

Franchise Disclosure Document

Kommunity Fitness

Kommunity Fitness Franchising, Inc.
a Delaware corporation
1296 Homer Street
Vancouver, BC Canada V6B 2Y5
Direct Line: (604) 481-1296
Franchise@KommunityFitness.com
www.KommunityFitness.com

The franchise offered is for the operation of a fitness facility that offers proprietary athletic-based conditioning fitness programs in a group setting for both men and women of all ages.

The total investment necessary to begin the operation of a single Kommunity Fitness franchise ranges from \$614,665 to \$870,687. This includes \$114,500 to \$134,500 that must be paid to the franchisor or affiliates. The total investment necessary to begin the operation of two (2) to three (3) Kommunity Fitness franchises under an Area Development Agreement is \$674,665 to \$945,687. This includes \$174,500 to \$209,500 that must be paid to the franchisor or affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Aaron Keay, Chief Executive Officer, Kommunity Fitness Franchising, Inc. at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5, or at (604) 481-1296.

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

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

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

Issuance Date: April 3, 2026

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

- A. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration, mediation, and/or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, mediate, or litigate with the franchisor in Delaware than in your own state.
- B. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails. If you are an entity, then each of your owners and, at our option, their respective spouses must sign such a document.

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373 7117

Franchise Disclosure Document

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

To simplify the language, this disclosure document uses “we,” “us,” “our,” or “Franchisor” to mean Kommunity Fitness Franchising, Inc., the franchisor. “You” means the person, corporation, partnership or other entity that buys the franchise. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the Franchise Agreement and Area Development Agreement, if applicable, also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

Franchisor

We do business under our corporate name and the name “Kommunity Fitness.” We are a corporation formed under the laws of Delaware on September 9, 2025, with a principal business address at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5.

We have offered franchises since February 2026. We have never offered any other franchises in any other line of business. Except as disclosed in this Item and elsewhere in this Disclosure Document, we have not conducted any other business activities. We do not conduct any other material business activities other than administering the franchise system, which may include serving as the designated supplier of certain items that you must purchase and/or otherwise acquire for use in connection with your Franchised Business. An affiliate of ours has operated the type of business offered under this Disclosure Document since January 2023.

Parents, Predecessors, and Affiliates

We are wholly owned by NA Kommunity Fitness Canadian Corp. (our “Parent”). Our Parent shares the same principal business address as us and is the designated supplier of initial retail inventory, staff uniforms, and pre-configured television screens for our franchisees. We do not have any other parents or predecessors. Except as stated above, we do not have any affiliates that have (a) offered or awarded licenses or franchises in any line of business or (b) offer products or services to our franchisees.

Agent for Service of Process

Our agent for service of process is Harvard Business Services, Inc. at 16192 Coastal Highway, Lewes, Sussex County, Delaware 19985. Our state agents for service of process are disclosed in Exhibit C of this Disclosure Document.

The Franchised Business

As of the Issuance Date, our System Facilities promote, offer and provide a wide array of athletic-based conditioning fitness programs, which are (i) complemented by limited cardiovascular equipment and free weight routines, (ii) built around our proprietary high intensity and dynamic workouts for men and women, and (iii) featuring flat screen televisions that play proprietary fitness class videos led by trainers, athletes, and celebrities.

The Kommunity Fitness franchise opportunity involves a fitness facility (each, a “Facility”) typically located in shopping malls, strip centers or free-standing structures (all of which must be approved by us) offering tiered membership packages and providing its members (“Members”) with fast-paced workout sessions led by certified fitness coaches.

We expect and assume that a typical Facility will offer our proprietary fitness sessions, instruction and other services we authorize in the Learning Management System or otherwise (collectively, the “Approved Services”) via membership packages that, as of the Issuance Date, include (but are not necessarily limited to): (i) proprietary athletic conditioning group fitness programs, (ii) proprietary workouts (focusing on strength and weight loss all of which are athletic-based and dynamic in nature), (iii) signature challenges (such as: specific day challenges, monthly challenges, quarterly challenges, etc.), (iv) proprietary Member progress tracking programs, and (vii) proprietary video vault of exercise programs and themed group events in addition to offering for sale fitness-related apparel (such as shirts, shorts, hats, sweatshirts, etc.). In addition to these Approved Services, your Facility will have the right to offer and sell apparel and other merchandise, which may or may not be branded/proprietary to our System, that we authorize in writing (collectively, the “Approved Products”).

We and our affiliates/principal have developed a system (the “System”) for the establishment and operation of a franchised Facility (each, a “Franchised Business”) that is comprised of various components, including without limitation: build out specifications with furnishings, unique décor, color scheme and signage; business format that is simple and efficient offering our proprietary membership packages, fitness programs, workouts and challenges; specific methods and techniques when executing our fitness programs, workout routines and challenges; nutritional supplements; specifications for equipment and products used in the Business, purchasing strategies, relationships with vendors and suppliers, operational procedures, quality and uniformity of all services and products offered; proprietary software, privately labeled mobile app platform that was developed and owned by a third party, website, franchise web page housed within our national website and intranet system that includes access to our proprietary educational platform that contains our video vault and proprietary training modules to complement your ongoing training efforts; proprietary Member acquisition and onboarding processes, sales presentations, advertising and marketing materials, proprietary community-give back programs, social media and promotional strategies; cost controls, management, administrative and record keeping procedures; our confidential Learning Management System and other manuals and materials that are made available either in hard copy or electronically. Please note that we may unilaterally update, supplement, improve and/or otherwise modify or further develop the System standards, specifications and other components, as we determine appropriate in our discretion, provided we provide you with prior written notice of such changes via the Learning Management System or otherwise in writing.

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, that comprise the then-current Proprietary Marks we determine to designate and license for use in connection with franchised Facilities.

You are prohibited from offering, performing or selling any type of service or product that requires medical assistance. You shall not make any claim or representation that products or services associated with our Proprietary Marks, your Franchised Business or the System are intended for

use in the diagnosis, cure, mitigation, treatment, or prevention of disease and/or that any such products or services are intended to affect the structure or any function of the human body. You are not authorized to make any performance claims or guarantees to Members regarding specific weight loss amounts. Your Franchised Business may and must only promote, offer and provide the non-medical exercise and fitness-related Approved Services, as well as any Approved Products we authorize for sale at retail from within a franchised Facility, in accordance with our System.

Each Franchised Business you determine to commit to open and operate (or develop pursuant to the multi-unit offering below) must be governed by its own, specific form of our then-current franchise agreement. Our current form of franchise agreement is attached hereto as Exhibit A (the “Franchise Agreement”).

Multi-Unit Offering

We also offer qualified individuals the right to open and operate multiple Franchised Businesses within a defined geographical area (the “Development Area”) by: (i) executing our current form of development agreement (the “Area Development Agreement”) attached as Exhibit B to this Disclosure Document; and (ii) paying our then-current development fee upon execution of your Area Development Agreement, which will depend on the number of Franchised Businesses you agree to open (the “Development Fee”).

Under the Area Development Agreement, you will be required to enter into our then-current form of Franchise Agreement for each Franchised Business you are required to open, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. You must execute the Franchise Agreement included with this Franchise Disclosure Document for your initial Franchised Business contemporaneously with the execution of your Area Development Agreement. You must then ensure that you open and commence operations of each additional Franchised Business in the Development Area in accordance with the mandatory Development Schedule.

Proprietary Market and Competition

As a franchisee, you will compete for consumers with a variety of other businesses, including those that offer similar and/or competitive types of personal training, fitness counseling and nutritional counseling. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. Demand for the services you offer may be dependent on the local and national economic conditions and their effect on the public’s discretionary spending. Your competition may include other businesses that we or our affiliates may franchise or operate, as noted in Item 12. The services and merchandise our franchise sells are well recognized by consumers and widely available from other sources. The market for our franchisees’ goods and services is well developed. Typically, our Approved Services and Approved Products are sold to individuals.

Industry-Specific Laws and Regulations

Some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated

external defibrillator and/or other first aid equipment on the premises. At a minimum, your Business will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency's permission before you begin operations. In addition, there may be local licensing and employment regulations, including worker's compensation insurance requirements.

You will be solely responsible for ensuring you acquire and maintain any specific licenses, permits, authorizations or otherwise that may be required to operate your Business under the applicable laws of where your Business is located. Among other things, you will need to ensure that all music played at the Business is properly licensed for use in connection with the provision of the Approved Services, or, if permitted by us, any other purpose.

Many states and certain local governments have laws regulating health/fitness facilities, including laws requiring postings covering steroids and other drug use, requiring certain medical equipment in the Facility, limiting the supplements that facilities can sell, requiring bonds if a health/fitness center sells memberships valid for more than a specified time period, requiring owners to deposit into escrow certain amounts collected from members before the Facility opens (these are referred to as pre-sale memberships), and imposing other restrictions on memberships that the Facility sells. If so, you may have to register with a state consumer protection agency, escrow funds during pre-sale and/or post a security bond or a letter of credit to protect your members. You may also be subject to other state and local licensing requirements and ordinances.

Other than what is stated above, currently, there are no regulations specific to the operation of a Kommunity Fitness Business.

In addition to complying with all laws, we require that you and any individual who plans on instructing any of our proprietary fitness programs, workouts and challenges be certified by a personal training program accredited by the National Commission for Certifying Agencies ("NCCA") in addition to being CPR and First Aid certified and maintaining such certification.

ITEM 2 BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Aaron Keay

Aaron Keay has served as our Founder and Chief Executive Officer since our inception. Mr. Keay has also served as the Founder and Chief Executive Officer of Klutch Financial and Kommunity Fitness in Vancouver, British Columbia, Canada since October 2019 and January 2023, respectively. He has also served as a Member of the Advisory Board and Investment Committee for RX3 Growth Partners, a venture capital firm based in Newport Beach, California, since April 2024.

President and Chief Operating Officer: Mike Gray

Mike Gray has served as our President and Chief Operating Officer since January 2026. From September 2024 to December 2025, Mr. Gray served as the President and Chief Operating Officer of Riser Fitness in Costa Mesa, California. From September 2017 to September 2024, he was the President of Club Pilates in Irvine, California.

Vice President of Franchise Development: Nate Malloy

Nate Malloy has served as our Vice President of Franchise Development since our inception. Mr. Malloy has also served as a Partner with Vantage360 Franchise Growth Partners in Sioux Falls, South Dakota since February 2025. He was previously the President of Greenbear Equity LLC in Sioux Falls, South Dakota from January 2023 to February 2025. From April 2022 to December 2023, Mr. Malloy served as CEO and Advisor of Profile Plan, LLC in Sioux Falls, South Dakota. Prior to that, he was the Chief Executive Officer of Profile by Sanford, a Division of Sanford Health, in Sioux Falls, South Dakota from February 2013 to April 2022.

Director of Education: Megan Melissis-Snider

Megan Melissis-Snider has served as our Director of Education since our inception. She has also served as a Founding Partner, General Manager, and Lead Instructor of Kommunity Fitness in Vancouver, British Columbia, Canada since June 2023. Ms. Melissis-Snider took a sabbatical from October 2022 to June 2023. From September 2020 to October 2022, she was the General Manager of Innovative Fitness in Vancouver, British Columbia, Canada.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES***Initial Franchise Fee*

You must pay us an initial franchise fee amounting to \$60,000 (the “Initial Franchise Fee”) immediately upon execution of your Franchise Agreement, which is deemed fully earned and non-refundable upon payment.

Development Fee

If we award you the right to develop two (2) Franchised Businesses within a given Development Area, you must pay us a Development Fee of \$120,000 upon the execution of your Area Development Agreement.

If we award you the right to develop three (3) Franchised Businesses within a given Development Area, you must pay us a Development Fee of \$135,000 upon the execution of your Area Development Agreement.

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to develop under your Area Development Agreement, but you will not be

required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. If you enter into an Area Development Agreement, you must execute our then-current form of Franchise Agreement for the initial Franchised Business we grant you the right to develop within your Development Area concurrently with the Area Development Agreement. The Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances.

Initial Inventory of Retail Merchandise and Staff Uniforms

Upon signing the Franchise Agreement, you must purchase a Startup Inventory of retail merchandise, including staff uniforms, from our Parent, which will cost between \$5,000 and \$10,000, depending on the amount of merchandise you initially stock your Franchised Business with. This payment is earned by our Parent on receipt and is non-refundable. Beginning in your second year of operation, you must purchase at least \$10,000 of retail merchandise and staff uniforms from our Parent or our designated vendors on an annual basis.

Technology Fee

Beginning three (3) months before you open the Franchised Business, you will start paying us a monthly Technology Fee of \$750 per month.

Pre-Configured Television Screens

Before opening the Franchised Business, you must purchase certain pre-configured Samsung television screens from our Parent. Our Parent purchases these specific screens from a third-party supplier and configures them for use in your Franchised Business. You will pay our Parent approximately \$30,000 to \$45,000, depending on the particular model and number of television screens you purchase. The model(s) and number of television screens you must purchase will depend on the size and layout of your Facility. We estimate that you will purchase between twelve (12) and fifteen (15) pre-configured television screens for your Franchised Business. This payment is earned by our Parent on receipt and is non-refundable.

Site Selection and Project Management Fee

Upon signing the Franchise Agreement, you will pay us a \$15,000 Site Selection and Project Management Fee in lump sum. This fee covers the real estate and construction advisory and project management support provided through our franchise system, including assistance with market analysis and site selection, coordination of competitive bidding processes, general contractor selection, vendor coordination and equipment orders.

If you purchase multiple units, you must pay the Site Selection and Project Management Fee for subsequent units no later than when the immediately preceding unit opens for business. For example, you must pay the Site Selection and Project Management Fee for Unit #2 no later than when Unit #1 opens for business. Similarly, you must pay the Site Selection and Project Management Fee for Unit #3 no later than when Unit #2 opens for business.

Other Relevant Disclosures

Except as provided in this Item, we expect and intend to impose the fees above uniformly on our new System franchisees.

ITEM 6 OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalties (or “Royalty Fee(s)”)	7% of Gross Revenue per month, subject to a minimum of \$2,000 per month beginning in the thirteenth (13 th) month after the Franchised Business opens.	Daily through Club Ready on weekdays	You will be required to start paying your Royalty once your Franchised Business begins collecting revenue from operations, or whenever the date of the Franchised Business opens or is required to open under the Franchise Agreement. We reserve the right to collect your Royalty on any interval we determine appropriate upon notice (for example, collecting on a daily or weekly interval).
Brand Fund Contribution	Up to 2% of Gross Revenue per month; Currently none.	Daily through Club Ready on weekdays	We reserve the right to establish a Brand Fund to promote, market, advertise and otherwise develop the System Proprietary Marks, Approved Services, System locations and our brand generally. If we establish the Brand Fund, we may require you to pay us a Brand Fund Contribution of up to 2% of your Gross Revenue upon 30 days’ prior written notice to you. We may increase (subject to the maximum amount of 2% of Gross Revenue) or decrease the amount of the Brand Fund Contribution, or discontinue the Brand Fund Contribution, during the term of your Franchise Agreement.

Local Advertising Requirement (or “LAR”)	3% of Gross Revenue or \$1,000 per month, whichever is greater.	Monthly, beginning after your Grand Opening Advertising.	After you complete your Grand Opening Advertising, you must spend 3% of Gross Revenue or \$1,000, whichever is greater, per month on local advertising for the Franchised Business. We may require that you expend any portion of your LAR on services or items that are designed to promote, advertise and/or market the Franchised Business that must be acquired from one (1) or more of our Approved Suppliers. Your LAR is the minimum amount that we recommend you expend on the local promotion of your Franchised Business within your Designated Territory. We encourage you to expend additional amounts on advertising, marketing and related promotional efforts as you determine appropriate within your Designated Territory.
Ongoing purchases of apparel, merchandise, and staff uniforms	Our then-current cost of the apparel and merchandise plus shipping and taxes. You must purchase a minimum of \$10,000 in apparel, merchandise, and staff uniforms on an annual basis.	As invoiced	We may require you to purchase apparel and merchandise for resale from us or directly from third-party suppliers. We may mark up the cost of the apparel and merchandise you purchase from us by no more than 10% of our cost.
Celebrity Class Fees	A proportional amount of the cost we incur with producing each Celebrity Class, including the amount paid to the influencer, celebrity, or famous athlete, divided by the franchisees purchasing the Celebrity Class.	As invoiced	We produce and provide standard training videos to you. You will have the option to purchase additional training videos featuring fitness influencers, celebrities, and famous athletes that we offer from time to time (“Celebrity Classes”). The cost of these Celebrity Classes will be a proportional amount of the cost we incur with producing each Celebrity Class, including the amount paid to the influencer, celebrity, or famous

			athlete, divided by the franchisees purchasing the Celebrity Class.
Technology Fee	Our then-current technology fee (the “Technology Fee”) for the technology services we determine to provide as part of the System, which we may increase to no more than the amount of the actual technology included plus an administrative fee of up to ten percent (10%) of the cost of the included technology. Currently, \$750 per month	As invoiced monthly, beginning three months before the Franchised Business opens	As of the Issuance Date, the Technology Fee covers the ongoing license fees associated with the Required Software designed to address POS, the franchise management system, accounting software and certain other platforms we determine to cover. We may impose and update our then-current Technology Fee upon 30 days’ prior written notice to you via the Learning Management System or otherwise. As of the Issuance Date, we expect that you will commence paying your Technology Fee at or around the time you secure your approved Premises. We will charge between three and six months in advance prior to opening your premises.
Renewal Fee	\$7,500	Prior to us approving your request to renew	Please note that payment of the Renewal Fee is only one (1) of the conditions that must satisfy in order to be in position for us to approve your request for transfer. Please see Item 17 of this Disclosure Document for additional information.
Transfer Fee	\$7,500	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the Business is transferred. Please note that payment of the Transfer Fee is only one (1) of the conditions upon which we may

			condition our approval of any transfer proposal you submit. Please see Item 17 of this Disclosure Document for additional information.
Relocation Fee	We reserve the right to charge you 20% of our then-current initial franchise fee in connection with your request to evaluate a relocation of your Franchised Business	As Incurred	In addition to the relocation fee, we have the right to seek reimbursement of the actual costs and expenses we incur in connection with evaluating your relocation request, including the costs of travel, lodging and meals associated with any prospective relocation site visit.
Additional Training (all other Training)	Additional Training is estimated not to exceed \$500 per person per day plus your travel expenses or our expenses if we come to your location	At time training is scheduled and/or additional assistance is requested by you.	The location of the Additional Training will be at our headquarters although we reserve the right to provide them over the Internet or phone. There may be an annual conference for all franchisees to attend and other conferences as needed. See Item 11, (13.iv) for more detail.
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided the interest rate cannot exceed the maximum legal rate.	After due date of fees.	Payable on all delinquent payments. See Note 7
Evaluation Fee	\$500 plus our costs per proposal you make for the use or sale of (a) a product or service that is not already part of our Approved Products or Approved Services, or (b) the source of supply for any Required Item.	As incurred and prior to us evaluating your request	This fee will only be charged if you make a request for an alternative supplier or alternate product as disclosed more fully in Item 8 of this Disclosure Document.
Audit Expenses	Cost of Audit Fees plus interest @ 18% per annum (1.5% per month) up to the maximum interest allowed by law.	Ten days after receipt of audit report.	Payable if you understate Gross Revenues by 2% or more you also pay the cost of the audit. Based on our understanding of current third-party auditor costs, we expect the cost to be between \$3,500- \$6,500

			unless your financial records are not well kept.
Penalty Fees for Offer or Sale of Unauthorized Services or Products	We reserve the right to charge a fee of \$50/day for each day you offer or provide Approved Products or Approved Services at your Studio that are (a) not approved by us, and/or (b) being provided by an individual that is not an Authorized Coach (with regards to the provision of any Approved Services)	As incurred	This is only payable in the event of your default and is in addition to any other rights or remedies we might have under applicable law or the terms of your agreement(s) with us.
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred	Payable as incurred by us in obtaining injunctive relief or the enforcement of any item of the Franchise Agreement.
Indemnification	Will vary under circumstances.	On Demand	Payable as Incurred
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Business. If not done, we can appoint a head trainer or manager for up to 90 days, renewable up to one year. All expenses, including head performance coach or manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.
Conference Fee	Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed \$1,000 per person. You will	As Incurred	As Incurred and payable to third parties and us.

	be required to purchase a minimum of 1 ticket for each conference.		
Post-Termination Damages	Will vary based on when your Franchise Agreement is terminated	As incurred	We have the right to seek and obtain the damages we incur in connection with your default and/or any termination of your Franchise Agreement after it is terminated, including without limitation, future lost damages (amounting to the Royalty Fees and other amounts that we would have been entitled to collect under your Franchise Agreement if it was not terminated prior to its natural expiration).
Public Offering Fee	The lesser of (a) \$3,500; or (b) the cost and expenses in reviewing the proposed offering	As incurred	With our written consent pursuant of Section 16.G.1 in the Area Development Agreement does not imply or constitute our approval with respect to the method of financing, the offering literature submitted to us or any other aspect of the offering.

