such litigation Franchisee waives any claim arising from or relating to any change, modification or substitution of the Marks

14 15 Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages

## 15 INSURANCE AND INDEMNIFICATION

15 1 Procurement Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies rated A or better with A M Best Company, protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds, at least the following coverage and limits (except as additional coverage and higher policy limits may reasonably be specified from time to time by us in the Manual or otherwise in writing)

15 1 1 Liability Comprehensive general liability insurance, with a maximum deductible of Two Thousand Five Hundred Dollars ($2,500 00) per occurrence, including contractual liability, public liability, broad form property damage, personal injury, advertising injury, completed operations and independent contractors coverage, and fire damage coverage in the amount of at least One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate, or such amount as required by Franchisee's lease for the Franchised Location or state laws, and professional fitness instructor liability in the amount of at least One Million Dollars ($1,000,000),

15 1 2 Workplace Injury Worker's compensation coverage in the limits required by state law shall be carried on all of Franchisee's employees, as well as such other insurance as may be required by statute or rule of the state in which the Full Psycle Studio is located and operated,

15 1 3 Property Fire, vandalism and extended coverage insurance for property damage with primary and excess limits of not less than One Million Dollars ($1,000,000) or the full replacement value of the leasehold improvements, equipment, furniture, fixtures, vehicles and inventory, whichever is greater

15 1 4 Business Business interruption insurance for a minimum of twelve (12) months, in an amount necessary to satisfy Franchisee's obligations under this Agreement and the lease for the Franchised Location

15 1 5 Automobile Insurance Prior to operation of any vehicle on behalf of the Full Psycle Studio, Franchisee must obtain comprehensive automobile liability insurance in the amount of at least a combined single limit for bodily injury and property damage of

One Million Dollars ($1,000,000), or greater if required by state law

15 1 6 Employment Practices Coverage for employment practices liability, with a maximum deductible of Twenty-Five Thousand Dollars ($25,000 00) per occurrence, including but not limited to wrongful termination, discrimination and harassment, in the amount of Five Hundred Thousand Dollars ($500,000)

15 1 7 Employee Dishonesty Coverage for employee crime and dishonesty, in the amount of Ten Thousand Dollars ($10,000,000) per occurrence

15 2 Certificates At least thirty (30) days prior to the opening of the Franchised Location and on each policy renewal date thereafter, Franchisee shall submit to Franchisor original or duplicate copies of all policies and policy amendments The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days prior written notice to us

15 3 Failure to Procure If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with a reasonable fee for Franchisor's expenses in so acting, including all attorneys' fees Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof

15 4 Indemnification Franchisee will indemnify, defend and hold Franchisor harmless from and against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of Franchisee's property) (collectively referred to as "Damages") arising directly or indirectly out of or in connection with the construction, operation, maintenance, debt, sale, use of the Intellectual Property inconsistent with this Agreement or our instructions or occupancy of the Full Psycle Studio, the Franchised Location or services provided by Franchisee or the products sold by Franchisee, whether due to an act or omission, except to the extent that such liabilities arise solely and directly from the willful malfeasance of Franchisor

15 5 Increase in Coverage The stated levels and types of insurance stated herein are minimum requirements Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements

15 6 Media Inquiries Any and all media inquiries concerning the Full Psycle Studio or Franchised Location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any

broadcast medium, except as directed by Franchisor Franchisee further may not disseminate any press release unless it is reviewed and approved by Franchisor Franchisee's breach of the foregoing provision shall entitle Franchisor to liquidated damages in the amount of $1,000 00 for the first violation, $5,000 00 for the second violation, and $10,000 00 for the third violation A breach or anticipated breach of this provision shall be an incurable default of this Agreement and, in addition to all other remedies afforded Franchisor hereunder and by law, Franchisor shall be entitled to injunctive relief

15 7 Additional Insured All required insurance policies shall name Franchisor and their affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Franchisee of any policy provisions All public liability and property damage policies shall contain a provision that the additional insureds, although named as insureds, shall 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

15 8 Evidence of Insurance Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder All policies of insurance required to be maintained by Franchisee hereunder shall be renewed (and policies or certificates together with evidence of payment of premiums delivered to Franchisor) at least thirty (30) days prior to the respective expiration dates of existing policies of insurance All such policies shall contain endorsements requiring the insurer to give Franchisor at least ten (10) business days written notice before terminating, canceling or making any changes in any such policy

15 9 Indemnification TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS FULL PSYCLE FRANCHISING, LLC, FULL PSYCLE ENTERPRISES, LLC, AND ANY OF EITHER'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES (COLLECTIVELY REFERRED TO AS "THE FULL PSYCLE INDEMNITEES") AS WELL AS THE FULL PSYCLE INDEMNITEES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES, FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE OPERATION, CONDITION, OR ANY PART OF FRANCHISEE'S FULL PSYCLE FRANCHISE, THE FULL PSYCLE STUDIO, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO FRANCHISEE'S FRANCHISED LOCATION AND FULL PSYCLE STUDIO, WHETHER CAUSED BY FRANCHISEE, FRANCHISEE'S AGENTS OR EMPLOYEES, OR ARISING FROM THE CONDUCT OF FRANCHISEE'S BUSINESS AT THE FRANCHISED LOCATION, FRANCHISEE'S ADVERTISING, OR FRANCHISEE'S BUSINESS PRACTICES, REGARDLESS OF WHETHER THE ALLEGED INJURY OR LIABILITY IS CAUSED

IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF THE FULL PSYCLE INDEMNITEES FRANCHISEE AGREES TO PAY FOR ALL THE FULL PSYCLE INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER THE FULL PSYCLE INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE FULL PSYCLE INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY FRANCHISEE AGREES THAT IN ORDER TO HOLD FRANCHISOR HARMLESS, FRANCHISEE WILL REIMBURSE THE FULL PSYCLE INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE FULL PSYCLE INDEMNITEES

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## 16 TRANSFERS

16 1 Transfers by Franchisor

16 1 1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party, (ii) engage in a public or private placement of some or all of Franchisor's securities, (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors, (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring, and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement

16 1 2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities

(which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations) However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to a Full Psycle franchise

16 1 3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the exercise or fitness business or to offer or sell any products or services to Franchisee

16 2 Restrictions on Transfers by Franchisee Franchisee's rights and duties under this Agreement are personal to Franchisee, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval Franchisor may void any transfer made without such approval

16 3 Transfers by Franchisee Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Full Psycle Studio or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder If Franchisee has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16 6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements

16 3 1 The proposed transferee must be an individual of good moral character or the principals of the transferee must all be of good moral character and otherwise meet Franchisor's then-applicable standards for franchisees

16 3 2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Location and to comply with this Agreement,

16 3 3 The transferee and its or their General Manager have agreed to complete Franchisor's Initial Management Training Program to Franchisor's satisfaction,

16 3 4 Franchisee has paid all amounts owed to Franchisor and third-party creditors,