Explanatory Notes

Generally. Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees outlined in the Chart above apply to the Franchise Agreement only (and not the Area Development Agreement). Notwithstanding the foregoing, certain recurring fees payable to us, including your Royalty Fee and Brand Fund Contribution, may be collected through our Required Software provider, “Club Ready,” which may collect member fees on behalf of your Franchised Business, withhold the amounts owed to us, and remit the net balance to you. We describe this payment process in more detail in Notes 1 and 2 below.

- 1. Royalty Fee.** As of the Issuance Date, your Royalty Fee and Brand Fund Contribution (if established) are collected through Club Ready. Club Ready collects membership fees and other revenue from your members on behalf of your Franchised Business, withholds the amounts due to us under your Franchise Agreement (including your Royalty Fee and Brand Fund Contribution), and remits the remaining balance to you.

You will not receive the full gross membership revenue into your own bank account; instead, you will receive the net amount after deduction of all amounts owed to us. You are responsible for ensuring that your Franchised Business maintains sufficient revenue through Club Ready to cover all amounts owed to us. We reserve the right to modify this payment method upon written notice to you and, in that event, we may revert to or implement an EFT-based collection method from a bank account you designate for that purpose.

2. **Method of Payment.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Attachment to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
3. **Collection Interval; Reporting Obligations.** We reserve the right to change the interval at which we collect your Royalty Fee, Brand Fund Contribution, and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a daily or weekly basis – based on the preceding business day or week of operations – rather than monthly. Regardless, we may require you to provide Gross Revenue and/or related reports regarding the performance on your Franchised Business on a weekly, monthly, quarterly and/or annual basis as we determine appropriate for the kind of report at issue.
4. **Definition of Gross Revenue.** Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises. This includes all membership-related fees (such as initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees; monthly, semi-annual or yearly dues and all revenues generated and derived during any presale of memberships) regardless of the amount of monthly membership fees you actually collect. Gross Revenue also includes fair market value for any service or product you receive in barter or exchange for your services or products, the retail value of any discounted and/or complementary (free) services (including membership packages) or products given to Members and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. We exclude only gratuities paid by Members to employees of the Business, service fees for credit card transactions, sales tax receipts that you must by law collect or pay and any Member refunds of previous payments you actually make.
5. **Brand Fund.** If we establish the Brand Fund, you will pay the Brand Fund Contribution at the same time and under the same terms as the Royalty Fee described above. The Brand Fund may be used for (among other things) product and technology

development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future facilities; agency and consulting services; research; and any expenses approved by us and associated with your Facility. We have sole discretion over all matters relating to the Brand Fund. We may raise, discontinue, or reduce the Brand Fund Contribution, subject to the maximum amount of two percent (2%) of Gross Revenue.

6. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Revenue by two percent (2%) or more, than we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
7. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.
8. **Technology Fee.** As of the Issuance Date, you are also required to use a combination of different third-party software programs that includes our privately labeled mobile app platform (also owned by a third-party vendor) for the operation of your Franchised Business. Some of these software programs are specific to the fitness industry that complement each other and tracks Member activity while incorporating contact management, scheduling, billing and reporting functionality in addition to our privately labeled mobile app which is a Member engagement tool allowing them to schedule a session, access to mobile workout programs and videos and allows you to send notifications. The technology fee for usage and ongoing support of our privately labeled mobile app is currently \$750 per month regardless of the number of users or number of Members who use the mobile app platform and is payable to us, our affiliates, or approved vendors.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$60,000	\$60,000	Wire/ACH	At signing of the Franchise Agreement	Franchisor

A/V Equipment ²	\$56,611	\$70,000	As arranged	Before Opening	Approved Supplier(s) and Parent
Equipment, Furniture and Fixtures ³	\$83,280	\$107,406	As arranged	Before Opening	Approved Supplier(s)
Site Selection and Project Management Fee ⁴	\$15,000	\$15,000	Wire/ACH	At signing the Franchise Agreement	Franchisor
Real Estate ⁵	\$17,417	\$36,000	As arranged	Upon Signing Lease	Third-Party Landlord
Leasehold Improvements ⁶	\$287,800	\$424,324	As arranged	Before Opening	Third-Party Providers
Utilities	\$100	\$1,000	As arranged	Before Opening	Third-Party Providers
Signage and Graphics	\$19,957	\$19,957	As arranged	Before Opening	Approved Suppliers
Startup Inventory and Uniforms ⁷	\$5,000	\$10,000	As arranged	Before Opening	Franchisor
Grand Opening Advertising ⁸	\$30,000	\$35,000	As arranged	4 Weeks Before Opening through 4 Weeks After Opening	Approved Suppliers
Facility Personnel Compensation: Pre-Opening ⁹	\$5,000	\$15,000	As arranged	As incurred	Your Employees
Insurance ¹⁰	\$3,500	\$5,000	As arranged	As incurred	Third-Party Provider
Travel, Lodging and Meals for Initial Training Program	\$3,000	\$7,500	As arranged	As incurred	Third-Party Providers
Technology Fee (6 Months)	\$4,500	\$4,500	As arranged	Beginning Three Months Before Opening	Franchisor
Business Licenses, Permits, Certifications, and other Professional Fees	\$3,500	\$10,000	As arranged	Prior to Opening	Appropriate Government and/or Comparable Authorities
Additional Funds (3 months) ¹¹	\$20,000	\$50,000	As incurred.	As arranged	Various parties, including Approved

					Suppliers, LL, Facility personnel, other suppliers, etc.
Total¹²	\$614,665	\$870,687			

Generally. Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable. The Item 7 Chart above assumes and expects that you will secure an approved Premises that meets the System standards and specifications and subsequently open and commence operations of your Franchised Business on or before the date you are required to do so under (a) your Franchise Agreement with us, and (b) the Rent Commencement Date under the lease for your Premises.

- 1. Initial Franchise Fee.** The Initial Franchise Fee is due upon execution of your Franchise Agreement and is deemed fully earned upon payment and non-refundable. Please see Item 5 of this Disclosure Document for additional information on this initial fee.
- 2. Computer System and A/V Equipment.** You must purchase a variety of technology items for the operation of your Business as specified in the Learning Management System. Both the low and the high estimates represent current costs for some or all of the following: a computer, software, tablets, flat screen televisions, a telephone system and a sound system (that includes an amplifier, mixer, wireless receivers, etc.) with a microphone system and various cables. Before opening the Franchised Business, you must purchase certain pre-configured Samsung television screens from our Parent. Our Parent purchases these specific screens from a third-party supplier and configures them for use in your Franchised Business. You will pay our Parent approximately \$30,000 to \$45,000, depending on the particular model and number of television screens you purchase. The model(s) and number of television screens you must purchase will depend on the size and layout of your Facility. We estimate that you will purchase between twelve (12) and fifteen (15) pre-configured television screens for your Franchised Business. This payment is earned by our Parent on receipt and is non-refundable.
- 3. Furniture, Fixtures and Other Equipment (FF&E).** This is an estimate for the items you will need for all equipment, furnishing and fixtures. You must purchase various pieces of equipment for the operation of the Franchised Business as specified in the Learning Management System. The estimates given are based on purchasing all equipment, furnishings and fixtures. The low end of the estimate represents opening a 2,000 sq. foot Facility and the high end of the estimate represents opening a 3,000 sq. foot Facility. Actual equipment, furniture and fixture cost may vary due to square footage.
- 4. Site Selection and Project Management Fee.** Upon signing the Franchise Agreement, you will pay us a \$15,000 Site Selection and Project Management Fee in lump sum. This fee covers the real estate and construction advisory and project management support provided through our franchise system, including assistance with market analysis and site selection, coordination of competitive bidding processes, general contractor selection, vendor coordination and equipment orders.

- 5. Real Estate.** As of the Issuance Date, our standard franchise offering expects and assumes that the typical Franchised Business, as of the Issuance Date, is typically located in a shopping mall, strip center or free-standing building with approximately 2,000 to 3,000 square feet of space. The high-end estimate reflects a space with high visibility. Real estate costs depend on location, size, visibility, economic conditions, accessibility and competitive market conditions. This expense will likely be higher if you choose to locate your Franchised Business in a densely populated area. These sums do not include common area maintenance fees which (if applicable) will vary depending on your location or any sums for the purchase real property, as we do not expect you to buy real property. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business. This range accounts for the amounts you will be required to pay to the landlord or otherwise in connection with securing your approved Premises prior to opening and paying rent and other amounts during your first three months of operation.
- 6. Leasehold Improvements.** A typical Franchised Business is approximately 2,000 to 3,000 square feet of space. We suggest you find a space needing minimal leasehold improvements or fixtures. In most cases you will need to alter the interior of your Business before you open for operation, and you will need to install floor coverings according to our specifications. You must purchase flooring covering materials and various floor mats from approved vendors or that otherwise meet our minimum specifications. A typical Franchised Business has a reception area (that incorporates a small retail area), one large open multi-purpose area, one storage area/breakroom and bathrooms (you are not required to have shower stalls in your bathrooms). You may need to build out separate areas for your Facility. This estimate does not include any allowance for Tenant Improvement. We encourage all of our franchisees to negotiate for Tenant Improvement allowances with landlords, but you may or may not receive this depending on your location.
- 7. Startup Inventory; Uniforms.** Upon signing the Franchise Agreement, you must purchase a Startup Inventory of retail merchandise, including staff uniforms, from us, which will cost between \$5,000 and \$10,000, depending on the amount of merchandise you initially stock your Franchised Business with. Beginning in your second year of operation, you must purchase at least \$10,000 of retail merchandise and staff uniforms from us on an annual basis. You must purchase products and supplies for the general operation of your Business as specified in the Learning Management System. You must purchase only approved products and supplies, and you must purchase such items that meet our specifications, which may change from time to time. Whether or not any of the purchases for uniforms are refundable depends on the terms of the invoice or purchase agreement with suppliers.
- 8. Grand Opening Advertising.** This is the amount that you will typically expend in connection with (a) the initial marketing plan you develop and implement to promote the opening and initial launch of your Business, and (b) other amounts you will incur in connection with certain pre-opening sales activities designed to generate clientele and/or the on-site training that we provide to you and your initial staff (as described more fully in Item 11 of this Disclosure Document) at or around the time that you open, as we

determine appropriate in our discretion. You will spend this amount during the four weeks before and four weeks after the opening of your Franchised Business. You may be required to expend all or some portion of these funds on marketing materials and/or services that must be purchased from one (1) or more of our Approved Suppliers.

- 9. Insurance.** This estimated amount represents twelve (12) months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep general liability insurance with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or in amounts we may require to reflect inflation, identification of new risks, changes in law or other relevant changes in circumstances. You are also required to obtain property and casualty insurance that covers the assets of the Business; and "All Risk" insurance coverage for property that is not included in other insurance policies and business interruption insurance. The cost of all insurance coverage will vary depending on the carrier's charges, terms of payment and your claims history. See Item 11 for the complete list of required (and optional) coverages.
- 10. Additional Funds – 3 Months.** You will need additional capital to support on-going expenses during the initial three (3) months after you open your Franchised Business. The estimate includes items such as non-variable and certain other payroll and/or other personnel compensation, additional advertising/marketing activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items. This range does not include any draw or salary for you. These figures are estimates and we cannot guarantee that you will not have additional expenses in the first three months you are operating your Franchised Business. In calculating this estimate, we relied on (a) the experience of our affiliate using the Proprietary Marks and System, (b) estimates we received from our Approved Suppliers and other third-party suppliers, and (c) the experience of our consulting team that has worked with other franchise concepts that have a similar footprint and/or industry concept.
- 11. Total Estimated Initial Investment.** The figures in this table are estimates. Unless otherwise noted above, all of the expenditures listed in the Item 7 Chart above are non-refundable. In creating this chart, we have relied on the experience of our affiliates and leadership in developing and operating Kommunity Fitness Businesses and other concepts within the fitness industry.

It is important to note and explain that you may need to secure an approved Premises for your Franchised Business before you and/or your suppliers are in a position to establish the actual construction, furnishing and other associated with that specific Premises, given such suppliers will need to account for all variables such as size of Premises, leasehold allowances, landlord's work, and/or building code requirements. With that said, we recommend you conduct pre-lease due diligence with a third-party general contractor or other business advisor with experience in construction to determine as much as you can about all the buildout costs associated with turning the contemplated Premises into a System Center.

B. Area Development Agreement

Your Estimated Initial Investment

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ²	\$120,000 (2 Franchised Businesses)	\$135,000 (3 Franchised Businesses)	Lump Sum	Upon signing of Area Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business ³	\$554,665	\$810,687	See Charts 7(A) above in this Item (Does not include Initial Franchise Fee)		
TOTAL⁴	\$674,665 (2 Franchised Businesses)	\$945,687 (3 Franchised Businesses)	This is the total estimated initial investment to enter into an Area Development Agreement for the right to develop 2-3 Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Chart A of this Item 7).		

Explanatory Notes to Chart 7(B) Above:

1. *Generally.* All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing an Area Development Agreement for the right to own and operate three Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
2. *Development Fee.* The Development Fee is non-refundable. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of two (2) to three (3) Franchised Businesses (provided you comply with your development obligations under the Area Development Agreement).

If we award you the right to develop two (2) Franchised Businesses within a given Development Area, you must pay us a Development Fee of \$120,000 upon the execution of your Area Development Agreement.

If we award you the right to develop three (3) Franchised Businesses within a given Development Area, you must pay us a Development Fee of \$135,000 upon the execution of your Area Development Agreement.

3. *Estimated Initial Investment to Open Initial Franchised Business.* This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Area Development Agreement. You will be required to enter into our then-current form of franchise agreement for initial Franchised Business you must open within the Development Area at the same time you execute your Area Development Agreement. The range includes all the items outlined in Chart 7(A) of this Item, except for the Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Franchised Businesses you open under the Area Development Agreement).
4. *Total.* This is the Development Fee plus our estimated initial investment to open and commence operating your initial Franchised Business within your Development Area. This range does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Area Development Agreement.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

Approved Services and Approved Products

You may only market, offer, sell and provide the Approved Services and Approved Products to customers of your Franchised Business.

We will provide you with a list of our then-current Approved Services and Approved Products, along with their standards and specifications, as part of the Learning Management System or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service that are not part of our then-current Approved Services or Approved Products, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item, and (b) a legal opinion letter or other evidence sufficient to demonstrate that any new or modified service or product proposed can be utilized and/or provided at your Franchised Business in compliance with all applicable laws and regulations.

The equipment, products, supplies and services include the following: equipment, furniture and fixtures, floor coverings, technology items, products, supplies, apparel, uniforms, signage, proprietary software, third party software, promotional merchandise, printed advertising materials, merchant service providers, software support service providers, mobile app platform providers, digital marketing providers, shows and event marketing opportunities and vendor, co-branding, affinity programs. You cannot purchase unapproved equipment, products, supplies and services from any vendors and/or suppliers that are not on our pre-approved list without our written permission.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s) (whether current or formed in the future). We require you to utilize only our Approved Suppliers to maintain quality, consistency, and brand standards across all Kommunity Fitness locations. We will provide you with a list of our Approved Suppliers in writing as part of the Learning Management System or otherwise in writing, and we may update or modify this list as we deem appropriate.

As of the Issuance Date, we have one (1) or more Approved Suppliers for the following items that must be purchased in connection with your Franchised Business: (i) certain furniture, fixtures and equipment necessary to buildout and equip the Premises of your Franchised Business prior to opening; (ii) initial and ongoing inventory purchases, whether (a) Approved Products for retail sale at a System Facility, including merchandise and nutritional supplements, or (b) for use in connection with the provision of the Approved Services; (iii) the hardware components associated with the point-of-sale and computer system that we designate for use in connection with your Franchised Business operations (the “Computer System”); (iv) certain software you are required to use in connection with your Computer System (each, a “Required Software”); (v) certain initial and ongoing marketing and/or advertising materials and/or services, including any digital marketing services; (vi) any technology that we determine to provide and cover as part of our then-current Technology Fee; (vii) lobby signage and facility vinyl; (viii) gym equipment; and (ix) employee and management uniforms.

We are currently the only Approved Supplier for your Startup Inventory of retail merchandise and staff uniforms. Upon signing the Franchise Agreement, you must purchase a Startup Inventory of retail merchandise, including staff uniforms, from us, which will cost between \$5,000 and \$10,000, depending on the amount of merchandise you initially stock your Franchised Business with. Beginning in your second year of operation, you must purchase at least \$10,000 of retail merchandise and staff uniforms from us on an annual basis. We are currently the only Approved Supplier of the technology included under the Technology Fee. Our Parent is the only Approved Supplier of the pre-configured Samsung televisions that you are required to purchase for your Franchised Business. We estimate that you will pay our Parent \$30,000 to \$45,000 for twelve (12) to fifteen (15) pre-configured televisions. Otherwise, neither we nor our affiliates are an Approved Supplier of required products or services.

We do reserve the right to appoint ourselves, any of our affiliate(s) or any third party as an Approved Supplier for any such item/service you are required to purchase or utilize in connection with your Franchised Business (each, a “Required Item”). This includes any proprietary products

we develop or have developed for use in your Franchised Business, including private-label products that bear our Proprietary Marks.

Aaron Keay indirectly owns an interest in us and all of our affiliates and will derive revenue from purchases that our franchisees are required to make from our affiliates. Except as stated above, none of our officers own an interest in any Approved Supplier (other than us) from which you must directly purchase or lease any Required Item in connection with your Franchised Business.

We have negotiated, and may continue to negotiate, purchase arrangements with vendors and/or suppliers on the approved equipment, product and supplies list for the benefit of you in the areas of costs and customer support.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item 8 below. We may provide our standards and specifications for a given required item directly to the Approved Supplier we have designated or otherwise approved as the source for that item/service. We may determine to provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.”

It is estimated that your Required Purchases from us, our affiliates or any other Approved Supplier we designate, or that must otherwise meet our System standards and specifications will represent approximately: (i) 80% to 90% of your total initial investment; and (ii) 50% to 60% of the total ongoing costs and expenses associated with the operations of your Franchised Business after your initial launch.

We may derive profit through markups of the prices charged to you for equipment, products, supplies or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates, commissions or other monies paid by approved suppliers.

Neither we nor our affiliates received any rebates or funds from franchisee purchases or leases in 2025.

Non-Approved Product/Service and Alternate Supplier Approval

A list of approved vendors and suppliers from whom all equipment, products, supplies and services may be purchased will be provided to you and may be amended by us periodically. We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

We may require vendors and/or suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications and require third party testing, in which case you will pay the actual cost of the tests in addition to a \$500 evaluation fee. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to an adequate request to approve a piece of equipment, products, vendor and/or supplier will be made within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved piece of equipment, product, vendor and/or supplier does not adhere to our specifications described above. We will notify you either by email or any other written form of communication of our approval of, disapproval of or revocation of any prior approval of any equipment, product, vendor or supplier.

Purchasing Cooperatives and Right to Receive Compensation

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

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliate(s) may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. If and when we receive such rebates, we will disclose that rebate consideration in this Item as part of the "Derived Revenue" disclosure set forth above in this Item 8.

Insurance

Before you open your Franchised Business for operation, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;

2. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount we reasonably specify;
3. “All Risks Property” coverage, including property damage limit, for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Business, with coverage for up to twelve (12) months of projected earnings and such longer period as we may specify periodically. Business interruption insurance is optional; however we may require you to obtain this coverage in the future with liability limits in amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
5. Automobile liability coverage (optional), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit or what is in accordance with your state guidelines;
6. Professional liability insurance (not optional if you are participating in the Iron Kids program) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 and \$3,000,000 aggregate or an amount we reasonably specify;
7. Product liability insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum with a minimum policy limit of \$1,000,000 per occurrence and \$3,000,000 aggregate or an amount we reasonably specify;
8. Umbrella Policy having a limit of \$2,000,000 on an occurrence basis in excess of covering the underlying insurance described above which is at least as broad as each underlying policy, provided that you may purchase more underlying coverage and less umbrella coverage under such policies as long as you maintain the total amount of the limits specified for each coverage area;
9. Workers’ compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.
10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;

11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Child abuse and molestation insurance;
13. Tenant's liability insurance;
14. Any other Insurance required by the state or locality in which the Facility is located and operated in such amounts as required by statute; and
15. Other insurance coverage, as we, your state or the landlord may reasonably require.

With regard to any construction, renovation, or remodeling of the Business, you may be required to maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us and our affiliates, as additional insureds and must include a waiver of subrogation in favor of all those parties. All insurance coverage shall be taken out in your name and shall name us an additional insured with waiver of subrogation in our favor and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business for operation (defined as immediately once you start collecting membership fees or your Facility is open for operation, whichever comes first) or 210 days following the date that the Franchise Agreement is executed. You must purchase "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without 30 days' prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. As of the Issuance Date, we require you to purchase certain Computer/POS System components, as well as the Required Software that provides POS and CRM services in connection with the Franchised Business, from our Approved Supplier. We may require that you to purchase any other component of Required Software from one (1) of our Approved Suppliers in the future upon written notice. Your Premises must have Internet Wi-Fi access that both the personnel and customers visiting the Facility of your Franchised Business will be able to access (on different networks), but you may require this from any third-party provider so long as the service meets our System standards.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

Obligation	Section in Franchise Agreement	Section in Area Development Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Sections 2, 5, and 6	Section 8	Item 11
(b) Pre-opening purchases/leases	Sections 5 and 6	Section 8	Items 7, 8, 11
(c) Site development and other pre-opening requirements	Sections 2, 5, and 6	Section 3	Items 6, 7, 11
(d) Initial and ongoing training	Sections 5 and 6	Not Applicable	Item 11
(e) Opening	Sections 5 and 6	Section 3, Exhibit B	Item 11
(f) Fees	Sections 3, 4, 9, and 13(E)	Section 9	Items 5, 6, 7, 11
(g) Compliance with standards and policies (Operations Manual)	Sections 5 and 6	Section 3	Items 6, 11
(h) Trademarks and proprietary information	Section 7	Section 13	Items 13, 14
(i) Restrictions on products/services offered	Sections 5 and 6	Not Applicable	Items 8, 11, 16
(j) Warranty and customer service requirements	Section 6	Not Applicable	Not Applicable
(k) Territory development and sales quotes	Sections 2 and 6	Section 1, 3, and Exhibit B	Item 12
(l) On-going product/services purchases	Sections 5 and 6	Not Applicable	Items 8, 16

(m) Maintenance, appearance and remodeling requirements	Section 6	Not Applicable	Items 8, 11
(n) Insurance	Section 11	Not Applicable	Items 6, 11
(o) Advertising	Sections 4, 5, 6, and 9	Not Applicable	Items 6, 11
(p) Indemnification	Section 11	Not Applicable	Item 9
(q) Owner's participation/management/staffing	Section 6	Section 7	Item 15
(r) Records/reports	Sections 4, 6, and 10	Not Applicable	Items 6, 9, 21
(s) Inspections/audits	Section 5 and 10	Not Applicable	Items 6, 11, 21
(t) Transfer	Section 13	Section 16	Item 17
(u) Renewal	Section 3	Not Applicable	Item 17
(v) Post-termination Obligations	Sections 14(B) and 16	Sections 14, 15	Item 17
(w) Non-competition covenants	Section 14	Section 11	Item 17
(x) Dispute Resolution	Sections 19 and 21	Sections 21, 22	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING

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

A. Pre-Opening Obligations

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. If you have entered into an Area Development Agreement, we will designate your Development Area where you will have the right to secure a Premises (each of which we must approve) for each of your Franchised Businesses. (Area Development Agreement, Section 3 and Attachment A).

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Business(es). We will also review any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business, and we may condition our approval of any proposed Premises on the corresponding agreement containing certain terms we describe more fully in this Item. (Franchise Agreement, Sections 2(B) and 5(E)).

3. Once you secure an approved Premises from which to open and operate your Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in an amendment to the Data Sheet attached as an Attachment to your Franchise Agreement that is signed by us. (Franchise Agreement, Section 2(D)).

4. Prior to you attending your required initial training, we will provide you access to the "Learning Management System," which contains mandatory and suggested specifications, standards and procedures. The Learning Management System is confidential and remains our property. We may modify the Learning Management System. (Franchise Agreement, Section 5(D)). The Learning Management System is in digital format on a web platform and not a traditional paper or PDF format. However, we have attached the Table of Contents of the Learning Management System to this Disclosure Document as Exhibit E. The Learning Management System currently comprises approximately 13 modules (which is approximately 180 pages on the digital platform).

5. We will inform you of any mandatory specifications, architectural and design plans, floor plans and layouts to you for the premises of your Franchised Business. We will provide you with guidelines for the layout and design of your Business, and please note that you may need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements. You will be required to confirm that your Business satisfies all state and local zoning ordinances, regulations, fire, health and building codes. We will not assist you with conforming the premises to local ordinances and building codes, obtaining any required permits, or with constructing, remodeling, or decorating the premises. We may, if needed, review your final set of drawings. (Franchise Agreement, Section 6(D)).

6. We will provide you with written specifications for all equipment, technology items, furnishings, fixtures and signage (as described in Item 8) necessary for the operation of your Business. We will also provide any technology services that are covered as part of our then current Technology Fee, subject to your timely payment of that fee. (Franchise Agreement Section 4).

7. We will provide you with guidance and/or directives in connection with how to expend the required funds associated with the promotion and advertisement of the grand opening of your Franchised Business. (Franchise Agreement, Section 5(F)).

8. We will provide our initial training program, no earlier than 30 days before the date you start selling services (including accepting memberships) or you anticipate your Facility being open for operation (whichever comes first), designed to assist you and your staff in the operation of your Business, provided you pay us our then-current Initial Training Fee. We will not assist you with hiring or training your employees. (Franchise Agreement, Sections 5(A) and 6(O)).

9. As detailed more fully below in Part B of this Item 11, we will provide you and up to one (1) additional individual you designate with our Initial Training Program regarding our System methods and techniques related to the establishment and operation of a System Facility. You must complete the Initial Training Program to our satisfaction at least 90 days prior to opening your Franchise Business. If you are a partnership, corporation or limited liability company, at least one (1) of the trainees must be your general partner, principal shareholder, or managing member as appropriate. If you have appointed a manager to run the day-to-day operations of the Franchised Business (the “Facility Manager” or “Designated Manager”), then this Designated Manager must also attend and complete the Initial Training Program. (Franchise Agreement, Sections 5(A) and 6(O)).

Initial Training and Related Disclosures/Information

Before the opening of your Franchised Business, yourself, any Owner, and/or proposed manager or Designated Manager you appoint for your Franchised Business must attend the Initial Training Program, to our satisfaction, at our designated training location (currently, in Vancouver, British Columbia, Canada).

Our standard franchise offering expects and assumes that you – or any other individual you wish to conduct sessions and provide the Approved Services at your franchised Facility – will already have (i) completed a personal training program accredited by the NCCA and obtained an active certification from the academy or institute conducting that program, and (ii) obtained appropriate certifications in CPR and First Aid from an appropriate issuing agency that is located in the state where your Franchised Business is located.

If any proposed Designated Manager does not satisfactorily complete our Initial Training Program, we will notify you, and you may then select and enroll a substitute manager in our training program. The failure by you or any Designated Manager to complete the Initial Training Program prior to the opening of your Franchised Business to the public will constitute a material default under your Franchise Agreement and will be grounds for termination if not timely cured once we provide you with written notice of that default.

You will be responsible for all costs related to attending training such as travel, room and board for any individual that is required to attend or otherwise attends the Initial Training Program. You will also be responsible for any wages and Facility-related expenses incurred if a component of the Initial Training Program is provided at your approved Premises around the time you are scheduled to open.

We expect and intend to provide you with the Initial Training Program after you secure your approved Premises and around 90 days prior to your opening. We anticipate holding the Initial Training Program once every one (1) to two (2) months or as needed as we award more franchises.

As of the Issuance Date, the Initial Training Program is currently supervised by our Director of Training, Meghan Melissis-Snider, who has over eleven (11) years of athletic training and fitness industry experience. All the other trainers that Meghan works with to actually provide certain topics of instruction to System franchisees will typically have at least one (1) year of experience in the topics they are providing instruction on. The primary materials we use in connection with our Initial Training Program include the Learning Management System (and possibly other Manuals), videos, remote training tools/webinars/testing (as we determine appropriate), videos and hands-on demonstrations.

Below please find a chart detailing the Initial Training Program:

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction to Kommunity	1	0	Vancouver, BC
Pre-Opening Overview	1.5	0	Vancouver, BC
Operations	5	2	Vancouver, BC
Sales and Marketing Training	3	3	Vancouver, BC
Coach Training	3	5	Vancouver, BC
Kommunity Class Immersion	0	5	Vancouver, BC
Front Desk Training	2	1	Vancouver, BC
Key Vendor and Order Process Review	1.5	0	Vancouver, BC
Total Hours	17 Hours	16 Hours	

In addition to the Initial Training Program components above, we may require that you and, if applicable, your Designated Manager, attend up to five (5) days of additional or refresher training each year. We expect and intend to provide you with access to additional or refresher training

programs that may be conducted through the telephone, webinars or video training at no cost to you. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board.

We may provide refresher training and continuing education programs either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education sessions (other than by phone, webinars or video) may involve the payment of our then-current Training Fee for such additional/refresher training. You are responsible for costs associated with you attending the programs such as travel, room and board or our expenses if we come to you. The refresher and/or continuing education programs will normally not exceed five (5) days per calendar year, and we expect to at least have quarterly programs subject to special need. (Franchise Agreement, Sections 5(A) and 6(O)). Please see additional information below Part D of this Item.

Site Selection

You must, on your own initiative and at your own expense locate, obtain and occupy the site and negotiate the lease for your Business. You must select the site of your Business within the Territory provided in the Franchise Agreement. We do not generally own the site and lease it back to you. You may not sign a lease for the site (or contract to purchase the premises, if applicable) in which you wish to operate your Business until you have obtained our written approval. We will accept the site if we feel in our sole discretion that it meets or exceeds our standards. If we do not approve the site, you will be given a second opportunity to locate a site. If we do not approve the second site, we may terminate the Franchise Agreement. The factors that we consider in acceptance of the site include cost, competition, population density, demographics, freeway access, visibility, convenience, adequate parking, safety, zoning ordinances, neighborhood and physical characteristics of the premises such as size, configuration, layout, as well as a brand manual we use concerning real estate criteria and design guidelines. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive your request (Franchise Agreement, Sections 5(E) and 6(A)).

We must also have the opportunity to review any lease or purchase agreement for proposed Facility before you enter into such an agreement. We will have the right to review the lease and you must ensure that: (i) you and the landlord of the Premises enter into a form of addendum or otherwise integrate the terms of that addendum (collectively, the “Lease Addendum Terms”) that includes (without limitation) a collateral assignment of lease and other entry rights upon termination or expiration of your Franchise Agreement, into the lease or other occupancy agreement for the Facility; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Services and Approved Products, throughout the term of your Franchise Agreement. As part of the Lease Addendum Terms, we will have the option, but not the obligation, to assume or renew the lease for the Premises (the “Lease”) for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. You must submit the lease to us for our review at least ten (10) days before you sign the agreement.

You must send us a signed copy of the lease within five (5) days of both parties signing the lease. (Franchise Agreement, Sections 5 and 6).

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

You must secure a Facility that we approve within nine (9) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6(A)). Please note that any Site Selection Area will not be exclusive and other System franchisees and developers may be afforded the right to search for an approved Facility within any portion of your Site Selection Area.

Time to Open

Single Franchised Business

Except as provided in this Item, you must open and commence operations of your Franchised Business within fifteen (15) months from the date you execute your Franchise Agreement for that Franchised Business. (Franchise Agreement, Section 6(D)).

We estimate that it will take between six (6) to twelve (12) months to open your Franchised Business from the time you execute your Franchise Agreement. Factors that may affect this length of time include obtaining a location that is approved by us for your Business, permits and licenses from your state (if applicable), time of year you open the Business for operation, build out, completion of your pre-market entry study to determine any customization of services and products to be offered through your Business, satisfactory completion of our initial training program by you (or your managing partners, members or shareholders) and availability of equipment, products and supplies. You have nine (9) months after signing the Franchise Agreement to enter into a lease, at your expense, for commercial real estate that is properly zoned for the use of your Business under the Franchise Agreement. We reserve the right to extend the period for you to acquire a lease as described above based on our reasonable judgment that you will likely find a location.

Multi-Unit Development under Area Development Agreement

If you have entered into a Area Development Agreement to open and operate multiple Franchised Businesses, your Area Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the

right to open and operate. (Area Development Agreement, Attachment A – Development Schedule).

If you fail to open any Franchised Business within the appropriate time period outlined in the Area Development Agreement, we may terminate your Area Development Agreement. (Area Development Agreement, Section 2 and Attachment A). You will not have any further development rights within the Development Area upon termination of your Area Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date. We must approve of the Facility you choose for each Franchised Business you are required to open under the Area Development Agreement.

B. Post-Opening Obligations

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our sessions, we may require that you and your Designated Manager attend up to five (5) days of Additional Training each year at our headquarters or other location we designate each year. You will be required to pay an Additional Training Fee of \$500 per day for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(C));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, Zoom®, Google Meet, or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(G)).

3. Offer you guidance on prices for our products and services that, in our judgment, constitute good business practices. (Franchise Agreement, Section 5(G)).

4. We may also provide you with additional on-site assistance, subject to the availability of our field representatives and, upon our request, payment of our Additional Training Fee, which may not exceed \$500 per day plus our expenses. (Franchise Agreement, Section 5(G));

5. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(H));

6. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required

Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K));

7. We may schedule and hold an annual conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.) in addition to paying us our then-current attendance/registration fee, which shall not exceed \$1,000 per ticket. (Franchise Agreement, Section 5(P));

8. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote our brand, Proprietary Marks and other Facility locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Sections 5(I) and 9(G));

9. If established, we will administer and maintain the Brand Fund as disclosed more fully under Part E of this Item below, as we determine appropriate in our discretion. (Franchise Agreement, Sections 5(L) and 9(E));

10. We may, as we deem appropriate in our discretion, establish and maintain a website portal or other System site online that will be accessible by System franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (each, a “System Site”). (Franchise Agreement, Section 5(D));

11. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a Franchised Business, as we deem appropriate, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K));

12. We may supplement, revise or otherwise modify the Learning Management System and Initial Training Program as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet (the Site). (Franchise Agreement, Section 2(G)); and

13. We may: (i) research new services, products and equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and

services to be offered or provided as Approved Products and/or Approved Services, including proprietary products and services that may be sold under the Proprietary Marks we designate. (Franchise Agreement, Section 6(F)).