16 3 5 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee,

16 3 6 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors,

shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against all claims brought against Franchisor by the transferee for a period of three (3) years following the transfer,

16 3 7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Full Psycle Studio's operation However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer,

16 3 8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor, and

16 3 9 If consent is required, the lessor of the Full Psycle Studio's premises consents to the assignment or further sublet of the premises to the transferee

16 4 Transfer Fee As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to twenty-five percent (25%) of the then-current initial franchise fee or Eleven Thousand Two Hundred Fifty Dollars ($11,250 00), whichever is greater, provided however, for transfers to (i) an entity owned and controlled by Franchisee for convenience purposes or (ii) a spouse, parent or child upon death or permanent disability of Franchisee or Franchise's Principal, as the case may be, the transfer fee is Two Thousand Five Hundred Dollars ($2,500 00)

16 5 Entity Formation Documents The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16, (ii) Franchisee may conduct no business except the operation of a Full Psycle Studio pursuant to the terms of this Agreement, (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers, and (iv) stock or member certificates will contain a legend so indicating

16 6 Franchisor 's Right of First Refusal

16 6 1 If Franchisee wishes to transfer all or part of its interest in the Full Psycle Studio or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require

16 6 2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Full Psycle Studio or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16 6 3

16 6 3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer, (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing, (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee, (vi) Franchisor will have at least sixty (60) days to close the purchase, and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable

16 6 3 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor 's prior written approval pursuant to Section 16 3 hereof However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal

16 7 Death or Permanent Disability The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or Franchisee's Principal, as the case may be, the Franchise granted by this Agreement will terminate, unless prohibited by applicable law If prohibited by applicable law, the executor, administrator, conservator or other personal representative of Franchisee or Franchisee's Principal, as the case may be, will transfer Franchisee's or Franchisee's Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor A transfer under this Section 16 7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16 6 above For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from supervising the operation of Franchisee's Full Psycle Studio for six (6) months from its onset

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Full Psycle Studio shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management pursuant to and on the terms of Section 11 3 3 hereof, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors

16 8 Effect of Consent to Transfer Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Franchisee's Principal nor waive its right to demand that the transferee comply strictly with this Agreement

16 9 Security Interests to Lender If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Location to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement on Transfers, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions

## 17 DEFAULTS

17 1 Default and Automatic Termination Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become 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 admits in writing its inability to pay its debts when due, or if Franchisee is adjudicated a 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 suit to foreclose any lien or mortgage against the Full Psycle Studio premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days

17 2 Defaults With No Opportunity to Cure Franchisee shall 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, if Franchisee, or any Principal, as the case may be

17 2 1 fails to acquire a site for the Full Psycle Studio, complete construction of the Full Psycle Studio or open the Franchised Location within the time and in the manner specified in Article 8

17 2 2 falsifies any report required to be furnished Franchisor hereunder,

17 2 3 ceases to do business at the Franchised Location for a period of five (5) days or more, provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation

17 2 4 loses for any cause whatsoever the right of possession as owner or lessee of the real property on which the Full Psycle Studio is located, provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Full Psycle Studio (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8 6

17 2 5 fails to restore the Franchised Location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised Location is rendered inoperable by any casualty,

17 2 6 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Location, including, but not limited to, the failure to pay taxes,

17 2 7 defaults under any lease or sublease of the real property on which the Full Psycle Studio is located,

17 2 8 fails to notify Franchisor of Franchisee's intention not to exercise any right to renew under the lease for the Full Psycle Studio location

17 2 9 understates Gross Revenue on three (3) occasions or more, whether or not cured on any or all of those occasions,

17 2 10 fails to comply with the covenants in Section 15 6,

17 2 11 permits a Transfer in violation of the provisions of Article 16 of this Agreement,

17 2 12 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Full Psycle Studio upon death or permanent disability of Franchisee or any Principal of Franchisee as required by Section 16 7

17 2 13 has misrepresented or omitted material facts in applying for the Franchise,

17 2 14 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything to harm the reputation of the System or the goodwill associated with the Marks,

17 2 15 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or

similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion,

17 2 16 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports,

17 2 17 creates a threat or danger to public health or safety from the construction, maintenance or operation of the Full Psycle Studio,

17 2 18 refuses to permit Franchisor to inspect or audit Franchisee's books or records,

17 2 19 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19 2),

17 2 20 fails to comply with the non-competition covenants in Section 19 4,

17 2 21 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or any renewals or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected,

17 2 22 has insufficient funds to honor a check or electronic funds transfer three (3) or more times within any consecutive twelve (12)-month period,

17 2 23 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement, or

17 2 24 terminates this Agreement without cause

17 3 Curable Defaults Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17 3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be

17 3 1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice, provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17 2 20 and/or 17 2 21,

17 3 2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17 1 and 17 2 for which there is no

opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure, provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)–month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17 2 20

17 4 Franchisor's Cure of Franchisee's Defaults In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to

17 4 1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand, or

17 4 2 enter upon the Franchised Location and exercise complete authority with respect to the operation thereof until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Location In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor ten percent (10%) of the Gross Revenue generated at the Franchised Location during Franchisor's operation thereof as compensation therefor Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement Franchisee shall have a clause inserted in its lease for the premises that permits Franchisor to exercise its rights pursuant to this Paragraph

17 5 Notice to Suppliers In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee or Franchisee's General Manager, to direct suppliers to stop furnishing any and all products and supplies, including, but not limited to products sold under Franchisor's discounted pricing schedules, until such time as Franchisee's default is cured In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers

## 18 POST-TERMINATION

18 1 Franchisee's Obligations Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall

18 1 1 immediately cease to operate the Full Psycle Studio, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current or former Full Psycle owner, franchisee or licensee,

18 1 2 immediately and permanently cease to use the Marks, any imitation of any Mark or other indicia of a Full Psycle studio, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Licensor, or the System In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles, which display the Marks,

18 1 3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement,

18 1 4 promptly pay all sums owing to Franchisor and its affiliates Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Location at the time of default,

18 1 5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination,

18 1 6 immediately deliver to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements and all other materials related to operation of the Full Psycle Studio (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 that Franchisee reasonably needs for compliance with any provision of law, and

18 1 7 comply with the non-disclosure and non-competition covenants contained in Article 19

18 2 Right to Purchase

18 2 1 Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point of sale system or computer systems), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Full Psycle Studio, at Franchisee's cost or fair market value, whichever is less Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all

fees for any such independent appraiser due from Franchisee, (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), against any payment therefor and shall pay the remaining amount in cash Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value

18 2 2 If Franchisee owns the land and/or building of the Franchised Location, then, Franchisor shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the land and/or building of the Franchised Location for the fair market value of the land and/or building Franchisor shall purchase the land and/or building free and clear of any liens, charges, encumbrances or security interests and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with the appraisal procedure set forth in Section 18 2 1 If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (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), against any payment therefor and shall pay the remaining amount in cash Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value

18 2 3 With respect to the options described in Sections 18 2 1 and 18 2 2, Franchisee shall 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 that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents

18 2 4 Franchisor shall be entitled to assign any and all of its options in Sections 18 2 1 and 18 2 2 to any other party, without the consent of Franchisee

18 3 Assignment of Telephone Numbers Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Full Psycle Studio and any related public directory listing or other 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 Further, Franchisee shall assign to Franchisor any and all internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Full Psycle Studio Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11 6, 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 such assignment This power of attorney shall survive the expiration or termination of this Agreement Franchisee shall thereafter use different

telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee

18 4 Survival The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement

## 19 NON-DISCLOSURE AND NON-COMPETITION COVENANTS

19 1 Operations Manual

19 1 1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof If the Manual (or any changes thereto) are provided in a form other than paper copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Full Psycle Studio in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the franchised business

19 1 2 Franchisee and any and all Principals shall at all times treat the Manual, any written directives of Franchisor, and any other manual and materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement Franchisee and Franchisee's Principals, if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Full Psycle Studio Franchisee and Franchisee's Principals, if any, shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent

19 1 3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor Franchisee shall maintain the Manual at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access Franchisee shall return the Manual to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement

19 1 4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Full Psycle Studio Franchisee expressly agrees to comply with each new or changed policy, standard or directive Franchisee shall at all times ensure that the Manual is kept current and up to date In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control

19 1 5 If Franchisee loses or misplaces the Manual, or if the Manual is stolen or damaged, Franchisee shall pay Franchisor the then-current replacement fee The replacement fee as of the date of this Agreement is Five Hundred Dollars ($500 00)

19 2 Confidential Information Franchisee and any Principal acknowledge and accept that during the term of this Agreement Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to, formulas, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Full Psycle Studio, systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System, the Manual, methods of advertising and promotion, instructional materials, marketing plans, business methods, research, development or know-how, any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary", and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information") Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Full Psycle Studio under the terms of this Agreement Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Full Psycle Studio Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent The covenant in this Section 19 2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal

19 3 Protection of Information Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement

19 4 New Concepts If Franchisee or any Principal develops any new concept, process, product, routine, or improvement in the operation or promotion of the Full Psycle Studio

("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, formulas, processes, products, routine or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate

19 5 Noncompetition Covenants Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee's managers and employees Franchisee and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Full Psycle Studio, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and each Principal, if any, are entering into this Agreement In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor

19 5 1 During the term of this Agreement, Franchisee and each Principal, if any, shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Full Psycle Studio or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise, (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business similar to the System, or (iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee, or otherwise induce such person to leave his or her employment, or (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisees

19 5 2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principals, if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Full Psycle Studio or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise, (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business within twenty-five (25) miles of the Franchised Location or any Full Psycle location, or (iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee, or otherwise induce such person to leave his or her employment or (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the

Marks and the System or (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Full Psycle franchisees

19 6 Reasonableness of Restrictions Franchisee acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, as the case may be, the opportunity to derive income from other endeavors

19 7 Reduction of Time or Scope If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified

19 8 Injunctive Relief Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available Accordingly, Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement

19 9 No Defense Franchisee and each Principal, if any, expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section

19 10 Covenants of Managers Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from its General Manager and all other management level personnel of Franchisee who have received or will have access to training from Franchisor Such covenants shall be substantially in the form set forth in Exhibit "G"

## 20 DISPUTE RESOLUTION

20 1 Mediation Except as set forth in section 20 3, Franchisor, Franchisee and/or any Principals may first submit any claim, controversy or dispute arising out of or relating to this Agreement, the Exhibits hereto or the relationship created by this Agreement to non-binding mediation The mediation shall be conducted through 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, agreed upon by the parties and, failing such agreement within ten (10) business 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 Such mediation shall take place at Franchisor's corporate headquarters in Houston, Texas The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys fees incurred by either party), shall 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 the matter shall be submitted to arbitration in accordance with Section 20 2, unless such time period is extended by written agreement of the parties

20 2 Arbitration

20 2 1 Except disputes not subject to alternative dispute resolution as set forth in Section 20 3, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Exhibits hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 20 1, will be resolved by submission to the American Arbitration Association offices in Houston, Texas, to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association

20 2 2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U S C §1 *et seq*) and the federal common law of arbitration All hearings and other proceedings will take place in Harris County, Texas, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Franchisee is then located

20 2 3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived

20 2 4 The provisions of this Section 20 2 are independent of any other covenant or provision of this Agreement, provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law

20 2 5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement

20 2 6 Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information

20 3 Exceptions Notwithstanding the requirements of Sections 20 1 and 20 2, the following claims shall not be subject to mediation or arbitration

20 3 1 Franchisor's claims for (i) monies owed or (ii) injunctive or other extraordinary relief,

20 3 2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law,

20 3 3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks, and

20 3 4 disputes and controversies relating to actions to obtain possession of the premises of the Full Psycle Studio

20 4 Governing Law and Venue With respect to any claims, controversies or disputes that are not finally resolved through mediation or arbitration, or as otherwise provided above, Franchisee and any Principal, except where specifically prohibited by the franchise laws of the jurisdiction applicable to Franchisee or Principal, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state courts of Harris County, Texas, and the Federal District Court for the Southern District of Texas, Houston Franchisee and any Principal, hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision Franchisee and any Principal hereby 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 by this Agreement by any means allowed by Texas or federal law Franchisee and any Principal further agree that venue for any proceeding relating to or arising out of this Agreement shall be Harris County, Texas, provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, Franchisor may bring such action in any state or federal district court that has jurisdiction With respect to all claims, controversies, disputes or actions, related to this Agreement, the Exhibits hereto or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under Texas law

20 5 Mutual benefit Franchisee, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20 4 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder Each of Franchisee, Principals, if any, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of

forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement

20 6 Performance of Obligations Franchisee, each Principal, if any, and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Harris County, 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 Franchisor's training requirements shall occur in Harris County, Texas

20 7 Waiver of Certain Damages Franchisee and each Principal, if any, hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever Each of Franchisee and Principals, if any, agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained

20 8 Limitations of Claims Any and all claims arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims

20 9 Survival The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement

## 21 WAIVER AND RELEASE OF CERTAIN CLAIMS

21 1 Waiver of Claim for Lack of Business Success Franchisee acknowledges that Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Full Psycle Studio Franchisee further acknowledges that no representations of performance (financial or otherwise) for the Franchise provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement

_____
Initial

21 2 Release of Prior Claims BY EXECUTING THIS AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE FULL PSYCLE FRANCHISING, LLC, FULL PSYCLE ENTERPRISES, LLC, THE FULL PSYCLE INDEMNITEES, AND ALL OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS,

AGENTS AND SUCCESSORS AND ASSIGNS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF

_____
Initial

## 22 GENERAL

22 1 Independent Contractor Franchisee is and shall be an independent contractor under this Agreement, and no partnership shall exist between Franchisee and Franchisor This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorney's fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees, relative to assignment or the transfer of right to franchise and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the operation of the Franchise