Marketing and Advertising

Generally

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)). You will be required to purchase and display any seasonal signage in certain parts of your Franchised Business that have high visibility for purposes of notifying customers and prospective customers of seasonal specials/promotions regarding our Approved Products and Services. (Franchise Agreement, Section 6(M)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 20 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

Grand Opening Advertising

You must expend at least \$30,000 on your Grand Opening Advertising, during the four (4) weeks before and four (4) weeks after the targeting opening date of the Franchised Business. Any and all materials utilized in connection with your Grand Opening Advertising must be approved by us (if not designated), and we have the right to require you to expend any portion of the Grand Opening Advertising on marketing, advertising and/or promotional items or services that you purchase or otherwise acquire from one (1) or more of our then-current Approved Suppliers. (Franchise Agreement, Section 9(C)).

Local Advertising Requirement (or “LAR”)

Recognizing the importance of promoting your Franchised Business within your Designated Territory and surrounding area, you must expend an amount equal to three percent (3%) of Gross

Revenue or \$1,000, whichever is greater, each month on the advertisement, marketing and promotion of your Franchised Business within your Designated Territory (the “Local Advertising Requirement” or “LAR”). You must use only those materials that we have previously approved or designated, and we may require that you provide us with reports and other evidence of your local advertising expenditure each month. (Franchise Agreement, Section 9(D)). As of the Issuance Date, you must report your local advertising expenditures to us by the fifth day after the end of each quarter, or at times, on forms and in a manner we determine. You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve or disapprove in writing the materials you submit to us within thirty (30) days, if we do not respond within such period, all such materials will be deemed automatically disapproved. (Franchise Agreement, Section 9(D)).

Brand Fund

We reserve the right to establish a brand development fund (the “Brand Fund”) for the benefit of the System. If we establish the Brand Fund, we can require you to contribute up to two percent (2%) of the monthly Gross Revenue generated by the Franchised Business over the preceding calendar month to the Brand Fund (the “Brand Fund Contribution”). We have the right to establish or discontinue the Brand Fund and increase (subject to the maximum amount) or decrease the amount of the Brand Fund Contribution, upon 30 days’ prior written notice to you. If we establish the Brand Fund:

1. We will administer and use the Brand Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System. We will designate all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Brand Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Brand Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing.

2. We will account for the Brand Fund Contributions separately from our other funds and not use the Brand Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Brand Fund Contributions. The Brand Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest, determined from

time to time by Franchisor, which provides Franchisor with a return commensurate with the prevailing interest rate charged by persons in the business of lending money under similar circumstances) to cover deficits, or invest any surplus for future use. We will use interest earned on Brand Fund contributions to pay costs before spending the Fund's other assets. We will not use Brand Fund contributions for advertising that is principally a solicitation for the sale of franchises, except that we may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Fund. We may incorporate the Brand Fund or operate it through a separate entity if we deem appropriate. Any Facility owned by us and/or any Affiliate Center may, but is not obligated to, contribute to the Brand Fund in the same manner that each franchised Center is required to contribute.

3. We are not required to spend any of your Brand Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an accounting of the Brand Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Brand Fund audited, but we may do so and use the Brand Fund Contributions to pay for such an audit. If we do not spend all Brand Fund Contributions in a given year, we may rollover any excess contributions into the Brand Fund for use during the following year. We will have the right to modify or discontinue the Fund, as we deem appropriate in our discretion. (Franchise Agreement, 9(E)).

4. We did not collect or expend any Brand Fund Contributions in 2025.

Advertising (or other Advisory) Council. We have not established a Franchisee Advisory Council (the "Council"), but we reserve the right to do so. If established, the Council will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Brand Fund and System methods and compliance among franchisees. At our discretion, the Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve the Council at any time. (Franchise Agreement, Section 9(F)).

Regional Advertising Cooperatives ("Cooperatives"). We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Centers (whether a Franchised Business or Affiliate-owned) (each a "Cooperative"). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Center owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Centers within the geographical boundaries of the Cooperative. If you are designated as a member of a Cooperative, you may be required to contribute to the Cooperative in an amount not to exceed the then-current Local Advertising Requirement. All amounts paid to a Cooperative will be credited toward your Local Advertising Requirement. We have not established any Cooperatives as of the Issuance Date of this Disclosure Document. We reserve the right to establish the governing rules, terms, and operating procedures of any Cooperative and make them available for Franchisee's review. (Franchise Agreement, Section 9(H)).

Online Directories. As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Franchised Business has a dedicated telephone line that is not used for any other purpose.

Computer System: Hardware and Software Requirement and Related Disclosures

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, which currently includes:

Hardware and Software
Point-of-Sale System
Magic Info Software (Samsung)
Samsung Pre-Configured Televisions
Apple iPads
Apple or IMB Computer
QuickBooks Online
Slack
Google Workspace

We may also require you to use designated software in connection with the Computer System and Franchised Business (the “Required Software”). (Franchise Agreement, Sections 4(c) and 6(J)).

In addition to the Computer System above, we typically recommend that franchised Facility owners consider acquiring video camera(s) and other security system components. We reserve the right to approve all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. You will also need to maintain Internet access via a fast and secure connection.

The approximate pre-opening and initial setup costs of the hardware and software above ranges from \$3,000 to \$5,000, some of which must be acquired or licensed (as applicable) from one (1) or more of our Approved Supplier(s).

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. With that said, you must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$500 to \$1,500 annually on maintenance and support contracts for your Computer System, which includes any upgrades to the Computer System. The Computer System range does not include the investment associated with the security or sound system you must purchase and utilize in connection your Facility operations. Franchisor and its Affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to the Computer System.

You must have the components necessary to ensure that the entire Facility of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). The Computer System will store data including customer information and financial records for the Business. There are no

contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software, including any security camera footage.

You are also required to participate in any System-wide area computer network, including any website that you are provided access to as our System franchisee, that we implement, and may be required to use such networks or website to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Learning Management System; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, 5(D)).

You must license the music that will be played in the Business through an approved music licensing entity. We estimate this licensing cost to be approximately \$1,600 per year.

H. Website and Internet Use

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one web page, as we designate and approve, within our website. The term “Website” includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, Pinterest, Yelp, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve another Website for you (currently franchisees are authorized to participate in Facebook and Instagram), we will provide you with guidelines for establishing and maintaining such other Websites and while participating on our approved Websites each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Learning Management System or otherwise in writing; (v) if we require, you must establish hyperlinks to our website and other Websites; (vi) you must not engage in any link building activities unless approved by us; and (vii) we may revoke our approval at any time by providing written or email notice to you of such revocation. (Franchise Agreement, Section 9(G)).

ITEM 12 TERRITORY

Approved Premises and Relocation

You will operate the Business at a specific location approved by us (referred to as your “Premises”). Once you have secured your Premises, we will provide you a Designated Territory within which you will have certain protected rights.

You will not be permitted to relocate your Facility without our prior written approval, which may be withheld in our discretion. You will be assessed a relocation fee of 20% of our then-current initial franchise fee at the time you submit the proposed location for your relocated Facility.

Designated Territory

Once you have secured your Facility, we may award you a Designated Territory within which you will have certain territorial rights.

Your Designated Territory will typically be comprised of a geographic area of up to 50,000 people and will be comprised of the geographic area encompassed around your Facility location in a radius, polygon or other drawn area by us. If your Designated Territory is such a radius, then that radius may be anywhere from two (2) blocks to two (2) miles around your Facility location depending on (a) the population density and other demographics of the area, (b) any existing territorial rights granted in connection with existing Facilities, and (c) whether your location is considered part of a major metropolitan area, other downtown area or similar situated central business district that has a large “working population” during relevant operating hours for surrounding businesses (referred to as a “Central Business District”).

We will determine and designate your Designated Territory as we deem appropriate in our discretion and, regardless of how we demarcate your territory, we do not have a minimum Designated Territory that a new Franchised Business or other Facility must be awarded. The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

The size of your Designated Territory will likely vary in size and shape from the Designated Territory awarded to other System franchisees or Facilities due to various factors, including without limitation, the location and demographics (including market saturation thresholds and competition count) surrounding your Facility. The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map.

If you have been granted a Designated Territory, neither we nor our affiliates will open or operate, or authorize any third party the right to open or operate, another Facility utilizing the Proprietary Marks and System from a physical location within your Designated Territory.

Your Designated Territory will be exclusive in light of the above. Please note our reserved rights described later in this Item. The Designated Territory exclusivity does not depend on you achieving certain sales volumes, market penetration or other contingency.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Facilities, using any of the other brands or Proprietary Marks that we now, or in the future, may offer, and we may operate or license Facilities or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the premises and whether or not they provide services similar to those that you offer. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we may be involved, now or in the future.

Solicitation and Related Rights Within and Outside a Facility's Designated Territory

While you and other Facilities will be able to provide the Approved Services to any potential client that visits or otherwise reaches out to your Facility, you will not be permitted to actively solicit or recruit clients outside your Designated Territory, unless we provide our prior written consent. You will not be permitted to advertise and promote your Franchised Business via advertising that is directed at those outside your Designated Territory without our prior written consent, which we will not unreasonably withhold provided (a) the area you wish to advertise in is contiguous to your Designated Territory, and (b) that area has not been granted to any third party in connection with a Facility (or Area Development Agreement) of any kind.

Area Development Agreement and Development Area

If you are granted the right to develop multiple Franchised Businesses under our form of Area Development Agreement, then we will provide you with a Development Area upon execution of this agreement.

The size of your Development Area will substantially vary from other System developers based on the number of Franchised Businesses we grant you the right to open and operate, and the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated from a distinct site located within the Development Area and within its own Designated Territory that we will define once the site for that Franchised Business has been approved. We will approve sites for additional Franchised Businesses developed under your Area Development Agreement using our then-current site selection criteria.

We will not own or operate, or license a third party the right to own or operate, a Facility utilizing the Proprietary Marks and System from a physical location within the Development Area until the earlier of (a) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Area Development Agreement, or (b) the expiration or termination of the Area Development Agreement for any reason (whichever occurs earlier). Your Development Area will be exclusive during this time period.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to

enjoy the territorial rights within their respective Designated Territories that were granted under the franchise agreement(s) you entered into for those Franchised Business(es).

You must comply with your development obligations under the Area Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may remove your exclusivity in the Development Area or terminate your Area Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Reserved Rights

We and our affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Area Development Agreement (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Facilities and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if appropriate, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Development Area; (iii) use the Proprietary Marks and System, other such marks we designate, to distribute our Approved Products and/or Approved Services in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including, without limitation, the Internet and/or digital media featuring Approved Services instruction, mail order, catalog sales, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside your Designated Territory(ies) and, if appropriate, Development Area; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Area Development Agreement.

Neither the Franchise Agreement nor Area Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Designated Territory.

Other Relevant Disclosures

Neither the Franchise Agreement nor the Area Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Area Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we

nor our Affiliate have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

You will not be given any option or right of first refusal to acquire any additional Franchised Businesses.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the nonexclusive right to use our proprietary trade name and other commercial symbols associated with the Kommunity Fitness brand (the “Proprietary Marks”) in connection with the operation of your Franchise. You must use the Proprietary Marks only for the operation of your Franchise and in the manner authorized by us. Our Parent has filed for the following trademark on the Principal Register of the United States Patent and Trademark Office:

Trademark	Serial Number	Filing Date
“KOMMUNITY”	99638574	February 6, 2026

We do not currently own any registered trademarks, service marks, or other commercial symbols. We have not filed any federal or state trademark or service mark applications for the name “Kommunity Fitness” or for any other marks used in connection with the franchise.

We are licensed to use, as well as sublicense our System franchisees the right to use, the Proprietary Marks pursuant to a form of trademark license agreement we have with our Parent. We have a perpetual, royalty-free license to use such Proprietary Marks under this agreement, which has a perpetual term unless and until terminated by either party. In the event the agreement terminates, the parties have agreed to work in good faith together to ensure that System franchisees continue to have the right to use the then-current Proprietary Marks we designate in connection with their respective Franchised Businesses. Other than this agreement, we are not aware of any other agreement that might materially affect your use of the Proprietary Marks in connection with a Franchised Business.

Until a registration is obtained, your right to use the “Kommunity Fitness” name and related marks is based solely on the Franchise Agreement and any common law rights that may exist. Because the name is not registered and no trademark search or clearance opinion has been completed, we cannot guarantee that your use of the “Kommunity Fitness” name or any other mark will not infringe the rights of others. If another person claims superior rights to the same or a similar name or mark, you may be required to stop using the name or mark, change your signage, and pay damages or other costs related to the dispute. We are not obligated to defend or indemnify you in such a dispute unless required by the Franchise Agreement.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Proprietary Marks or any claim by any person of rights in any similar trade name, trademark, or service mark of which you become aware. We have the sole discretion to take such

action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding, or other administrative proceeding.

Although we are not contractually obligated to protect the Proprietary Marks or your right to use them, as a matter of corporate policy, we intend to defend any authorized use of our then-current Proprietary Marks vigorously.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Proprietary Mark, and/or to use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to such modification, substitution, or discontinuation within a reasonable time after notice by us. You may be required, at your own expense, to remove existing signs and purchase and install new ones. We have no liability to you for such modification or discontinuance.

We will update this Item if and when we file a federal or state trademark application or obtain a registration. You should consider consulting with an attorney experienced in trademark law to evaluate the risks associated with using an unregistered name or mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights or have any pending patent applications which are material to the Franchise; however, we claim copyright and common law trade secret protection for several aspects of our System, methods, techniques and operational procedures; our membership packages, fitness programs, workouts and challenges; equipment and product specifications, systems, design, décor, signage, photographs, video presentations, website, our proprietary educational platform, proprietary software, our privately labeled mobile app platform, Learning Management System and all related workbooks and materials including advertisement, marketing and promotional materials although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no effective agreements that limit our right to sublicense you the copyrights and trade secrets.

There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any patent, trade secret, copyright or to participate in your defense.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets, or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or

modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to such modification, substitution, or discontinuation within a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information that includes our: strategies for site acquisition, build-out and design specifications with unique décor, color scheme and signage; proprietary membership packages, fitness programs, workouts (including travel workout programs) and challenges; specific methods, processes and techniques when executing our fitness programs, workouts and challenges; relationships with vendors and suppliers, purchasing strategies, inventory management systems, specifications for all equipment, products and supplies used; cost and pricing strategies, merchandising, safety and operational procedures to manage high volume; guidelines for hiring, training and retaining employees, proprietary employee retention programs and educational platform that houses our video vault and proprietary training modules and courses (which includes curriculum, lesson plans and workshops) to complement your ongoing training efforts; Learning Management System, workbooks and materials, photographs, video presentations, our proprietary community give-back and Member recognition programs, social media and promotional strategies; website, intranet system, mobile app platform, proprietary software, third-party software, forms, contracts, record keeping and reporting procedures; proprietary Member acquisition, onboarding processes and sales presentations; systems and knowledge of, and experience in, the operation and franchising of a System Facility (the “Confidential Information”). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us in the Learning Management System and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new piece of equipment, service, product, program, video presentation, photograph, concept, technique, formula, recipe, process or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. You and if you are an Entity, then one of your Owners acknowledge that any such equipment, service, product, program, video presentation, photograph, concept, technique, formula, recipe, process, technique or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

While we recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Designated Manager to manage daily operations with our approval. Both you and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities).

We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed the appropriate Module(s) of our Initial Training Program. If the franchisee is a business entity, we do not require the Designated Manager to own an interest in the entity, but the Designated Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement.

Your Franchised Business must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Franchised Business, you must have a properly trained Designated Manager at each Facility you own and operate. You must keep us informed at all times of the identity of any personnel acting as Designated Manager, and obtain our approval before substituting a new Designated Manager at any of your locations. Any new Designated Manager must complete our Initial Training Program within 60 days (but must be trained by a person who has completed our Initial Training Program before he/she takes over any management responsibility with respect to the Franchised Business).

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, form of Personal Guaranty attached to the Franchise Agreement as an Attachment (the “Guaranty”). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the “Owners”), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the Approved Services and Approved Products that we expressly authorize through your Franchised Business, and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Learning Management System. You are prohibited from offering any other products or services. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Learning Management System or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Service or Approved Product offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Premises of your Franchised Business for any other business purpose other than the operation of your Franchised Business. If you offer and/or sell any product at or from the Franchised Business that you have obtained from a supplier other than the Approved Suppliers, you will be charged a fee of Fifty Dollars (\$50) per day until you cease to offer and/or to sell such product.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the Franchise Term.	Section 3	The Initial Term of the Franchise Agreement begins on the Effective Date and continues until the later of (a) ten (10) years from the Effective Date or (b) the end of the term of your Lease for the Premises.
b. Renewal or extension of the term.	Section 3	You have the right to be considered for two (2) additional, consecutive, terms of 5 years each.
c. Requirements for you to renew or extend	Section 3	In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises; not have received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date; complete required renovation and modernization of your Franchised Business; pay us the renewal fee; execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); complete our then-current refresher training course; and execute a general release in our favor (as well as related parties).
d. Termination by you.	Not Applicable	May terminate the franchise agreement under any grounds permitted by state law.
e. Termination by us without cause.	Not Applicable	Not Applicable

f. Termination by us with cause.	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. "Cause" defined – curable defaults.	Section 15(B)(10) Section 15(C)	You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized. Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).
h. "Cause" defined – non-curable defaults.	Section 15(A) Section 15(B)	Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition is filed by or against you and not dismissed within 30 days; a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement. Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit and fraud or misrepresentation in connection with your Franchised Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three (3) or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Proprietary Marks, Confidential Information or other confidential information provided to you; misuse an proprietary software that might be developed; you fail to cure any default under any other agreement you have with our

		affiliates or any Approved Supplier within the appropriate cure period; you default under your lease for the Premises and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your Franchised Business; you block access to the POS system; you are convicted of a felony or any other crime of moral turpitude or offense that will adversely affect the System; you take any property of the Franchised Business for personal use; there are insufficient funds in your EFT Account on three or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.
i. Your obligations on termination / non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; de-brand within 14 days of termination, closure, relocation; submit photo/video evidence that we request; return of the Learning Management System of any other Confidential Information to us; provide us with all customer information, lists and membership agreements; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Premises to us; provide us with written confirmation of compliance with these obligations within 30 days.
j. Assignment of contract by us.	Section 13(G)	No restrictions on our right to assign.
k. "Transfer" by you – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee).
l. Our approval of transfer by you.	Section 13(A)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.

		Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee. During this 90 day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.
q. Non-competition covenants during the term of the Franchise.	Section 14(A)	Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family member of you, your principals, guarantors, owners or Designated Managers, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Franchise Agreement); (ii) employ or seek to employ any of employees or us, our affiliates or any other System franchisee or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business. (Subject to state law)
r. Non-competition covenants after the franchise is terminated or expires.	Section 14(B)(1) Section 14(B)(2)	For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of any Competing Business. (subject to state law) For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with and Competing Business within 25 miles of (a) your Franchised Business, or (b) any other Facility that is open or under development as of the date the Franchise Agreement expires, terminates or is assigned in any manner. (subject to state law)

		During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee to discontinue their employment. (subject to state law)
s. Modification of the Agreement.	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Learning Management System as we deem appropriate in our discretion from time to time.
t. Integration / merger clause.	Sections 18 and 23	Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
u. Dispute resolution by arbitration or mediation.	Section 21(B) Section 21(C)	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. (subject to state law) At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. (Subject to state law)

v. Choice of forum.	Section 21(D) and 21(E)	Subject to Sections 21(C) and 21(D) in the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the United States District Court for the District of Delaware (subject to state law).
w. Choice of law.	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Delaware, without reference to this state's conflict of laws principles. (subject to state law).