22 2 Successors This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of a corporation if Franchisee is a corporation) and its or their respective heirs, executors, administrators and successors or assigns, provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principals, if any, in this Agreement or the Franchised Location, except in accordance with Article 16 hereof

22 3 Invalidity of Part of Agreement Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement

22 4 Entire Agreement This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, except the representations made to Franchisee in Franchisor's Franchise Disclosure

Document Nothing in this Agreement or in any related agreement is intended to disclaim any representation made in Franchisor's Franchise Disclosure Document No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties

22 5 Construction All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender All covenants, agreements and obligations assumed herein by Franchisee and any Principals shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named

22 6 Captions Captions and section headings are used herein for convenience only They are not part of this Agreement and shall not be used in construing it

22 7 Notices Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing

22 8 Effect of Waivers No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of these parties with respect to any subsequent default of the same or of a different kind Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Location shall not give Franchisee any rights not specifically granted hereunder Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to Franchised Location

22 9 Remedies Cumulative All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that 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 shall be continuing and shall 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 Article 17 shall not discharge or release Franchisee or any Principal 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

22 10 Consent to Do Business Electronically The parties to the Franchise Agreement hereby consent to do business electronically Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Texas, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Addenda, and by attaching their DocuSign Signature to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on a DocuSign signature(s) as the respective party's signature

22 11 Counterparts This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument Confirmation of execution by electronic transmission of a facsimile or pdf signature page shall be binding

22 12 Survival Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer

## 23 ACKNOWLEDGMENTS

Franchisee hereby acknowledges the following

23 1 Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation

_____
Initial

23 2 Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing this Agreement and that it/she/he understands all the terms and conditions of this Agreement Franchisee further acknowledges that this Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally

_____
Initial

23 3 Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth herein Franchisee

represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining this Agreement

Initial

23 4 Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement

Initial

23 5 Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's premises does not constitute a warranty, recommendation or endorsement of the location for the Full Psycle Studio, nor any assurance by Franchisor that the operation of the Full Psycle Studio at the premises will be successful or profitable

Initial

23 6 Franchisee acknowledges that it has received the Full Psycle Franchising, LLC Franchise Disclosure Document with a complete copy of this Agreement and all related Exhibits and agreements at least fourteen (14) calendar days prior to the date on which this Agreement was executed Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents

Initial

23 7 Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to this Agreement or the relationship thereby created

Initial

23 8 Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by this Agreement

Initial

23 9 Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances

Initial

23 10 It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein, and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor

_____
Initial

23 11 Franchisee acknowledges that this Agreement contains restrictions on Franchisee's rights to communicate with the media and that liquidated damages shall be imposed upon a breach of any of these restrictions

_____
Initial

The parties hereto have executed this Agreement in triplicate the day and year first above written

FRANCHISOR
FULL PSYCLE FRANCHISING, LLC

Attest _____ By _____

FRANCHISEE

_____ _____

**EXHIBIT A**

Service Mark –

## EXHIBIT B

## TERRITORY DESCRIPTION

**EXHIBIT B-1**

**FRANCHISED LOCATION**

The address of the Franchised Location is

_____

_____

_____

Name of Shopping Center (if applicable)

_____

## EXHIBIT C

### GENERAL RELEASE

_____ ("Franchisee") and _____ (collectively, "Franchisee's Principal(s)"), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release, discharge and hold harmless Full Psycle Franchising, LLC ("Franchisor"), Full Psycle Enterprises, LLC, their affiliates, and each of their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ _____ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the Full Psycle Studio operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Full Psycle Studio or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims")

FRANCHISEE AND FRANCHISEE'S PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim

Executed as of _____, 20___

FRANCHISEE

_____ _____

Attest By

FRANCHISEE'S PRINCIPAL

_____ _____

Witness Name

_____ _____

Witness Name

**EXHIBIT D**

THIS COLLATERAL ASSIGNMENT OF LEASE AGREEMENT (this or the "Agreement") made this ____day of _____ 20__ by and between _____ (hereinafter referred to as "Landlord"), _____ (hereinafter referred to as "Tenant"), and **Full Psycle Franchising, LLC**, a Texas limited liability company (hereinafter referred to as "Franchisor")

Landlord has leased to Tenant certain premises known as _____ (the "Premises"), under the terms of a Lease executed concurrently herewith, (the "Lease"), for Tenant's use of the same as a Full Psycle Studio pursuant to a franchise agreement between Franchisor and Tenant, as franchisee (the "Franchise Agreement")

This Agreement is entered into in consideration of and in connection with Franchisor's approval of the Premises as a Full Psycle Studio and the grant of a franchise to Tenant This Agreement is intended to provide Franchisor and with the opportunity to preserve the continued use of the Premises as a Full Psycle Studio under circumstances hereinafter set forth In consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows

**SECTION I**
**GRANT OF OPTION**

1 1 Landlord grants to Franchisor the options to lease the Premises pursuant to the terms, covenants and conditions hereinafter set forth (each an "Option" and collectively the "Options") Tenant recognizes the Options and acknowledges that its rights as tenant under and pursuant to the Lease are under and subject to the Options

1 2 Upon default of Tenant under Lease Landlord shall send Franchisor copies of all default notices, warning and termination letters and notices it gives to Tenant concurrently with giving such notices to Tenant If Tenant fails to cure any defaults within the period specified in the Lease and Landlord intends to terminate the Lease and/or Tenant's right of possession of the Premises, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults Tenant has failed to cure and shall offer Franchisor, without any conditions other than those set forth in this Collateral Assignment of Lease, the Option to assume the Tenant's interests, or former interests, in the Lease (the "Offer") Franchisor shall exercise the Option, if at all, by written notice to Landlord and Tenant (the "Acceptance") within thirty (30) days after receipt of the Offer from Landlord

1 3 Upon Termination of the Franchise Agreement If the Franchise Agreement is terminated for any reason during the term of the Lease, or any extension or removal thereof, Franchisor shall have the Option to assume the Tenant's interest in the Lease Franchisor shall exercise the Option, if at all, by Franchisor's written notice thereof to Landlord and Tenant, whereupon Tenant shall be deemed to have assigned its interest to Franchisor

1 4 Upon Non-Renewal of the Lease Term If the Lease contains term renewal or extension rights and the term is allowed to expire by Tenant without exercising said rights, Landlord shall promptly give written notice thereof to Franchisor, but in no event later than thirty (30) days following expiration of the renewal or extension option and Franchisor shall have an Option, for an additional thirty (30) days after receipt thereof, to exercise the Tenant's renewal rights on the same terms and conditions as contained in the Lease If Franchisor elects to exercise such right to renew or extend the term of the Lease, Franchisor shall so notify Landlord in writing, whereupon Landlord shall promptly execute and deliver to Franchisor an acceptance of Franchisor as successor to Tenant and shall deliver possession of the Premises to Franchisor at the commencement of the extended or renewed term of the Lease Any restriction or prohibition on the exercise of any such term renewal or extension rights shall not be applicable as to Franchisor In the event the term of the Lease is renewed or extended by Franchisor pursuant hereto, the Tenant shall not be liable in connection with the extended or renewed term of the Lease

## SECTION II
## TENANT'S COVENANTS

2 1 Upon the exercise by Franchisor of any Option provided for herein, Tenant shall, within ten (10) days after written demand by Franchisor, execute and deliver to Franchisor a written assignment prepared by Franchisor of all of its right, title and interest in and to the Lease to Franchisor If Tenant fails to do so within said ten (10) days, Tenant hereby designates Franchisor as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effectuate the assignment of the Lease and the relinquishment of any and all of Tenant's rights thereunder Landlord hereby consents to such assignment without regard to any prohibitions, conditions, terms, covenants or provisions relating to the same as provided in the Lease Tenant further agrees to immediately and peaceably vacate the Premises and remove its personal property, excluding trade furniture, fixtures, equipment, supplies and inventory, upon the receipt of the Acceptance or any notice of exercising of any Option from Franchisor Any property not so removed by Tenant within ten (10) days following receipt of such written notice shall be deemed abandoned by Tenant

2 2 Tenant agrees that termination of the Franchise Agreement and/or failure of Tenant to assign its interests in the Lease to Franchisor as set forth herein, shall be a non-curable default under the Lease which will entitle Landlord or Franchisor to employ legal remedies available in summary process or otherwise, to evict Tenant from the Premises

2 3 Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment thereof to Franchisor

## SECTION III
## DELIVERY OF POSSESSION OF THE PREMISES

3 1 Upon receipt of a copy of the Acceptance or any notice of exercise of any Option from Franchisor, Tenant shall immediately vacate the Premises and failing to do, as soon as possible, Landlord shall evict Tenant from the Premises by diligent pursuit of summary process or by other and appropriate legal remedies, and shall deliver possession of the Premises to Franchisor free and clear of the possessory rights of Tenant or any third party ("Possession")

3 2 Franchisor shall not be required to begin paying rent until Landlord delivers Possession to Franchisor If Landlord is unable to deliver Possession to Franchisor within six (6) full calendar months after the date Landlord receives the Acceptance or any written exercise of an Option, Franchisor shall thereupon have the right at any time until Landlord delivers Possession of the Premises to rescind the Acceptance or Option exercise by written notice to Landlord

## SECTION IV
## FRANCHISOR'S LEASE RIGHTS AND OBLIGATIONS

4 1 Franchisor, upon taking Possession, shall execute and deliver to Landlord its assumption of the Tenant's rights and obligations under the Lease effective as of the date of such Possession Franchisor shall cure any non-monetary defaults of Tenant within thirty (30) days (or such longer time if reasonably required) of taking Possession Franchisor shall pay, perform and be bound by all of the duties and obligations of the Lease applicable to Tenant, effective as of the date of such Possession except that Franchisor shall not be required (a) to cure any monetary defaults of Tenant or (b) to assume or be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor prior written approval thereof

4 2 After Franchisor assumes Tenant's interests under the Lease, Franchisor may, at any time, and without the necessity of obtaining Landlord's prior consent, assign such interests or sublet the Premises to a franchisee of Franchisor Upon receipt by Landlord of an assumption agreement pursuant to which the assignee franchisee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the Tenant to be performed under the Lease, Franchisor shall have no further liability to Landlord as assignee, tenant or otherwise Any and all conditions, prohibitions, restrictions, fees or requirements for consent or approval shall not be applicable with respect to any assignment or subleasing by Franchisor to any franchisee of Franchisor Without limiting the generality of any provision hereof, under no circumstances shall there be any restriction on, nor shall Landlord have any right to share in, the amount of rent or any other charge which Franchisor may charge to any franchisee of Franchisor with respect to any sublease or any assignment of the Lease and no provision of the Lease prohibiting the sale or transfer of any stock in the tenant under the Lease shall apply to Franchisor in the event either succeeds to the Tenant's interest in the Lease

## SECTION V
## DE-IDENTIFICATION AS A FULL PSYCLE STUDIO

5 1 If the Lease or Franchise Agreement is terminated and Franchisor fails to exercise the Option herein contained, Tenant agrees to de-identify the Premises as a Full Psycle Studio and to promptly remove signs, decor and other items which Franchisor reasonably requests be removed as being distinctive and indicative of a Full Psycle Studio Franchisor may enter upon the Premises without being guilty of trespass or any other crime or tort to effect such de-identification if Tenant fails to effect de-identification within thirty (30) days after receipt of written demand from Franchisor,

following termination of the Franchise Agreement or Lease Tenant shall pay Franchisor for its reasonable costs and expenses in effecting de-identification

## SECTION VI
## ADDITIONAL PROVISIONS

6 1 This Agreement shall run with the land and be binding upon the parties hereto and their heirs, successors, assigns, executors and administrators and representatives The rights and obligations herein contained shall continue, notwithstanding changes in the persons or entity that may hold any leasehold or ownership in the land or building of which the Premises forms a part

6 2 Franchisor may assign its rights under this Agreement, without the consent of Landlord, in connection with any transfer of its rights as franchisor of Full Psycle franchise system

6 3 Franchisor or its designee may (but is not required to) enter the Premises to make any modification or alteration necessary to protect its system and the proprietary trademarks (including, but not limited to, removal of signs and materials which contain the proprietary trademarks or the name, logos or colors of Franchisor) or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort

6 4 Tenant may assign the Lease to Franchisor or Franchisor's designee upon the expiration or early termination of the Franchise Agreement, and Landlord hereby consents to the assignment Landlord agrees that there will be no change or acceleration of rent under the Lease in connection with the assignment However, nothing in this Collateral Assignment of Lease Agreement shall require Franchisor to assume the Lease for the Premises

6 5 Tenant shall not assign the Lease or renew or extend the term of the Lease without Franchisor' prior written consent

6 6 The terms of this Collateral Assignment of Lease Agreement will supersede any conflicting terms of the Lease

6 7 Landlord and Tenant shall not amend or otherwise modify the Lease without Franchisor's prior written consent

6 8 At the request of Landlord or Tenant, Franchisor's rights hereunder may be subordinated to the lien of any mortgage or deed of trust hereinafter placed upon the Premises, provided that the mortgagee or trustee shall agree in writing not to disturb Franchisor's right to exercise any of the Options and assume the Lease as set forth herein

6 9 Any party hereto may seek equitable relief or injunctive relief including, without limitation, specific performance for actual or threatened violation or non-performance of this Agreement by any other party Such remedies shall be in addition to all other rights provided for in this Agreement or by law

6 10 Any notice which any party hereto may desire or may be required to give to any other party hereto shall be in writing, and shall be deemed to have been given for all purposes when presented personally to such party or upon receipt or rejection after having been sent by a nationally recognized commercial overnight, next business day delivery service, addressed to such party at its address set forth below