B. Area Development Agreement

<u>Provision</u>	<u>Section in Area Development Agreement</u>	<u>Summary</u>
a. Length of franchise term	Section 1(B), Attachment B	The Development Schedule will dictate the amount of time you have to open a specific number of System franchises, which will differ for each Developer and will be specified in Attachment B of the Area Development Agreement.
b. Renewal or extension of terms	Not Applicable	Not Applicable
c. Requirements for Franchise to Renew or extend	Not Applicable	Not Applicable
d. Termination by Franchisee	Not Applicable	You may terminate the Area Development Agreement under any grounds permitted by state law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Section 14	We may terminate your Area Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. Cause defined – Curable defaults	Section 14(B)	We may terminate your Area Development Agreement after providing notice and a 30-day cure period (unless a different cure period is specified below) if: you fail to meet the Development Schedule; you fail to develop, open, and operate each Facility and execute each Franchise Agreement in compliance with the Area Development Agreement; you fail to designate a qualified replacement Representative; you misappropriate or misuse the Proprietary Marks or impair the goodwill of the Proprietary Marks or System; fail to make monetary payment under the Area Development Agreement or any Franchise Agreement to us or our affiliate, and fail to cure within 14 days of receiving written notice from us; fail to correct a deficiency of a health, sanitation,

		or safety issue identified by a local, state or federal agency or regulatory authority; or you fail to comply with any other material term or material condition of the Area Development Agreement or any Franchise Agreement.
h. Cause defined – Non-curable defaults	Section 14(A)	We may terminate your Area Development Agreement automatically upon written notice if: you become insolvent or make a general assignment for the benefit of creditors; file a bankruptcy petition or are adjudicated bankrupt; a bill in equity or appointment of receivership is filed in connection with you; a receiver or custodian of your assets of property is appointed; a proceeding for a composition of creditors is initiated against you; a final judgment is entered against you and not satisfied within 30 days; if you are dissolved, execution is levied against you; a suit to foreclose any lien or mortgage against any of your Facilities is levied; the real or personal property of a Facility is sold after being levied upon; you fail to comply with the non-competition covenants of the Area Development Agreement; you or your principal discloses the contents of the Learning Management System or other confidential information; an immediate threat or danger to public health or safety results from the operation of a Facility operated by you; you or your Principal has made a material misrepresentation in the franchise application; you fail on 3 or more occasions within a one (1) year period to comply with a provision of the Area Development Agreement; or you fail to comply with the transfer conditions of the Area Development Agreement.
i. Franchisee's obligations upon termination/nonrenewal	Section 14(D), Section 15	Upon termination, you have no right to establish or operate any Facility for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Area Development Agreement which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 11), continue in full force and effect until they are satisfied or by their nature expire.
j. Assignment of contract by franchisor	Section 16(A)	We have the absolute right to transfer or assign the Area Development Agreement and all or any part of its rights, duties or

		obligations to any person or legal entity without your consent.
k. "Transfer" by Franchisee – Definition	Section 16(B)	A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Area Development Agreement or any ownership interest in you.
l. Franchisor approval of transfer	Section 16(C)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.
m. Conditions for Franchisor approval of transfer	Section 16(C)	Our conditions for approving a transfer include: all of you and your affiliates' money obligations must be satisfied; you and your affiliates must not be in material default of the Area Development Agreement or any Franchise Agreement; you must execute a general release in our favor; the transferee must meet our then-current criteria for Developers; the transferee must sign a written assumption agreement assuming your liabilities under the Area Development Agreement; you must our then-current Transfer Fee; and you must pay any referral fees or commissions that may be due to any franchise broker, sales agent, or any other third party.
n. Franchisor's Right of First Refusal to acquire Franchisee's business	Section 16(E)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party offer to purchase any ownership interest in the Area Development Agreement. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p. Death or disability of Franchisee	Section 16(F)	You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our training program and executes either a personal guaranty or a new Area Development Agreement. During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a

		reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.
q. Non-competition Covenants during the term of the Franchise	Section 11(B)(1)	Neither you, your principals, guarantors, owners or key employees, nor any immediate family member of you, your principals, guarantors, owners or key employees, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Area Development Agreement); (ii) employ or seek to employ any employees of us, our affiliates or any other System franchisee/developer or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business.
r. Non-competition covenants after the Franchisee is terminated or agreement expires	Section 11(B)(2) Section 11(B)(3)	For a period of two (2) years after the termination/ expiration/ transfer of your Area Development Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of Competing Businesses. (Subject to state law) For a period of two (2) years after the termination or expiration of your Franchise Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with and Competing Business: (i) within the Development Area; (ii) within a 25-mile radius of your Development Area or any other Facility that is open or under development as of the date the Franchise Agreement expires or is terminated. During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Facilities; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee or developer to

		discontinue their employment. (Subject to state law)
s. Modification to agreement	Section 23(F)	Your Area Development Agreement may not be modified, except by a writing signed by both parties.
t. Integration merger clause	Section 23(G)	Only the terms of the Area Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
u. Dispute resolution by arbitration or mediation	Section 21(B) Section 21(C)	You must first submit all dispute and controversies arising under the Area Development Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Area Development Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. (Subject to state law)
v. Choice of forum	Section 21(A)	Subject to Sections 21(B) and 21(C) in the Area Development Agreement, all claims and causes of action arising out of the Area Development Agreement must be initiated and litigated to conclusion (unless settled) in the United States District Court for the District of Delaware (subject to state law).
w. Choice of law	Section 21(A)	The Area Development Agreement is governed by the laws of the state of Delaware without reference to this state's

		conflict of laws principles. (subject to state law).
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ITEM 18 PUBLIC FIGURES

We currently do not use any public figure 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 make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Aaron Keay, Chief Executive Officer, Kommunity Fitness Franchising, Inc., 1296 Homer Street, Vancouver, BC Canada V6B 2Y5, or at (604) 481-1296, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table 1
System wide Outlet Summary
For Fiscal Years 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company-Owned	2023	0	1	+1
	2024	1	1	0
	2025	1	2	+1
Total Outlets	2023	0	1	+1
	2024	1	1	0
	2025	1	2	+1

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2023 to 2025

State	Year	Number of Transfers
All States	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table 3
Status of Franchise Outlets
For Fiscal Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Totals	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0

Table 4
Status of Company-Owned Outlets
For Fiscal Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Vancouver, BC, Canada	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	1	0	0	0	2
Totals	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	1	0	0	0	2

Table 5
Projected Openings
As of December 31, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Current Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Vancouver, BC, Canada	0	0	1
Totals	0	0	1

A list of the names of all Franchisees and the addresses and telephone numbers of their respective franchised Facilities are listed as Exhibit F to this Disclosure Document. A list of the name and last known home address and telephone number of every Franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our past fiscal year, or who has not communicated with us within ten (10) weeks of the issuance date of this Disclosure Document, is also attached as part of Exhibit F.

If you buy this franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system. During the last three (3) fiscal years, franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

As of the Issuance Date of this Disclosure Document, there is no trademark-specific franchisee organization associated with the System.

ITEM 21

FINANCIAL STATEMENTS

We have not been in business for three years, so we cannot yet include all financial statements required by the Federal Trade Commission Amended Franchise Rule. Our audited opening balance sheet as of January 31, 2026 is attached to this Disclosure Document as Exhibit H. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

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

Franchise Agreement - Exhibit A

Area Development Agreement – Exhibit B

State-Specific Addendum (if applicable) – Exhibit D

ITEM 23
RECEIPTS

A receipt in duplicate is attached to this Disclosure Document as Exhibit J. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us at: Attn: Aaron Keay, Chief Executive Officer, Kommunity Fitness Franchising, Inc. at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5, or (604) 481-1296.

EXHIBIT A
To Franchise Disclosure Document

KOMMUNITY FITNESS FRANCHISING, INC.
FRANCHISE AGREEMENT

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Attachment A: Data Sheet

Attachment B: Form of Personal Guaranty

Attachment C: Form of Collateral Assignment of Lease

Attachment D: EFT Withdrawal Authorization Form

Attachment E: Form of Confidentiality and Non-Competition Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)

Attachment F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names

KOMMUNITY FITNESS FRANCHISING, INC. FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on _____ (“Effective Date,”) by and between: (i) Kommunity Fitness Franchising, Inc., a Delaware corporation with its principal place of business at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

RECITATIONS

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a business that provides various types of personal and group fitness training, fitness counseling and nutritional counseling that Franchisor authorizes (collectively, the “Approved Services”), along with certain fitness-related supplies and merchandise that may or may not bear Franchisor’s Proprietary Marks (collectively, the “Approved Products”), with high levels of customer service and attention and in a clean, friendly environment that is welcoming to clientele (each, a “Facility”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Facility, including instruction on fitness and nutritional counseling; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Facility; standards and specifications for the furniture, fixtures and equipment located within a Facility; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) the System and Franchisor’s related materials contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Facilities are identified by the proprietary marks that Franchisor determines and designates for licensing in connection with the operation of a franchised Studio, which includes Franchisor’s current primary trade name “Kommunity Fitness,” which Franchisor claims rights to under common law and intends to seek federal registration for, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The term “Proprietary Marks” also refers to the trade name, logos, designs, and other commercial symbols that Franchisor claims rights to under common law and intends to register with the United States

Patent and Trademark Office. The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Facility utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Kommunity Fitness Facility from an approved location and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Facility based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

- A. The business venture contemplated by this Agreement involves business risks.
- B. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- C. Franchisee has received, read, and does understand this Agreement and any attachments.
- D. Franchisee understands and agrees that the fitness industry is highly competitive with constantly changing market conditions.
- E. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- F. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.

- G. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- H. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- I. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.
- J. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- K. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- L. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide the Approved Services necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.
- M. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a System Facility; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single franchised Facility (the “Franchised Business”).
- B. **Approved Premises; Site Selection Area.** The Franchised Business must be operated from a single location that Franchisor reviews and approves (the “Premises”). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the “Site Selection Area”) on the data sheet attached to this Agreement as Attachment A (the “Data Sheet”) wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Facility within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Facility, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.
- C. **Relocation of Premises.** Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor’s prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor’s then-current site selection criteria for the premises of a System Facility; and (ii) at Franchisor’s request, Franchisee pays Franchisor a relocation fee amounting to 20% of our then-current initial franchise fee prior to Franchisor’s approval of the relocation.
- D. **Designated Territory.** Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisee will be afforded certain territorial rights as set forth in this Agreement (the “Designated Territory”). For so long as this Agreement is not subject to termination, Franchisor will not open or operate, or license a third party the right to open or operate, another Facility utilizing the Proprietary Marks and System from a physical location within the Designated Territory. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.

1. Franchisee may not solicit prospective customers of the Designated Territory, unless (a) these prospective customers do not reside within the territory granted to another franchisee or other System Facility location, and (b) Franchisee obtains Franchisor's prior written consent.
 2. Franchisee may not actively advertise the Franchised Business outside of the Designated Territory, unless (a) the area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and is not granted to another franchisee or other System Facility location, and (b) Franchisee obtains Franchisor's prior written consent.
- E. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Facilities and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Facilities, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- F. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) establish and operate, and license any third party the right to establish and operate, other Facilities and Franchised Businesses using the Proprietary Marks and System at any location outside of the Designated Territory; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside of the Designated Territory; (iii) use the Proprietary Marks and System, other such marks Franchisor designates, to distribute the Approved Products and/or Approved Services in any alternative channel of distribution, within or outside of the Designated Territory (including without limitation the Internet, DVDs and/or digital media featuring Approved Services instruction, mail order, catalog sales, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and/or Approved Services (but under different marks), within or outside the Designated Territory; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.
- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be

necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Learning Management System or otherwise).

3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall commence as of the Effective Date and continue until the **later** of (a) ten (10) years from the Effective Date or (b) the end of the term of Franchisee's Lease for the Premises (the "Initial Term").
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to four (4) additional, consecutive terms of five (5) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.
 2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
 3. Franchisee pays Franchisor a renewal fee of \$7,500 at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.
 4. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and

individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance.

5. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
6. Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Facility within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly-developed System Facility.

4. **FEES AND PAYMENTS**

A. **Fees.** In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:

1. *Initial Franchise Fee.* Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of \$60,000.00 (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
2. *Royalty Fee (or "Royalties").* Commencing at the earlier of (a) the date the Franchised Business opens or is required to be open under the Franchise Agreement or (b) the date when Franchisee starts generating or collecting revenue, Franchisee must pay Franchisor an ongoing royalty fee amounting seven percent (7%) of the Gross Revenues (as defined in Section 4(D)) generated by the Franchised Business in the preceding prior month period (the "Royalty Fee"). Beginning in the thirteenth (13th) month after the Franchised Business opens, the Royalty Fee shall be subject to a minimum amount of \$2,000 per month.

The parties agree that Franchisor may collect the Royalty Fee, as well as other recurring fees due under this Agreement, on a weekly, daily or monthly interval based on the Gross Sales generated by the Franchised Business over the preceding reporting period (business day, week or calendar month), as it determines appropriate and designates in a prior writing to Franchisee consistent with Section 4(E) of this Agreement below.

3. *Contribution to Brand Fund.* Franchisor may establish a brand fund for the development, advertising, and promotion of the System (the "Brand Fund") upon thirty (30) days' written notice to Franchisee. If Franchisor establishes

the Brand Fund, Franchisor may require Franchisee to make a monthly contribution to the Brand Fund in an amount equal to up to two percent (2%) of the Gross Revenues (as defined in this Section 4(D) below) generated by the Franchised Business in the preceding calendar month (the “Brand Fund Contribution”). If established, Franchisee shall pay Franchisor the then-current Brand Fund Contribution at the same time and in the same manner as the Royalty Fees, but Franchisor will have the right to modify the collection interval as set forth in Section 4(E) below.

4. *Local Advertising Requirement.* As detailed more fully in Section 9 of this Agreement, Franchisee must expend an amount equal to three percent (3%) of the Gross Revenue of the Franchised Business from the immediately preceding month or \$1,000, whichever is greater, each month of operation, beginning after Franchisee has completed Grand Opening Advertising. Franchisor may designate one (1) or more Approved Supplier(s) from which Franchisee must purchase or otherwise acquire any marketing and advertising materials that Franchisee wishes to cover as part of its Local Advertising Requirement.
5. *Technology Fee.* Franchisee must pay Franchisor or its designated Approved Supplier(s) the then-current technology fee that Franchisor designates (the “Technology Fee”) to defray and/or cover all of the costs of the specific technology services and products that Franchisor determines to provide as part of the System license in the Learning Management System or otherwise in writing. The parties agree and acknowledge that Franchisor may modify the Technology Fee upon 30 days’ prior written notice to Franchisee (via the Learning Management System or otherwise). Franchisor may collect the Technology Fee on the interval it determines appropriate as set forth in 4(E) below. Franchisor will not be responsible for any information, including but not limiting to, client data, personal information, passwords, financial data, or any other data that may be breached in the event that Franchisee’s Google Workspace account that Franchisor provides to Franchisee is hacked or breached by unauthorized persons or is used in any way that is unauthorized per this agreement or the Learning Management System. As of the Effective Date of this Agreement, the Technology Fee is \$750 per month. Franchisor may change the Technology Fee upon notice to Franchisee except that the Technology Fee shall not exceed the actual cost of the technology included plus ten percent (10%) of the cost of the technology included to cover Franchisor’s administrative expenses related to procuring and maintaining the technology.
6. *Computer System and Required Software.* Franchisee agrees and acknowledges that it must acquire and maintain: (i) the hardware components associated with the computer hardware and point-of-sale system that Franchisor designates in the Learning Management System or otherwise in writing for use in connection with the Franchised Business (the “Computer System”); and (ii) the point-of-sale software, customer record

management software, staffing-scheduling software and any other software programs we designate for use in connection with the Franchised Business (collectively, the “Required Software”). The amounts payable for any Computer System or Required Software components or maintenance will be due and payable as Franchisee agrees with the Franchisor’s Approved Supplier for the item/service at issue.

7. Upon the execution of this Franchise Agreement, Franchisee shall pay Franchisor a \$15,000 “Site Selection and Project Management Fee” in lump sum. The Site Selection and Project Management Fee will cover Franchisor’s expenses related to providing real estate and construction advisory and project management support to Franchisee, including, without limitation, assistance with market analysis and site selection, coordination of competitive bidding processes, general contractor selection, vendor coordination and equipment orders.
8. *All Other Required Expenditures to Establish and Operate the Franchised Business.* In addition to the foregoing, Franchisee agrees and acknowledges that it must ensure that all payments due and owing in connection with the Franchised Business, whether in connection with its establishment or ongoing operation, or timely paid to Franchisor, landlord, the appropriate Approved Supplier or other provider, as and when such amounts become due and owing such parties. Franchisee agrees and acknowledges that this includes all training/tuition fees, advertising and marketing obligations, annual conference fees, evaluation fees, relocation fees and other amounts that are specifically identified in this Agreement.

- B. **Method of Payment.** With the exception of the Initial Franchise Fee, Site Selection and Project Management Fee, and any other fees that are specifically designated as payable directly to Franchisor at the time of execution of this Agreement, Franchisee's Royalty Fee, Brand Fund Contribution, and other recurring fees payable to Franchisor and/or its affiliates under this Agreement shall be collected through Franchisor's designated billing and membership management platform, which is currently operated by a third-party supplier, Club Ready (“Club Ready”). Franchisee hereby authorizes Club Ready to collect all membership fees and other revenues payable by members of the Franchised Business ("Member Revenue"), withhold from such Member Revenue all amounts owed to Franchisor and/or its affiliates under this Agreement (including, without limitation, the Royalty Fee and Brand Fund Contribution), and remit the remaining balance to Franchisee through the payment method and on the schedule Club Ready and Franchisor designate from time to time. Franchisee acknowledges and agrees that: (i) it will not receive gross Member Revenue directly, but will instead receive the net amount remaining after all amounts owed to Franchisor have been deducted; (ii) it is responsible for ensuring that the Member Revenue processed through Club Ready is sufficient to cover all amounts owed to Franchisor under this Agreement; and (iii) if Member Revenue processed through Club Ready in any given period is insufficient to cover all amounts owed to Franchisor, Franchisee shall pay any

shortfall to Franchisor via electronic funds transfer from the bank account Franchisee designates for that purpose (the "EFT Account") within five (5) business days of Franchisor's written demand. Franchisee shall execute any authorization forms, consents, or other documents that Club Ready or Franchisor may require to implement and maintain the collection process described herein. Franchisor reserves the right to modify the method of fee collection described in this Section 4(B), including transitioning to or from EFT-based collection, upon thirty (30) days' prior written notice to Franchisee, and Franchisee agrees to cooperate with and execute all documents necessary to implement any such change. Nothing in this Section shall relieve Franchisee of its obligation to timely pay all amounts due to Franchisor under this Agreement, regardless of whether or how Member Revenue is collected through Club Ready. If required by Franchisor, Franchisee shall sign the EFT Authorization Form attached hereto as Attachment D and take all steps necessary to authorize Franchisor to automatically deduct payments required under this Agreement from the EFT Account.