To Tenant

_____
_____
_____
_____

To Landlord

_____
_____
_____
_____

To Franchisor

Full Psycle Franchising, LLC
5712 Val Verde Suite 275
Houston TX 77057

6 11 This Agreement may be executed by the parties hereto in separate counterpart signature pages This Agreement shall be governed by and construed in accordance with the laws of the state in which the Premises is located

**-Remainder of Page Intentionally Blank-**

**IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS COLLATERAL ASSIGNMENT OF LEASE AGREEMENT TO BE EXECUTED AS OF THE DATE FIRST ABOVE WRITTEN**

**LANDLORD**

By _____
Name _____
Title _____

**TENANT**

By _____
Name _____
Title _____

**FRANCHISOR FULL PSYCLE FRANCHISING, LLC**

By _____
Name _____
Title _____

## EXHIBIT E

## STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ENTITY

| Name | Percentage of Ownership |
|---|---|

## EXHIBIT F

## FRANCHISEE'S PRINCIPAL GUARANTY

This Franchisee's Principal Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on _____, 20__ to Full Psycle Franchising, LLC , a Texas limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchise Agreement") with _____, a _____ ("Franchisee")

Guarantor acknowledges that Guarantor is included in the term "Franchisee's Principal" or is the spouse of a "Franchisee's Principal" as described in Section 7 1 of the Franchise Agreement

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Franchisee's Principal herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Franchisee's Principal as set forth in the Franchise Agreement

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Franchisee and/or any of it assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Franchisee (collectively, the "Guaranteed Obligations") Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor

This Guaranty is irrevocable and unlimited This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any

obligation of Franchisee under the Franchise Agreement and any other agreement between Franchisee and Franchisor

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Franchisee shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Franchisee, notwithstanding any change(s) in the name or shareholders of the Franchisee, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns

Notwithstanding anything to the contrary contained herein, the personal liability of a Guarantor who is a spouse of a Franchisee's Principal, but not either Franchisee or Franchisee's Principal in his or her own capacity, shall be limited to only monetary obligations arising under the Franchise Agreement and all obligations separately arising under this Guaranty

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above

GUARANTOR - FRANCHISEE'S PRINCIPAL

_____

Printed Name

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL

_____

Printed Name

## EXHIBIT G

## CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the "Agreement") is made and entered into this ____ day of _____, 20__, among Full Psycle Franchising, LLC a Texas limited liability company ("Franchisor"), _____ ("Franchisee") and _____ ("Covenantor") in connection with a Franchise Agreement dated _____, 20__ between Franchisor and Franchisee (the "Franchise Agreement")

**WHEREAS,** Franchisor has the right to use and license the use of certain trademarks, including, the trademark "Full Psycle and design", and certain proprietary products, services, promotions and methods (the "System") for the establishment and operation of Full Psycle studio outlets,

**WHEREAS,** Franchisor has granted Franchisee the right to operate a Full Psycle Studio pursuant to the System in a territory, as specifically defined in Exhibit B of the Franchise Agreement (the "Territory"), in strict accordance with the terms and conditions of the Franchise Agreement,

**WHEREAS,** in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Full Psycle operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as "Confidential Information"),

**WHEREAS,** the Confidential Information provides economic advantages to Franchisor and licensed users of the System,

**WHEREAS,** 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, and

**WHEREAS,** 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

**1 Confidentiality Agreement**

**a** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall 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 Full Psycle Studio under the Franchise Agreement

**b** Covenantor shall 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

**c** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Full Psycle Studio

**d** Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee

**e** Covenantor shall 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

**f** Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without Franchisor's written consent

**2 Covenants Not to Compete**

**a** In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity

(i) divert, or attempt to divert, any business or customer of the Full Psycle Studio or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any fitness or exercise business substantially similar to the System, or

(iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee, or otherwise induce such person to leave his or her employment

**b** In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity

(i) divert, or attempt to divert, any business or customer of the Full Psycle Studio or of other franchisees in the Full Psycle System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any fitness or exercise business within the Territory or within twenty-five (25) miles of any Full Psycle studio location, or

(iii) seek to employ any person who is at that time employed by Franchisor or by any other System franchisee, or otherwise induce such person to leave his or her employment

**c** The parties acknowledge and agree that each of the covenants contained herein are 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

**d** If the period of time or the geographic scope specified Section 2 b above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified

**3 General**

**a** Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement

**b** Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it 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

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

**d** 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 shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor

**e** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE COURTS OF HARRIS COUNTY, TEXAS, AND THE FEDERAL DISTRICT COURTS FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON 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 COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE HARRIS COUNTY, TEXAS, PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION

**f** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement

g Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors

h 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

i All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused All such notices shall be addressed to the party to be notified at the following addresses

If directed to Franchisor

Full Psycle Franchising, LLC
5712 Val Verde Suite 275
Houston TX 77057
Attention Judd Miller, III

If directed to Franchisee

_____
_____

If directed to Covenantor

_____
_____

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties

j The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall 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

**-Remainder of Page Intentionally Blank-**

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below

FRANCHISOR

FULL PSYCLE FRANCHISING, LLC

By _____
Name _____
Title _____

FRANCHISEE

_____

By _____
Name _____
Title _____

COVENANTOR

_____
Name _____

## EXHIBIT HD

## ADDENDUM RELATING TO FULL PSYCLE FRANCHISING, LLC FRANCHISE AGREEMENT

THIS ADDENDUM (Addendum) is made and entered into on _____, 20___, by FULL PSYCLE FRANCHISING, LLC, located at 5712 Val Verde, Suite 275, Houston, Texas, 77057 ("Franchisor"), and _____, located at _____ ("Franchisee")

**Recitals** Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__, ("Franchise Agreement") The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ ("Unit") Franchisee has obtained from a lender a loan ("Loan") in which funding is provided with the assistance of the United States Small Business Administration ("SBA") SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows

A The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof

B If the Franchisor must operate the business under Section 16 7 or 11 3 3 of the Franchise Agreement, Franchisor will operate the business for a 90 day renewable term, renewable as necessary for up to one year, and the Franchisor will periodically discuss the status with the Franchisee or its heirs

C The following is added to the end of Section 16 6 of the Franchise Agreement

However, the Franchisor may not exercise a right of first refusal

(a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the SBA (Owner/Guarantors), or

(b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a noncontrolling ownership interest in the Franchisee or the Franchise, unless such noncontrolling interest (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program

The Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions If the Franchisor does not qualify as a small business under SBA regulations, the parties

acknowledge and understand that the Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

D. Notwithstanding anything to the contrary in Section 18.2.2 of the Franchise Agreement, neither the Franchisor nor its affiliates will have the option to purchase any real estate owned by the Franchisee. The Franchisor, however, may lease the real estate for the remainder of the Franchisee's term (excluding additional renewals) for fair market value.

E. Notwithstanding anything to the contrary in Section 8.13 of the Franchise Agreement and the Collateral Assignment of Lease, if the Franchisee owns the real property upon which the business is located, Franchisor (its assignees or affiliates) only have the right to lease the premises for the remaining term of the Franchise Agreement (excluding renewals) at fair market value.

F. The Collateral Assignment of Lease may not be recorded against the real estate where the business is located if such real estate is owned by the Franchisee.

G. Notwithstanding anything to the contrary in Section 16.9 of the Franchise Agreement, the Franchisor will subordinate its lien on the business collateral to any lender/SBA financing, and lender/SBA will be granted a lien on the business assets of the Franchisee as required in its loan authorization.

H. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement, (ii) the Loan is paid in full, or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

**FRANCHISOR:** **FRANCHISEE:**

FULL PSYCLE FRANCHISING, LLC

By _____ By _____

Print Name _____ Print Name _____

Title: Member Title _____

~~EXHIBIT D~~

# FINANCIAL STATEMENTS

FULL PSYCLE FRANCHISING, LLC

December 31, 2017

December 31, 2016

Inception — December 31, 2015

~~January – December 31, 2016~~

## EXHIBIT E

# FULL PSYCLE AREA REPRESENTATIVE OPERATIONS MANUAL

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5 4 1 Equipment
5 4 2 The ASYLUM
5 4 3 Locker Area
5 4 4 Restrooms
5 4 5 Lobby Area
5 4 6 General Facility
5 4 7 Office
5 4 8 Storage Areas
5 5 Managing Inventory
5 5 1 Merchandise Displays
5 5 2 Inventory Checklists
5 6 Daily Procedures
5 6 1 Opening Procedures
5 6 2 Sales
5 6 2 Class Structure
5 6 3 Closing Procedures
5 7 The Importance of Customer Satisfaction
5 7 1 The Customer Experience
5 7 2 Reserving Classes
5 7 3 Waitlist and Cancellation Policies
5 7 4 Handling Customer Complaints
5 8 POS/CRM System
5 8 1 Introduction
5 8 2 Registering Members
5 8 3 Accepting Payment

5 8 4 Vouchers, Coupons and Discounts
5 8 5 Gift Cards
5 9 The Daily Revenue Report
5 10 Banking Procedures
5 11 Safety and Security Procedures
5 12 Franchise Fees and Reporting Requirements
5 12 1 Royalty Fee
5 12 2 Brand Development Fee
5 12 3 Required Reporting
5 12 4 Financial Statements
5 12 5 Sample Chart of Accounts

**EXHIBITS** **121-135**

## EXHIBIT F

## ~~OUTLETS~~AREA REPRESENTATIVE BUSINESSES AS OF DECEMBER 31, ~~2016~~2017

~~**Corporate Area Representative Businesses**~~

~~FP East PA, LLC~~
~~5712 Val Verde, Suite 275~~
~~Houston, TX 77057~~
~~281-783-8070~~

~~FP New Jersey Region, LLC~~
~~5712 Val Verde, Suite 275~~
~~Houston, TX 77057~~
~~281-783-8070~~

~~FP Houston Region, LLC~~
~~5712 Val Verde, Suite 275~~
~~Houston, TX 77057~~
~~281-783-8070~~

~~FP DFW Region, LLC~~
~~5712 Val Verde, Suite 275~~
~~Houston, TX 77057~~
~~281-783-8070~~

~~**Corporate Unit Studios**~~

~~Full Psycle – Costa Mesa~~
~~230 E 17th Street, Suite 100~~
~~Costa Mesa, CA 92627~~
~~949-631-2222~~

~~Full Psycle – Huntington Beach~~
~~7801 Edinger Avenue, Suite 110~~
~~Huntington Beach CA 92647~~
~~714-903-7746~~

~~Full Psycle – South County~~
~~555 The Shops at Mission Viejo~~
~~Mission Viejo, CA 92691~~
~~949-441-7009~~

~~Full Psycle – Lincoln Park~~
~~2121 N Clybourn Avenue~~
~~Lincoln Park IL 60614~~
~~312-685-2289~~

| ~~Area~~ Representative | ~~Individual~~ Contact | ~~Address~~ | ~~City/State~~ | ~~Phone~~ |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Full Psycle Fitness, Inc | Paul Harmerling | 230 E 17 Street, Suite 100 | Costa Mesa, CA 92627 | 949-903-8032 |
| FP East PA, LLC | Pierre Machalany | 5712 Val Verde, Suite 275 | Houston, TX 77057 | 281-783-8070 |
| FP New Jersey Region, LLC | Pierre Machalany | 5712 Val Verde, Suite 275 | Houston, TX 77057 | 281-783-8070 |
| FP DFW Region, LLC | Judd Miller, III Gordon Miller | 5712 Val Verde, Suite 275 | Houston, TX 77057 | 281-783-8070 |
| FP Houston Region, LLC | Judd Miller, III Gordon Miller | 5712 Val Verde, Suite 275 | Houston, TX 77057 | 281-783-8070 |

** Each Area Representative Business is separately owned and operated pursuant to an Area Representative Agreement by one of our officers

## EXHIBIT G

## STATE ADDENDA

## ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

The Department for Business Oversight for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal Corp Code Section 31000 et seq and of the Rules and Regulations promulgated thereunder To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended

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

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 Item 3 is amended to add

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U S C 8 78(a) et seq suspending or expelling such persons from membership in such association or exchange

4 Item 17 is amended to state

(a) The Area Representative Agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A § 101 et seq )

(b) The Area Representative Agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law

(c) The Area Representative Agreement requires binding arbitration The arbitration will occur in Harris County, Texas or the offices of the American Arbitration Association, or, if Franchisor so elects in the county where the principal place of business of Area Representative is then located, with the costs being borne by the parties as determined by the arbitrator Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040 5 Code of Civil Procedure section 1281 and the Federal Arbitration Act) to any provisions of a Area Representative Agreement restricting venue to a forum outside the State of California

(d) The Area Representative Agreement contains a liquidated damages clause Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable

(e) The Area Representative Agreement requires application of the laws of Texas This provision may not be enforceable under California law

## ~~ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT~~

~~The Illinois Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Illinois Franchise Disclosure Act, 815 ILCS~~

~~§§ 705/1 et seq. (1987) (the "Act"). To the extent that (i) the jurisdictional requirements of the Act are met and (ii) this Franchise Disclosure Document and Area Representative Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended.~~

~~(a) To the extent any provision regarding termination or renewal of the Area Representative Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.~~

~~(b) No franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois, nor shall the Area Representative Agreement provide for a choice of law provision for any state other than Illinois.~~

~~(c) Any condition, stipulation, or provision purporting to bind a franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent a franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.~~

## AMENDMENT TO THE FULL PSYCLE FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the "Act"), which govern the attached Full Psycle Franchise Agreement (the "Franchise Agreement"), the parties thereto agree as follows:

1. Illinois Law governs the agreements between the parties to this franchise.

2. To the extent of any inconsistences, the Franchise Agreement is hereby amended to further state:

"Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois, nor shall the Franchise Agreement provide for a choice of law provision for any state other than Illinois."

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

"Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

"To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control."