- C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Facility, in order to obtain Gross Revenues, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisor may require Franchisee to use a Computer System and/or related software that is administered through Franchisor and that provides Franchisor with automatic access to all data and reports that might be created by such Computer System and/or software.
- D. **Gross Revenue.** "Gross Revenue" means the total revenue generated by the Franchised Business from the offer, sale and provision of the Approved Services and Approved Products, This including all membership-related fees (such as initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees; monthly, semi-annual or yearly dues and all revenues generated and derived during any presale of memberships) regardless of the amount of monthly membership fees you actually collect. Gross Revenue also includes: (i) the fair market value for any service or product you receive in barter or exchange for your services or products, the retail value of any discounted and/or complementary (free) services (including membership packages) or products given to Members; and (ii) all "business interruption" or comparable insurance proceeds that Franchisee receives in

connection with an alleged or actual loss of Gross Revenue via the Franchised Business due to a casualty to or similar event at the Franchised Business. “Gross Revenue” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any Member of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.

- E. **Gross Revenue Reports; Right to Modify Payment Interval.** Prior to or at the same time Franchisee makes each Royalty payment, Franchisee must send Franchisor a signed Gross Revenue report (a “Gross Revenue Report”) detailing the following information: (i) Gross Revenues of the Franchised Business from the preceding calendar month; (ii) Franchisee’s calculated Royalty Fee based on the Gross Revenues from the preceding monthly period and Brand Fund Contribution (if appropriate) based on the Gross Revenues from that same period and (iii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Revenues Reports from time to time.
1. The parties agree and acknowledge that Franchisor may require Franchisee to use a Computer System and/or software in connection with the Franchised Business that provides Franchisor with automatic access to Gross Revenues Reports and any other data/reports generated by such Computer System and/or software, but in no event shall such access by Franchisor affect Franchisee’s obligation to provide all reports required under this Franchise Agreement unless Franchisor agrees otherwise in writing.
 2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee’s Royalty Fee, Brand Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on daily, weekly, bi-weekly or monthly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly.
- F. **Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate amounts to the greater of (i) one and one-half percent (1.5%) per month, or (ii) the highest rate permitted under applicable law for this type of commercial relationship, plus \$25 per instance, which shall begin from the date of non-payment or underpayment and continue until the amount at issue is fully paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have.
- G. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise,

may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.

- H. **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.
1. Notwithstanding anything contained in Section 4(H) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
 2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(H) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).
- I. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

5. **DUTIES OF FRANCHISOR**

- A. **Initial (Pre-Opening) Training.** Franchisor shall offer and make available an initial training program (the “Initial Training Program”) for up to two (2) people designated by Franchisee, provided both individual trainees attend at the same time. One of the trainees must be Franchisee (or one of Franchisee’s principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, the other attendee must be Franchisee’s proposed manager or who will be responsible for the day-to-day management of the Franchised Business (the “Designated Manager”). Franchisee’s designated trainees must attend and complete the Initial Training Program at least ninety (90) days before the Franchised Business opens. All training provided by Franchisor will be provided subject to the schedules and availability of Franchisor’s training personnel.
- B. **Replacement and/or Additional Personnel Training.** Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor an additional training fee of \$500 per trainee, as well as any costs and expenses incurred by Franchisor’s personnel. The parties agree and acknowledge that any new Designated Manager of Franchisee must complete the Initial Training Program within sixty (60) days of hire (and must be trained by a person who has completed Franchisor’s Initial Training Program before he/she takes over any management responsibility with respect to the Franchised Business).
- C. **Additional and Refresher Training.** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor may require Franchisee and its designated attendees to pay its then-current Additional Training Fee in connection with attending additional/refresher training, which may not exceed \$500 per day, in addition to Franchisee’s obligation to pay for any expenses incurred by Franchisor and its personnel in providing such training.
- D. **Learning Management System.** During the term of this Agreement, Franchisor will grant Franchisee access to its confidential online learning management platform, which includes electronic versions of manuals and written policies and procedures related to the development and operation of Kommunity Fitness Franchised Businesses (collectively, the “Learning Management System”). The Learning Management System is anticipated to codify then-current specifications, standards and operating procedures prescribed or suggested by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its System Standards as well as the contents of the Learning Management System (including by written memoranda and notices issued to owners of Kommunity Fitness franchises), and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Learning Management System shall remain the sole property of Franchisor and is part of, and subject to the requirements applicable to, Franchisor’s Confidential Information. If Franchisee, intentionally or otherwise through its gross negligence, compromises the secure

access to the Learning Management System (or any printed copies of the contents thereto), including, but not limited to, allowing unauthorized users access to the Learning Management System and its confidential contents or intentionally posting any of the Confidential Information on the Internet, Franchisee acknowledges that it will be required to adequately compensate Franchisor for the breach and related damage to the Marks and System, and that any limitation of remedies provided in Section 21 below shall not limit Franchisor's remedy or relief in the foregoing instance(s).

- E. **Site Selection Assistance.** Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee's selection of a Premises for the Franchised Business, including Franchisor's then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee's proposed location, as well as the lease for the Premises (the "Lease") or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord's execution of Franchisor's form of Consent and Agreement of Landlord attached to this Agreement at Attachment C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
- F. **Grand Opening Advertising Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Grand Opening Advertising Program (as defined and described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee's expense.
- G. **Continuing Assistance.** Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business. Franchisor's determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement. Franchisor may provide such assistance via telephone, fax, intranet communication, Skype or any other communication channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor's personnel. In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor's then-current Additional Training Fee in connection with such training, shall be no more than \$500 per day (in addition to reimbursing Franchisor for any costs/expenses that Franchisor's personnel incurs in connection with providing such assistance). Franchisor will offer Franchisee guidance on prices for our products and services that, in our judgment, constitute good business practices. Such rates may be amended by Franchisor from time to time.

- H. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- I. **Website and Email Addresses.** For so long as Franchisor has an active website containing content designed to promote the KOMMUNITY FITNESS brand, System and Proprietary Marks (collectively, the “Website”), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee has not breached this Agreement and failed to cure such breach within the applicable time period set forth herein (if any). Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.
- J. **Inspection of the Franchised Business and Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Learning Management System and the System standards and specifications. Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Facility’s common area, taking samples of any Approved Products for sale at the Facility, interviewing and surveying Franchisee’s personnel and customers, inspecting any and all books and records, and conducting mystery shop services. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- K. **Administration of Brand Fund.** If established, Franchisor will administer the Brand Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- L. **Approval by Franchisor Does Not Constitute Acceptance and/or Representation of Success.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.
- M. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

- N. **Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within ninety (90) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.
- O. **Annual Conference.** Franchisor may establish and conduct an annual conference for all System Facility owners and operators and may require Franchisee and its Designated Manager to attend this conference each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages). Franchisee shall purchase a minimum of one (1) ticket per conference. The cost of each ticket shall not exceed \$1,000. Franchisee shall pay Franchisor the then-current ticket fee even if Franchisee fails to attend any annual conference, which shall not cure such default and shall be in addition to any remedies available to Franchisor under this Agreement.

6. **DUTIES OF FRANCHISEE**

- A. **Secure a Premises.** Franchisee must secure a Premises for the Franchised Business within the Designated Territory within nine (9) months of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, then Franchisee must ensure that both Franchisee and the party leasing the Premises to Franchisee under the Lease (the “Landlord”) execute the form of Collateral Assignment of Lease and other Lease Addendum terms attached to this Agreement as Attachment C (the “Lease Addendum”) prior to, or at the same time, the Lease is executed. Franchisee’s failure to provide Franchisor with a copy of the Lease Addendum signed by both Franchisee and the Landlord shall constitute a material violation of this Agreement that Franchisor will not be deemed to have waived at any time during the term, unless Franchisor agrees otherwise in a separate writing signed by both parties.
- B. **Access to Franchisor for Inspection of Premises.** Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.
- C. **Compliance with Lease.** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee’s default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that

Facility by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.

D. Construction and Build-Out.

1. *Single Unit.* Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than fifteen (15) months after the date this Agreement is executed. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.
2. *Development of Unit Pursuant to ADA.* The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an Area Development Agreement that Franchisee (or its affiliate) has entered into with Franchisor (an "ADA"), then that ADA will control the timeline wherein Franchisee must open and commence operating the Franchised Business (in the event there is an inconsistency between the ADA and this Agreement). Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (regardless of when Franchisee executes this Agreement).

E. **Required Licenses and Permits.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer, provision and/or sale of the Approved Services and Approved Products that Franchisor authorizes Franchisee to provide at the Franchised Business. Certain states may require that Franchisee file and post a bond, or otherwise obtain special permit(s), if it is determined that the Franchised Business constitutes a "Health Club" under the applicable laws of where the Franchised Business is located.

F. **Approved Services and Approved Products.** Franchisee must only offer and sell only the Approved Services and Approved Products at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Services and Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Approved Services from time to time in the Learning Management System and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a

dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. Franchisee shall accept as payment for services or products any such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. If Franchisee offers and/or sells any products at or from the Franchised Business that Franchisee has obtained from a supplier other than the Approved Suppliers, Franchisee will be charged a fee of Fifty Dollars (\$50) per day until Franchisee ceases offering and/or selling such products.

- G. **Other Devices Prohibited at Premises.** Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any other electrical or mechanical device in the Facility other than those Franchisor prescribes or approves.
- H. **Fixtures, Furniture, Signs and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, artwork, décor items and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Learning Management System or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business more than once every five (5) years, unless such renovation/refurbishment is in connection with a renewal or transfer of this Agreement. The parties agree and acknowledge, however, that the limitation set forth in the preceding sentence will not apply to any request to modify the Proprietary Marks as provided for in this Agreement.
- I. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to providing fitness services, including personal and group fitness training, fitness counseling and nutritional counseling, and certification/licensing of personal trainers. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or

unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

- J. **Required Items.** Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
1. **Initial Inventory.** Prior to opening the Franchised Business, Franchisee shall purchase an initial inventory of apparel and merchandise, including items to be resold through the Franchised Business and staff uniforms, from Franchisor or its affiliate (the "Initial Inventory"). The Initial Inventory will cost approximately five thousand dollars (\$5,000.00), but Franchisee may purchase additional items beyond what is included in the Initial Inventory. Franchisee shall bear the cost of shipping the Initial Inventory.
 2. **Ongoing Inventory.** Beginning after the Franchised Business opens and continuing for the entire term of this Agreement, Franchisee must maintain a sufficient inventory of apparel and merchandise, including items for resale and staff uniforms, as determined by Franchisor (the "Ongoing Inventory"). Franchisee shall purchase at least ten thousand dollars (\$10,000.00) of Ongoing Inventory from Franchisor or its designated supplier each year during the term of this Agreement.
 3. **Celebrity Classes.** Franchisor will provide Franchisee with standard training videos for use in the Franchised Business. Franchisee may purchase additional training videos featuring fitness influencers, celebrities, and famous athletes that Franchisor offers from time to time ("Celebrity Classes"). If Franchisee purchases any Celebrity Classes, Franchisee shall pay Franchisor the cost of each Celebrity Class set by Franchisor, which will vary based on the cost Franchisor incurs to produce the class, the amounts paid to the applicable influencer, celebrity, or famous athlete, and the number of franchisees participating in the purchase of each specific Celebrity Class.
- K. **Alternative Product/Service and/or Alternative Supplier Approval.** If Franchisee wishes to use or offer any unapproved item, including any unapproved service or product, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and

pay Franchisor a \$500 product/supplier evaluation fee (the “Evaluation Fee”). At Franchisor’s request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee’s request, Franchisee must reimburse Franchisor for Franchisor’s reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee’s request is approved or denied within one hundred twenty (120) days of: (i) Franchisor’s receipt of all supporting information from Franchisee regarding Franchisee’s request under this Section; and (ii) if applicable, Franchisor’s completion of any inspection or testing associated with Franchisee’s request. If Franchisor does not provide written approval within this time period, then Franchisee’s request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee’s proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor’s prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor’s usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee’s performance of any supply contract. Franchisor may re-inspect and revoke Franchisor’s approval of particular products or suppliers when Franchisor determines, in Franchisor’s sole discretion, that such products or suppliers no longer meet Franchisor’s standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor’s approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor’s System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- L. **Computer Issues.** Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.

M. **Promotional Materials and Events.**

1. Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.

2. In the event Franchisor arranges for to participate in a promotional exhibition, show or other event to be held within the Territory (or in close proximity to the Territory where prospective customers of the Franchised Business may be located or visiting) that is designed to promote the Proprietary Marks, System, brand and/or Franchised Business, then Franchisee (or an Authorized Coach providing Approved Services at the Franchised Business) may be required by Franchisor to participate in such events up to one (1) time every six (6) months (for a period of up to 5 days), provided reasonable advance written notice is provided.

N. **Initial Training Program and Pre-Opening Training of Personnel; Other Training/Conference Attendance.** Franchisee must ensure that (i) Franchisee or one (1) or its operating principals attends and completes the Owner/Operator Module of the initial training program to our satisfaction, and (ii) each and every individual that Franchisee wishes to provide and/or conduct fitness classes, instruction and/or other Approved Services of any kind first attends and successfully completes the then-current Coach Module (which Franchisor may determine to provide certain parts of via remote instruction via online training or learning management system), prior to: (i) opening the Franchised Business with regards to the initial management and Authorized Coaches of the Franchised Business; and (ii) with regards to any subsequent Authorized Instructors or any Designated Manager, prior to that individual undertaking any such responsibility or functions in connection with the operation of the Franchised Business.

1. Franchisee must also cover all costs associated with personnel of Franchisee attending any and all portions of the Initial Training Program.
2. Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's annual conference if such a conference is conducted by Franchisor. Franchisee shall purchase a minimum of 1 ticket and the cost for such ticket shall not exceed one thousand dollars (\$1,000) per ticket. Franchisee shall pay Franchisor the then-current ticket fee even if Franchisee fails to attend any annual conference, which shall not cure Franchisee's default and shall be in addition to any remedies available to Franchisor under this Agreement.
3. Any failure to attend and complete the Initial Training Program or other training/conferences described in this Section will be a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement (if any).

O. **Training of Employees; Required Coach Module for all Prospective Authorized Coaches.**

1. *Personnel Training.* Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the (a) the Owner/Operator Module, and (b) the Coach Module, of our Initial Training Program, as well as the On-Site Module, is available and on-site at the Premises to: (i) conduct and train personnel of the Franchised Business that are not providing the Approved Services; and (ii) assist any prospective Authorized Coach with its participation and completion of the Coach Module that, absent Franchisor's consent in a separate signed writing, must be provided by Franchisor's training personnel (at Franchisor's headquarters, on Premises or remotely, as Franchisor designates in the Learning Management System or otherwise in writing). For all other Franchised Business personnel other than an Authorized Coach or Designated Manager that must attend training with Franchisor, Franchisee will be solely responsible for properly training all of Franchisee's other personnel on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Learning Management System or otherwise in writing.
 2. *Required Personnel and/or Management at Franchised Facility when Operational.* At least one (1) individual must be on site at the Premises of the Franchised Business that: (i) completed the Owner/Operator Module at all times the Franchised Business is open; and (ii) completed the Coach Module at all times that the Franchised Business is offering/providing the Approved Services via classes, memberships or otherwise.
- P. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Learning Management System or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. **Image.** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every five (5) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a newly-developed
- R. **Customer Lists and Data/Agreements.** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history associated

therewith, at the Premises; and (ii) make such lists, Membership-related agreements and other contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information, which is deemed "Confidential Information" and Franchisor's exclusive property hereunder, to Franchisor upon expiration or termination of this Agreement for any reason. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.

- S. **Promotional/Maximum Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or maximum prices set by Franchisor for any Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of certain Approved Products and Approved Services offered at the Franchised Business. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing made by Franchisee to meet market conditions.
- T. **Operation of Franchised Business and Customer Service.** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Learning Management System or otherwise in writing.
- U. **Access to Facility.** To determine whether Franchisee is complying with this Agreement, Learning Management System and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview or survey personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.

- V. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Learning Management System are met and kept.
- W. **Credit Cards.** Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and Discover and any other major credit cards designated by Franchisor.
- X. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. **Employment Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.
- Z. **Bookkeeping Software.** Franchisor may require Franchisee to use a third-party provider (other than QuickBooks) for bookkeeping services if Franchisee (i) fails to timely and accurately provide any and all required reports under this Agreement and/or Area Development Agreement, or (ii) underreports the Gross Revenues of the Facility at any time.

7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges that Franchisor claims exclusive common-law rights to the trade name "Kommunity Fitness" and to certain other trade names, logos, designs, and commercial symbols that Franchisor uses in connection with the System (collectively, the "Proprietary Marks"). Franchisee further acknowledges that Franchisor does not yet own any federal or state trademark or service-mark registrations and has not filed any applications for registration. Franchisor intends, but is not obligated, to file one or more trademark applications in the future. Franchisee understands and agrees that its right to use the Proprietary Marks arises solely from this Agreement and the limited license granted hereunder. All goodwill associated with Franchisee's use of the Proprietary Marks inures exclusively to the benefit of Franchisor. Franchisee

will not acquire any ownership or other interest in the Proprietary Marks through its use. Franchisor retains the sole right to determine the manner, form, and scope of all uses of the Proprietary Marks.