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

~~FRANCHISOR~~
~~FULL PSYCLE FRANCHISING, LLC~~

~~Attest~~ _____ ~~By~~ _____
~~Dated~~ _____

~~FRANCHISEE~~

_____
~~Dated~~ _____

## ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND

The Office of Attorney General for the State of Maryland requires that certain provisions contained in franchise documents be amended to be consistent with Maryland Franchise Registration and Disclosure Law, Md Code Ann Bus Reg § 14-201 et seq , and of the Rules and Regulations promulgated under the Act (collectively the "Maryland Franchise Law") To the extent that this Disclosure Document or Area Representative Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended

1 No requirement that you agree to any release, assignment, novation, estoppel or waiver of liability as a condition to your purchasing a Full Psycle franchise shall act as a release, estoppel or waiver of any liability under the Maryland Franchise Law

2 Item 17 is amended to state

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise

(b) Any general release required by the terms and conditions of the Area Representative Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U S C §101 *et seq* )

(d) Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland

**THE REGISTRATION OF THIS FRANCHISE DISCLOSURE DOCUMENT WITH MARYLAND SECURITIES DIVISION OF THE OFFICE OF ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE SECURITIES COMMISSIONER**

## AMENDMENT TO THE FULL PSYCLE FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md Code Ann , Bus Reg § 14-201 et seq , and of the Rules and Regulations promulgated thereunder, the parties to the attached Full Psycle Area Representative Agreement (the "Area Representative Agreement") agree as follows

1 The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee s assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 5 or Section 14 3 of the Area Representative Agreement, such inconsistent provisions are hereby deleted

2 To the extent of any inconsistencies, Section 15 1 of the Area Representative Agreement is hereby amended to further state

Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U S C §101 *et seq* )"

3 To the extent of any inconsistencies, Section 18 4 of the Area Representative Agreement is hereby amended to further state

Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland

4 To the extent of any inconsistencies, Section 18 8 of the Franchise Agreement is hereby amended to further state

"Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise"

5 All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

6 Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md Code Ann , Bus Reg § 14-201 et seq , are met independently without reference to this Amendment

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR
FULL PSYCLE FRANCHISING, LLC

Attest _____ By _____

FRANCHISEE

_____

_____ _____

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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 A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271 THE FRANCHISOR MAY, IF IT CHOSES, 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 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 Item 4.

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

4. The following is added to the end of Item 5.

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

5. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for franchisee to renew or extend**," and Item 17(m), entitled **"Conditions for franchisor approval of transfer"**.

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

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**.

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled **Assignment of contract by franchisor"**.

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

8. The following is added to the end of the "Summary" sections of Item 17(v), titled **Choice of forum"**, and Item 17(w), titled **"Choice of law"**.

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

**NEW YORK RIDER TO FULL PSYCLE FRANCHISING, LLC**
**AREA REPRESENTATIVE AGREEMENT**

THIS RIDER TO THE AREA REPRESENTATIVE AGREEMENT FOR NEW YORK ( Rider') is entered into by and between Full Psycle Franchising, LLC a Texas limited liability company, with its principal office at 5712 Val Verde, Suite 275, Houston, TX 77057 ('we," us or our") and _____ _____ ('you" or 'your'), whose principal business address is _____ _____

WHEREAS, we and you have entered into a certain Area Representative Agreement dated _____, 20__ which grants you the right to operate a Full Psycle area representative franchise (the "Area Representative Agreement"),

WHEREAS, you are domiciled in New York and the Full Psycle franchise will be located in New York, and/or any of the offering or sales activity relating to the Area Representative Agreement occurred in the State of New York and

WHEREAS, in recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680-695, we and you desire to amend certain terms of the Area Representative Agreement in accordance with the terms and conditions contained in this Rider

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Franchise Agreement and this Rider and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, we and you agree as follows

1 Sections 5 3 5 and 14 3 6 of the Area Representative Agreement are amended by adding the following language to each Section

> However, to the extent required by applicable law, notwithstanding the signing of a General Release, 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

2 Section 14 1 1 of the Area Representative Agreement is amended by adding the following language to this Section

> However, to the extent required by applicable law no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement

3 Section 18 4 of the Area Representative Agreement is amended by adding the following language

> New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695 The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder

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

5. Each provision of this Rider will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, Sections 680-695 are met independent of this Rider.

IN WITNESS WHEREOF, the parties hereto have duly executed this New York Rider to the Area Representative Agreement on the same date as that on which the Area Representative Agreement was executed.

FRANCHISOR
FULL PSYCLE FRANCHISING, LLC

Attest _____ By _____

FRANCHISEE

_____

_____ _____

## VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following statements are added to Item 17 h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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

## EXHIBIT H

## ~~RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF FULL PSYCLE FRANCHISING, LLC~~ RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language Read this Franchise Disclosure Document and all exhibits carefully

If Full Psycle Franchising LLC offers you a franchise it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship

If Full Psycle Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission Washington DC 20580 and to your state authority listed on Exhibit A

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

| | | |
|---|---|---|
| Judd Miller III<br>281-783-8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 | Pierre Machalany<br>281-783-8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 | Paul Harmeling<br>281-783-8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 |

Issuance Date ~~April 12~~ May 2, 2018~~2017~~

I received a Disclosure Document dated _____ that included the following Exhibits

___ EXHIBIT A List of State Franchise Administrators and Agents for Service of Process
___ EXHIBIT B Area Representative Agreement with Exhibits A B C D E F and G
___ EXHIBIT C Franchise Agreement with Exhibits A B B-1 C D E F and G
___ EXHIBIT D Financial Statements of Full Psycle Franchising LLC
___ EXHIBIT E Operations Manual Table of Contents
___ EXHIBIT F Outlets as of the date of this Disclosure Document
___ EXHIBIT G State Addenda
___ EXHIBIT H Receipt

DATED _____

_____
(Signature of recipient)

_____
(Printed name of recipient)

_____

_____
Legal residence address

Please return signed receipt to Full Psycle Franchising LLC
5712 Val Verde Suite 275
Houston Texas 77057

## EXHIBIT H

## RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF FULL PSYCLE FRANCHISING, LLC

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language Read this Franchise Disclosure Document and all exhibits carefully

If Full Psycle Franchising LLC offers you a franchise it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship

If Full Psycle Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission Washington DC 20580 and to your state authority listed on Exhibit A

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

| | | |
|---|---|---|
| Judd Miller III<br>281 783 8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 | Pierre Machalany<br>281-783-8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 | Paul Harmeling<br>281-783-8070<br>5712 Val Verde<br>Suite 275<br>Houston Texas 77057 |

Issuance Date ~~April 12~~ May 2, 2018~~2017~~

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___ EXHIBIT E Operations Manual Table of Contents
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___ EXHIBIT G State Addenda
___ EXHIBIT H Receipt

DATED _____

_____
(Signature of recipient)

_____
(Printed name of recipient)

_____

_____
Legal residence address

**KEEP FOR YOUR RECORDS**