- B. **Permitted Use.** Franchisee's use of the Proprietary Marks is authorized only for the operation of the Franchised Business at the approved Premises and only in the manner and form specified by Franchisor in the Learning Management System or otherwise in writing. Franchisee shall not use any Proprietary Mark in connection with any other business or activity or in any geographic area except as authorized in this Agreement. Franchisee shall display appropriate notices, fictitious-name registrations, and trademark-usage designations as Franchisor may reasonably require from time to time. Franchisee may not use the Proprietary Marks as part of any corporate, trade, domain, social-media, or e-mail name, or in any modified form, without Franchisor's prior written consent.
- C. **Use in Advertising and Signage.** To protect the goodwill associated with the System, Franchisee agrees to operate and advertise only under the Proprietary Marks approved by Franchisor. Franchisee will maintain signage and advertising that reflects the current brand image of the System and will immediately discontinue use of any mark, logo, or design that Franchisor determines to be obsolete or no longer authorized. Upon request, Franchisee must post a conspicuous notice at the Premises stating: *"This business is independently owned and operated by [Franchisee Name], an authorized licensee of the 'Kommunity Fitness' brand under license from Kommunity Fitness Franchising, Inc."*
- D. **Protection and Enforcement.** Franchisee must promptly notify Franchisor in writing of any suspected infringement of, or challenge to, the Proprietary Marks or Franchisor's claimed rights therein. Franchisor will have the sole discretion to determine whether and how to respond to any such matter and will control any related administrative or judicial proceeding. Franchisee will fully cooperate by executing documents and taking other actions reasonably requested by Franchisor to support or strengthen Franchisor's claimed rights or to assist in obtaining trademark protection in the future. Franchisor makes no representation or warranty that Franchisee's use of the Proprietary Marks will not infringe the rights of others. If another person asserts a claim of superior rights, Franchisee may be required to modify or cease use of one or more Proprietary Marks at its own expense. Franchisor is not obligated to indemnify or defend Franchisee against such claims unless expressly required by this Agreement.
- E. **Modification or Substitution of Marks.** If Franchisor determines that it is advisable to modify or discontinue any Proprietary Mark, or to adopt and use a new or substitute mark, Franchisee will comply with Franchisor's written directions within a reasonable time. Franchisee, at its own expense, must remove or replace affected signage, advertising, and materials. Franchisor will not be liable to Franchisee for any costs or losses arising from such modification or substitution.

Franchisee shall not make any changes or amendments whatsoever in or to the Proprietary Marks unless approved in advance by Franchisor in writing.

- F. **Non-Exclusive License.** Franchisee's right to use the Proprietary Marks is non-exclusive. Franchisor may, in its discretion, grant similar or identical licenses to others, or develop, use, and license additional trade names, service marks, or trademarks for other systems or businesses. Franchisee has no right or interest in any such other marks, systems, or licenses.
- G. **Cease Use of Marks on Termination/Non-Renewal.** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- H. **Telephone Numbers Advertised in Connection with the Marks.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the Proprietary Marks or any mark/name similar to those marks. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.
- I. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
 - 1. Its right to use the Proprietary Marks is derived solely from this Agreement and is limited to the term and conditions herein;
 - 2. Any use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent constitutes an infringement of Franchisor's claimed rights; and

3. During and after the term of this Agreement, Franchisee will not directly or indirectly contest or aid in contesting Franchisor's claimed ownership of, or rights to, the Proprietary Marks or take any action in derogation thereof.

8. **LEARNING MANAGEMENT SYSTEM AND CONFIDENTIAL INFORMATION**

- A. **Compliance with Learning Management System.** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Learning Management System.
- B. **Control of Facility.** Franchisee acknowledges the Learning Management System provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.
- C. **Loan of Learning Management System.** Franchisor will loan or provide online access to one (1) copy of the Learning Management System to Franchisee. The Learning Management System shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Learning Management System must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- D. **Modification of Learning Management System.** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Learning Management System, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Learning Management System current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Learning Management System maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Learning Management System via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.
- E. **Confidential Information Generally.** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person,

firm, association, or corporation except as reasonably necessary to operate the Franchised Business.

F. **Confidential Information Defined (including Trade Secrets).** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:

1. The Learning Management System;
2. Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of an franchised Facility or the System that is not commonly known by, or available to, the public, including without limitation: (i) information and materials related to the architectural plans, design, layout, equipping, build-out and/or construction of a Facility; (ii) methodology, protocol and System standards/specifications for the promotion, offer, sale and provision of any Approved Services or Approved Products, including fitness and nutritional counseling strategies and instruction; (iii) information related to Franchisor's relationship with existing or prospective Approved Suppliers or other third-party vendors (whether or not Franchisee is required to use such vendors); (iv) the class reservations and payments system, as well as Computer System and related software generally, that has been customized in any manner for use by Franchisor and/or a Facility; (v) marketing and advertising materials, as well as any other items that display the Proprietary Marks in any manner, as well as Franchisor's designated marketing/advertising/promotional campaigns; and (vi) any passwords, logins or other keys necessary to access Franchisee's POS system, reservation system, Computer System or related software used in connection with the Franchised Business; and
3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").

G. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

- H. **Information Not Proprietary.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:
1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
 2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
- I. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. Access to the Learning Management System must be kept secure, under reasonable security measures, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Learning Management System available to any unauthorized person or entity, in whole or in part.
- J. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Attachment E (the "Confidentiality and Non-Competition Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor's request.
- K. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents

that are in any way related to the establishment or operation of the Franchised Business (collectively, the “Improvements”), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor’s interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

9. **ADVERTISING**

- A. **Designated Advertising Materials and Promotional Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the KOMMUNITY FITNESS Facilities operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee’s expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor’s standards and requirements as set forth in the Learning Management System or otherwise. Franchisee shall obtain Franchisor’s approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor’s property and there will be no restriction on Franchisor’s use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may

revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase “Franchises Available” and references to Franchisor’s telephone number and/or website.

- C. **Grand Opening Advertising (Initial Marketing Spend).** Franchisee must spend a minimum of \$30,000 to promote and advertise the grand opening of the Franchised Business within the Designated Territory, which must be spent during the four (4) weeks before and four (4) weeks after Franchisee’s opening of the Franchised Business (the “Grand Opening Advertising”). Franchisee must spend all amounts associated with the Grand Opening Advertising (i) with Franchisor’s Approved Suppliers, (ii) according to Franchisor’s specifications, or (iii) with Franchisor’s prior written approval or authorization.
- D. **Local Advertising Requirement.** Beginning in the month after Franchisee has completed Grand Opening Advertising, Franchisee must expend an amount equal to three percent (3%) of the Gross Revenue of the Franchised Business from the immediately preceding month or \$1,000, whichever is greater, on advertising and marketing the Franchised Business within the Designated Territory each month during the term of this Agreement (the “Local Advertising Requirement”).
1. Franchisee agrees and acknowledges that Franchisor may collect portions of the Local Advertising Requirement to cover the costs/fees associated with any local advertising and/or marketing services that Franchisee is required to utilize in connection with the Franchised Business, and such payments may be collected (as incurred) in the same manner as the Royalty or as otherwise designated by Franchisor.
 2. Upon Franchisor’s request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
 3. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other System franchise); and (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.
 4. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other System Facility and/or franchisee/developer, or (b) Franchisor otherwise provides its prior written consent in writing.

E. **Brand Fund.** Franchisor reserves the right to establish a System-wide creative Brand Fund designed to promote the System, Proprietary Marks and Franchisor's brand generally. If Franchisor establishes the Brand Fund, Franchisor may require Franchisee to contribute to the Brand Fund on a monthly basis in an amount equal to up to two percent (2%) of the Gross Revenues of the Franchised Business. All contributions by Franchisee to the Brand Fund will be non-refundable upon payment, and Franchisor will account separately for all sums paid to the Brand Fund. If established, the Brand Fund will be maintained and administered by Franchisor or Franchisor's designee as follows:

5. Franchisor will use the Brand Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Approved Services.
2. Franchisor is not obligated to spend monies from the Brand Fund in any particular franchisee's market (including Franchisee's Designated Territory) in proportion to the payments to the Brand Fund made by the franchisee in that market (including Franchisee). Franchisor does not represent that it will spend any particular amount of the Brand Fund locally, regionally, or nationally.
3. The Brand Fund may be used to meet any and all costs of maintaining, administering, directing and preparing advertising, marketing and promotional materials. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website (and the interior pages thereof), employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to Facilities operating under the System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Brand Fund and its programs. No part of the Brand Fund shall be used by Franchisor to defray any of its general operating expenses, other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Brand Fund.
5. Franchisor shall administratively segregate all contributions to the Brand Fund on its books and records. All such payments to the Brand Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the

Brand Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Brand Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Brand Fund in any one (1) fiscal year shall exceed the total amount contributed to the Brand Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Brand Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Brand Fund be deemed a trust.

6. Franchisor will, on an annual basis, account for the operation of the Brand Fund and prepare an unaudited financial statement evidencing such accounting that will be available to Franchisee, upon Franchisee's written request, one hundred twenty (120) days after Franchisor's fiscal year end.
 7. Franchisor may dissolve, suspend, modify and/or reinstate the Brand Fund at any time after it is established.
- F. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Brand Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Counsel, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Facilities, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- G. **Website (and/or Other Internet Presence on Social Media or Otherwise).** Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.

- H. **Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Facility owners located within a geographical region that Franchisor designates (each, a “Cooperative”). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee’s Local Advertising Requirement each month. All amounts paid to a Cooperative will be credited towards Franchisee’s Local Advertising Requirement. Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

10. **ACCOUNTING AND RECORDS**

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor’s request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor’s disclosure documents).
- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee’s records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Revenues of the Franchised Business or any amount due to Franchisor by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee’s underreporting, along with any accrued interest on said amounts.
- C. **Computer System for Records.** Franchisee shall record all transactions and Gross Revenues of the Franchised Business on a Computer System that is designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales.

Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.

- D. **Computer System Files and Passwords.** Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.
- E. **Current Contracts.** At any time and upon reasonable request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current Member or Membership-related agreements and class-based packages that Franchisee is involved in or working with in connection with the Franchised Business.
- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Required Reports.** Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Revenues Report as described more fully in Section 4 of this Agreement on or before the fifth (5th) day of each calendar month; (ii) on or before the twentieth (20th) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (iv) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.
- H. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's

partners, officers, directors, as well as any of the Designated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

11. **INSURANCE AND INDEMNIFICATION**

- A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Learning Management System or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:
1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
 2. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount we reasonable specify;
 3. “All Risks Property” coverage, including property damage limit, for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
 4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Business, with coverage for up to twelve (12) months of projected earnings and such longer period as we may specify periodically. Business interruption insurance is optional; however we may require you to obtain this coverage in the future with liability limits in amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
 5. Automobile liability coverage (optional), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit or what is in accordance with your state guidelines;
 6. Professional liability insurance (not optional if you are participating in the Iron Kids program) that covers you for damages that you create that do not result in property

or bodily injury with a minimum policy limit of \$1,000,000 and \$3,000,000 aggregate or an amount we reasonably specify;

7. Product liability insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum with a minimum policy limit of \$1,000,000 per occurrence and \$3,000,000 aggregate or an amount we reasonably specify;
8. Umbrella Policy having a limit of \$2,000,000 on an occurrence basis in excess of covering the underlying insurance described above which is at least as broad as each underlying policy, provided that you may purchase more underlying coverage and less umbrella coverage under such policies as long as you maintain the total amount of the limits specified for each coverage area;
9. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.
10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Child abuse and molestation insurance;
13. Tenant's liability insurance;
14. Any other Insurance required by the state or locality in which the Facility is located and operated in such amounts as required by statute; and
15. Other insurance coverage, as we, your state or the landlord may reasonably require, as Franchisor notifies Franchisee via an update to the Learning Management System or otherwise in writing at any time after this Agreement is signed.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's

material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

12. **INDEPENDENT CONTRACTOR**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on

behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This KOMMUNITY FITNESS Facility is independently owned and operated pursuant to a franchise agreement." Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer or joint employer of Franchisee's employees and/or independent contractors.

13. **TRANSFER AND ASSIGNMENT**

- A. **No Transfer by Franchisee Without Franchisor's Approval.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.** In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues

of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).
- D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;

2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;
5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;
6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee must pay Franchisor a transfer fee equal to \$7,500, and the Franchisee/transferee must also ensure that they cover and pay any third-party broker fees that either party determined to involve with the proposed assignment/transfer transaction;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, with the parties agreeing and acknowledging that transferee will also be responsible for all costs and expenses associated with attending the initial training program);

9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all

times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Attachment B.

- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) generates revenue from the offer, sale and/or provision of any personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) similar to that which is offered by a System Facility (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

B. After the Term of this Agreement.

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
 - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business within a twenty five (25) mile radius of the: (i) the Premises; or (ii) any other System Facility (whether franchised or company-owned) that is open or under development as of the date this Agreement expires, terminates, or is assigned in any manner; or
 - b. Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.
12. **Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach.

Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

13. **Confidentiality and Non-Competition Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Attachment E). Franchisee must furnish Franchisor a copy of each executed agreement.
14. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
 1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
 2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;

3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
5. A final judgment in excess of \$10,000 against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions

related to non-disclosure of the Learning Management System and other confidential materials that Franchisor loans to Franchisee);

6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) allowing any individual other than an Authorized Coach that has completed the Coach Module to conduct any fitness classes/instruction or any other Approved Services at the Premises or otherwise in connection with the Franchised Business; (iii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iv) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Learning Management System;
12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor;

13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides fitness services, including personal and group fitness training, fitness counseling and nutritional counseling.

- C. **Termination upon Notice and 30 Days' to Cure.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Learning Management System; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

- D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee of up to Three Hundred Fifty Dollars (\$350.00) per day (as Franchisor designates) during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Facility; Cease Affiliation with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a System franchisee at or with respect to the Premises (unless Franchisor agrees otherwise in writing);
- B. **Return Learning Management System and Confidential Information.** Return to Franchisor the Learning Management System and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Customer Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date customer list to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any

white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Attachment F.

- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass.
1. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor; and
 2. Franchisee must cease holding itself out as a present franchisee of Franchisor or Franchisor's franchise system and, upon Franchisor's request, as a past franchisee of Franchisor.
 3. Franchisee must de-brand and remove all trade-dress from their franchised business within fourteen (14) days after termination. This include all signs, banners, or other identification or marks that are owned, trademarked, or used in connection with Kommunity Fitness Franchised Business.
 4. Franchisee must provide photo or video proof of such measures as necessary in compliance with the Section and any other section of this Agreement that is deemed necessary by the Franchisor to comply with all post-termination requirements.
- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement.
- F. **Payment of Amounts Due.** Pay Franchisor, as well as each of Franchisor's Approved Suppliers, any and all amounts owed under this Agreement or otherwise

in connection with the former Franchised Business within 10 days of the termination or expiration date.

- G. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- H. **Franchisor's Option to Purchase Operating Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).
- I. **Franchisor's Collateral Assignment of Lease Rights.** Franchisee must afford Franchisor the option and rights set forth in the Collateral Assignment of Lease and other Lease Addendum terms that Franchisee and Landlord were required to agree to as a condition to Franchisor approving the Premises prior to Franchisee securing the same, within the time period set forth in that Lease Addendum or 30 days past the date this Agreement expires or terminates, whichever is later.

17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request.

If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.

- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all KOMMUNITY FITNESS franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Learning Management System.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Learning Management System, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

19. **ENFORCEMENT**

- A. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- B. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor

engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20. NOTICES

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: Kommunity Fitness Franchising, Inc.
Attn: Aaron Keay, Chief Executive Officer
1296 Homer Street
Vancouver, BC Canada V6B 2Y5

To Franchisee: _____

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

21. GOVERNING LAW AND DISPUTE RESOLUTION

- A. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to this state's conflict of laws principles.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a

third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

- C. **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.
- D. **Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising

under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

- E. **Venue.** Subject to Sections 21(C) and 21(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the United States District Court for the District of Delaware. Franchisee acknowledges that this Agreement has been entered into in the State of Delaware, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Vancouver, British Columbia, Canada, including but not limited to training, assistance, support and the development of the System. Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Delaware as set forth in this Section.
- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground

expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

22. SEVERABILITY AND CONSTRUCTION

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such

total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.

- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

23. ACKNOWLEDGMENTS

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the attachments hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
- C. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility

and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____
Aaron Keay, Chief Executive Officer

FRANCHISEE:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

**IF A PARTNERSHIP, CORPORATION,
OR OTHER ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

ATTACHMENT A TO THE FRANCHISE AGREEMENT

DATA SHEET AND STATEMENT OF OWNERSHIP

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

3. DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____

Daytime Telephone No.: _____

Evening Telephone No.: _____

Cellular Telephone No.: _____

Facsimile No.: _____

E-mail Address: _____

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN ATTACHMENT.

THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.

IN WITNESS WHEREOF, the undersigned has duly executed this Attachment to the Franchise Agreement on this ____ day of _____, 20____.

FRANCHISEE

By: _____

Name: _____

Title: _____

FRANCHISOR

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____

Aaron Keay, Chief Executive Officer

ATTACHMENT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to Kommunity Fitness Franchising, Inc. (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named _____ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed. The undersigned agree and acknowledge that: (i) Franchisee has entered into a franchise agreement with Franchisor at or around the same time this Guaranty is being executed (the "Franchise Agreement"); and (ii) the undersigned are executing this Guaranty as part of the material consideration for Franchisor agreeing to award the franchise rights to Franchisee under that Franchise Agreement.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

ARTICLE II

CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the “System”) for the establishment and operation of a franchised Facility; (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business; (v) knowledge of the operating results and financial performance of other System Facility locations; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor’s proprietary Manuals and other instructional manuals, including the Learning Management System, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor’s proprietary marks (the “Proprietary Marks”); (ix) information generated by, or used or developed in, the Facility’s operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business’s computer system; (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business; and (xi) any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, “Confidential Information”). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor’s copyrighted materials; price marketing mixes related to the offer and sale of fitness services and other Approved Services and Approved Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Approved Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee’s obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes “Confidential Information” under this Section: (i) former, current and prospective customer information, including customer names and addresses, contracts/agreements (collectively “Customer Lists”), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the Franchisor’s System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor’s franchisees, you agree as follows:

1. During the Term of the Franchise Agreement and this Guaranty. During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that (a) offers or provides any personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that is the same or similar to that which is offered at a System Facility location (each, a “Competing Business”), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of a System franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company.

1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2. After the Term of This Agreement.

2.1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business.

2.2. For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Designated Territory granted under the Franchise Agreement; or (iii) within a radius 25 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement or (b) any other System Facility (whether franchised or company-owned) that is open or under development as of the date the Franchise Agreement expires, terminates, or is assigned in any manner.

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

ARTICLE IV DISPUTE RESOLUTION

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Delaware.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any litigation proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and

Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. **Excepted Claims.** The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to the dispute resolution provisions in this Guaranty, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in the United States District Court for the District of Delaware. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or litigation proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or litigation proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such

cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

PERSONAL GUARANTORS

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

ATTACHMENT C TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “Assignment”) is effective as of _____ (the “**Effective Date**”), and is being signed simultaneously with the Lease (the “**Lease**”) dated _____ between _____ (the “**Franchisee**” or “**Tenant**”) and _____ (the “**Landlord**”) for the real property commonly known as _____ (the “**Premises**”).

1. **Incorporation and Precedence.** This Assignment is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Assignment have the meanings as defined in the Lease.

2. **Background.** The Tenant will operate a Kommunity Fitness franchise at the Premises under a Franchise Agreement dated _____ (the “**Franchise Agreement**”) with Kommunity Fitness Franchising, Inc. (the “**Franchisor**”). By entering into a franchise relationship with the Franchisor, the Tenant has agreed to grant the Franchisor a security interest in all of the furniture, fixtures, inventory and supplies located in the Premises as collateral for: (a) the payment of any obligation, liability or other amount owed by Tenant or its affiliates to the Franchisor under the Franchise Agreement. The Franchise Agreement also requires that the Lease contain provisions that the Tenant is requesting the Landlord to include.

3. **Access to Premises.** During the term of the Lease, the Landlord and Tenant acknowledge and agree that the Franchisor will have unrestricted access to the Premises within normal business hours to inspect the Premises and Tenant’s business operations in accordance with the Franchise Agreement.

4. **Notice of Default.** The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any default (a “**Default**”) by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

Kommunity Fitness Franchising, Inc.
1296 Homer Street
Vancouver, BC Canada V6B 2Y5
Attention: Aaron Keay

Such notice will grant the Franchisor the right, but not the obligation, to cure any Default, if the Tenant fails to do so, within ten (10) days after the expiration of the period in which the Tenant may cure the Default under the Lease. Such notice will also grant the Franchisor ten (10) days in which to exercise its right to assume the lease as described below.

5. **De-identification Upon Termination.** Upon termination of the Franchise Agreement or the Lease, Landlord shall, during normal business hours, grant Franchisor access to the Premises for the purpose of removing certain material bearing Franchisor’s intellectual property, including all trademarks and trade dress.

6. **Franchisor’s Assumption of Lease.** Within ten (10) days of receiving notice of a Default of the Lease by Tenant or upon the default of the Franchise Agreement by Tenant, Franchisor may deliver written notice to Landlord to have the Lease assigned to the Franchisor or a designated affiliate of

Franchisor as lessee (the “**Assignment Notice**”). Upon receiving such written notice, (i) the Franchisor or its designated affiliate will become the lessee of the Premises and will be liable for all past-due obligations under the Lease as well as obligations arising after the date of the Assignment Notice, and (ii) the Landlord will recognize the Franchisor or its designated affiliate as the lessee of the Premises effective as of the date of the Assignment Notice. Nothing herein shall be construed as a requirement of the Franchisor or an affiliate to assume the Lease.

7. Amendment. The Landlord and the Tenant will not cancel, terminate, modify or amend the Lease such that the Franchisor’s rights under this Assignment are altered in any way without the Franchisor’s prior written consent.

8. Benefits and Successors. The benefits of this Assignment inure to the Franchisor and to its successors and assigns.

9. Remaining Provisions Unaffected. Those parts of the Lease that are not expressly modified by this Assignment remain in full force and effect.

Intending to be bound, the Landlord and the Tenant sign and deliver this Assignment effective on the Effective Date, regardless of the actual date of signature.

“**LANDLORD**”

“**TENANT**”

By: _____
Its: _____

By: _____
Its: _____

ATTACHMENT D TO THE FRANCHISE AGREEMENT
EFT AUTHORIZATION FORM

Authorization for Direct Payment via ACH

Direct Payment via ACH is the transfer of funds from an account for the purpose of making a payment.

I (we) authorize Kommunity Fitness Franchising, Inc. ("COMPANY") to electronically debit my (our) account and, if necessary, to electronically credit my (our) account to correct erroneous debits as follows:

☐ Checking Account / ☐ Savings Account (select one) at the depository Financial Institution named below ("DEPOSITORY"). I (we) agree that ACH transactions I (we) authorize comply with all applicable law.

Business Name: _____

Business address: _____

Depository name: _____

Depository address: _____

Routing number: _____

Account number: _____

Name(s) on the account: _____

Debit transaction frequency: _____

☐ **Recurring Entries** (entries that recur at substantially regular intervals, without further affirmative action by the Receiver)

Date of debit: _____

Number of and/or frequency of debits: _____

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY with written notification that I (we) wish to revoke this authorization in such time and in such manner as to afford the COMPANY and its bank a reasonable opportunity to cancel this authorization.

Print Name(s): _____

Signature(s): _____

Date: _____

ATTACHMENT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT *(for trained employees, officers, directors, general partners, members, Designated Managers and any other management personnel of Franchisee)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Kommunity Fitness Franchising, Inc. (the “Company”) to: (i) establish and operate a Kommunity Fitness franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trade dress, trademarks and service marks, whether registered with the United States Patent and Trademark Office or claimed under common law (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of Kommunity Fitness Franchised Businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Learning Management System and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other KOMMUNITY FITNESS Facility businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of KOMMUNITY FITNESS Facility business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or

duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

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

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) generates revenue from the offer, sale and/or provision of personal and group fitness training, fitness counseling and nutritional counseling (or any combination thereof) similar to that offered and sold by a System Facility; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that generate revenue from the offer, sale and/or provision of services including personal and group fitness training, fitness counseling and nutritional counseling and/or the other Approved Products and Approved Services similar to those offered by a System Facility (collectively, a “Competing Business”). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 25-mile radius of the Premises; or (ii) within a 25-mile radius of any other System Facility business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company 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 my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

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

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE FRANCHISED BUSINESS IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISED BUSINESS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR **[INSERT APPROPRIATE COURT]**. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE WHERE FRANCHISED BUSINESS IS LOCATED]** OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement 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. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

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

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

The notice shall be addressed to

For Franchisee: [INSERT FRANCHISEE's NOTICE ADDRESS]

For Undersigned: [INSERT UNDERSIGNED's NOTICE ADDRESS]

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

[NAME OF PERSONNEL/MANAGER]

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

ATTACHMENT F TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. _____, doing business as a Kommunity Fitness franchised facility (the “Assignor”), in exchange for valuable consideration provided by Kommunity Fitness Franchising, Inc. (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Kommunity Fitness franchised facility located at _____ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): _____

Facsimile Number(s): _____

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement):

_____.

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor’s franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR: [FRANCHISEE NAME]

BY: _____ Date: _____

Print Name: _____

Title: _____

ASSIGNEE: KOMMUNITY FITNESS FRANCHISING, INC.

BY: _____

Aaron Keay, Chief Executive Officer

EXHIBIT B TO DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “Agreement”), is made and entered into on _____, by and between: (i) Kommunity Fitness Franchising, Inc., a Delaware corporation with its principal place of business at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5 (the “Franchisor”); and (ii) _____, a/n _____ with a business address at _____ (the “Developer”).

WITNESSETH:

WHEREAS, as the result of the expenditure of time, effort and expense, Franchisor has created a unique and distinctive proprietary system (hereinafter the “System”) related to the establishment, development, opening, and operation of a business that provides various types of personal and group fitness training, fitness counseling and classes via a membership model and other method that Franchisor authorizes (collectively, the “Approved Services”), along with certain fitness-related supplies and merchandise that may or may not bear Franchisor’s proprietary marks (collectively, the “Approved Products”), with high levels of customer service and attention and in a clean, friendly environment that is welcoming to clientele (each, a “Facility”).

WHEREAS, Franchisor owns the System and the right to use the Proprietary Marks (as defined below), and grants the right and license to others to use the System and the Proprietary Marks;

WHEREAS, the distinguishing characteristics of the System include, without limitation, proprietary methodology and procedures for the establishment and operation of a Facility, including instruction on fitness and nutritional counseling; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Facility; standards and specifications for the furniture, fixtures and equipment located within a Facility; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility.

WHEREAS, Franchisor identifies the System and licenses the use of certain trade names, service marks, trademarks, emblems and indicia of origin, including its current primary trade name “Kommunity Fitness,” which Franchisor claims rights to under common law and intends to seek federal registration for, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”).

WHEREAS, Developer desires the right to develop, own and operate multiple franchised Facilities under the System in a defined geographic area under a Development Schedule (the “Development Schedule”) set forth in this Agreement; and

WHEREAS, Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted as a franchised Facility may evolve and change over time, that an investment in a franchised Facility involves a business risk and the success of the venture is largely dependent upon Developer’s business abilities and efforts.

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

1. REFERENCES AND DEFINITIONS

A. DEVELOPMENT AREA

“Development Area” means the geographic area described in Attachment A.

B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD

“Development Schedule” means the schedule for Developer to open and operate a specific cumulative number of System Facilities as set forth in Attachment B to this Agreement. Each “Development Period” is a period of time set forth in the Development Schedule wherein Developer must meet each specific development obligations.

C. FRANCHISE AGREEMENT

The term “Franchise Agreement” means the then-current form of agreements (including the franchise agreement and any Attachments, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) that Franchisor customarily uses in the granting of a franchise for the ownership and operation of a System Facility, which may contain different terms than the form of Franchise Agreement that Developer executes in conjunction with the execution of this Agreement.

Concurrent with the execution of this Agreement, Developer shall execute the Franchise Agreement for the first Facility that Developer is granted the right to open within the Development Area hereunder. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a System Facility.

The parties agree and acknowledge that: (i) Developer must timely execute Franchisor’s then-current form of Franchise Agreement for each System Facility that Developer is required to open and commence operating pursuant to the Development Schedule; and (ii) Franchisor may, in its discretion, modify or amend the form of Franchise Agreement that Franchisor is using as of the date this Agreement is executed as it deems appropriate for (a) use in the System generally, and (b) execution by the parties in connection with the Facilities that Developer must subsequently open and commence operating under this Agreement.

D. PRINCIPALS

The term “Principals” includes, collectively and individually, Developer’s owners; if Developer is an entity, any officers and directors of Developer (including the officers and directors of any general partner of Developer) and any person and of any entity directly owning and/or controlling ten percent (10%) or more of Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Attachment D. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (immediately following this Agreement) undertaking to be bound jointly and severally to all provisions of this Agreement.

2. USE OF SYSTEM

Developer acknowledges, and does not contest, Franchisor’s exclusive ownership and rights to each and every aspect of the System. Developer’s right to use the System is specifically limited to the

Development Area and the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

3. GRANT OF DEVELOPMENT RIGHTS

A. GRANT AND TERM

In reliance on the representations and warranties of Developer and its Principals, Franchisor grants to Developer, and Developer hereby accepts the right and obligation to develop, _____ () System Facilities within the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of System Facilities over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under the form(s) of Franchise Agreement entered into for the right to own and operate each individual System Facility.

The term of this Agreement shall commence upon full execution of this Agreement and, unless earlier terminated by Franchisor pursuant to the terms hereof, this Agreement shall expire upon the earlier of: (i) the date Developer timely opens the last System Facility it is required to open and commence operations within the Development Area pursuant to this Agreement; or (ii) the last day of the last Development Period on the Development Schedule. Developer acquires no rights under this Agreement to develop System Facilities outside the Development Area. Upon expiration or termination of this Agreement for any reason, Developer will have no rights whatsoever within the Development Area (other than any territorial rights that Franchisor has granted to Developer in connection with any System Facility(ies) that Developer has timely opened pursuant to a Franchise Agreement as required by the Development Schedule prior to the date this Agreement is terminated or expires).

B. COMMITMENT OF DEVELOPER

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Developer and its Principals. This Agreement is for the purpose of developing and operating the System Facilities, and is not for the purpose of reselling the rights granted by this Agreement.

C. DEVELOPMENT PLAN

The following conditions and approvals are conditions precedent before the right of Developer to develop each System Facility becomes effective. At the time Developer selects a site for each System Facility, Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements granted Developer. For each System Facility operated by Developer, Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Learning Management System (defined in the Franchise Agreement).

(2) Financial: Developer and the Principals must satisfy Franchisor's financial criteria for Developers and Principals with respect to Developer's operation of its existing System Facilities, if any, and the proposed System Facility. Developer must be in compliance and not been in default during the twelve (12) months preceding Developer's request for approval, of any monetary obligations of Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

D. EXECUTION OF FRANCHISE AGREEMENT

This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a System Facility, or to provide services, or to distribute goods, or any right or license in the Proprietary Marks. Developer must timely execute Franchisor's then-current form of Franchise Agreement for each System Facility that Developer is required to open under the Development Schedule.

E. SITE SELECTION AND PROJECT MANAGEMENT FEE

Notwithstanding the terms of the Franchise Agreements, Developer must pay Franchisor the Site Selection and Project Management Fee for each subsequent System Facility no later than when the immediately preceding System Facility opens for business. For example, Developer must pay Franchisor the Site Selection and Project Management Fee for the second System Facility no later than when the first System Facility opens for business. Similarly, Developer must pay Franchisor the Site Selection and Project Management Fee for the third System Facility no later than when the second System Facility opens for business.

4. DEVELOPMENT RIGHTS AND OBLIGATIONS

A. RESERVATION OF RIGHTS

Franchisor (on behalf of itself and its affiliate and its subsidiaries) retains the rights, in its sole discretion and without granting any rights to Developer: (1) to itself operate, or to grant other persons the right to operate, System Facilities at locations and on terms Franchisor deems appropriate outside the Development Area granted Developer, and (2) to sell the products and services authorized for System Facilities under the Proprietary Marks or under other trademarks, service marks and commercial symbols through dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, as we determine, in our sole discretion.

In addition, Franchisor, any other developer and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, in the Development Area. Developer acknowledges and agrees that Developer is only granted the right to develop and operate System Facilities within the Development Area. Accordingly, within and outside the Development Area, Franchisor and its affiliate and its subsidiaries may also offer and sell, and may authorize others to offer and sell products and services identified by the Proprietary Marks (including memberships and gift cards) at or from any location.

Franchisor or any other developer or any other authorized person or entity shall have the right, at any time, to establish and operate businesses offering dissimilar products or dissimilar services within and outside the Development Area granted by the Area Development Agreement and within and outside the Designated Territory granted by a Franchise Agreement, under the Proprietary Marks and on any terms and conditions as determined by Franchisor; to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a System Facility and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or the licensees of these businesses) are located or operating, which may include within the Development Area granted by this Area Development Agreement and within the Designated Territory granted by any franchise agreement.

Franchisor may be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction, by a business providing products and similar services to those provided at a System Facility, or by another business, even if such business operates, franchises and/or

licenses competitive businesses within the Development Area granted by the Area Development Agreement and within the Designated Territory granted by a Franchise Agreement.

Franchisor has the right to own, operate and license others to own and operate other business concepts in and outside the Development Area, provided the other business concepts are not similar to a System Facility utilizing the Proprietary Marks and System.

Franchisor has no obligation and will not pay Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Designated Territory granted by a Franchise Agreement.

B. RIGHTS DURING DEVELOPMENT PERIODS

Except as provided below, if Developer (i) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of System Facilities over prescribed periods of time as established in Attachment B (the “Development Schedule”) and (ii) is in substantial compliance with all material obligations under Franchise Agreements executed by Developer for individual System Facilities under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Developer the right to own and operate System Facilities located within the Development Area pursuant to the terms of this Agreement; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any System Facility within the Development Area, except for franchises granted to Developer under this Agreement, or other than through the uses and exceptions as described in Section 4(A) of this Agreement.

If Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 14 of this Agreement. In the event Developer fails to cure the noticed default within the time allowed under Section 14, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties or own and operate Facilities owned by Franchisor or by the affiliate of Franchisor. Franchisor and Developer agree that the timely development of Facilities by Developer in compliance with the Development Schedule will control the rights granted Developer by this Agreement, regardless of the time period granted Developer to open a Facility pursuant to a Franchise Agreement for such Facility. Upon termination of this Agreement, all rights granted Developer revert to Franchisor, who is free to franchise any other person to use the System within the Development Area or to itself own and operate System Facilities within the Development Area.

Notwithstanding anything contained in this Section, Franchisor will provide Developer with a one-time reasonable extension of time not to exceed 90 days to comply with its development obligations in any one of the Development Period as set forth in the Development Schedule (see Attachment B), provided: (i) Developer has already executed a lease for, or otherwise obtained, a Premises that Franchisor approves for any System Facility(ies) it is required to open and operate during that Development Period; and (ii) Developer notifies Franchisor of its need for such an extension no less than 30 days prior to expiration of that Development Period. The parties agree and acknowledge that Franchisor’s grant of this one-time extension under this Section will not extend, modify or otherwise affect the expiration of any of Developer’s subsequent Development Periods or subsequent development obligations.

C. DEVELOPMENT OBLIGATIONS

Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of System Facilities within the Development Area. Developer agrees to open and operate the cumulative

number of System Facilities at the end of each Development Period set forth in the Development Schedule (see Attachment B). Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

D. EXPIRATION OR TERMINATION

After this Agreement expires or terminates for any reason, Franchisor shall have the absolute right to own and operate, or license other parties the right to own and operate System Facilities, in the Development Area, except in those Designated Territories granted under each Franchise Agreement that Developer enters into pursuant to this Agreement.

5. FACILITY CLOSINGS

If during the term of this Agreement, Developer ceases to operate any System Facility developed under this Agreement for any reason, Developer must develop a replacement System Facility to fulfill Developer's obligation to have open and in operation the required number of System Facilities upon the expiration of each Development Period. The replacement System Facility must be open and in operation within nine (9) months after Developer ceases to operate the System Facility to be replaced or Developer will be in material breach of this Agreement. If, during the term of this Agreement, Developer, in accordance with the terms of any Franchise Agreement for a System Facility developed under this Agreement, transfers its interests in that System Facility, a transferred System Facility shall continue to be counted in determining whether the Developer has complied with the Development Schedule so long as it continues to be operated as a System Facility. If the transferred System Facility ceases to be operated as a System Facility, it will not count toward Developer's compliance with the Development Schedule.

6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS

Developer shall enter into a separate Franchise Agreement with Franchisor for each System Facility developed pursuant to this Agreement. The Franchise Agreement to be executed for the first System Facility to be developed by Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement. All subsequent System Facilities developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for System Facilities under the System. The then-current form of Franchise Agreement may differ from the form attached as Attachment C, including different royalty fees and advertising contributions among other things. Developer must execute the then-current form of Franchise Agreement for each System Facility to be developed under this Agreement.

Developer acknowledges that the projected opening dates for each System Facility set forth in the Development Schedule are reasonable requirements. Developer must execute the then-current form of Franchise Agreement for each Facility by the earlier of: (i) fifteen (15) days from the date a lease is signed for a location that Franchisor approves for the System Facility at issue; and (ii) the date necessary for Developer to otherwise comply with its development obligations under this Agreement (both subject to applicable waiting periods under state and federal franchise laws).

7. DUTIES OF DEVELOPER

A. ORGANIZATION OF DEVELOPER

Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Developer is a corporation, limited liability company or a partnership, Developer represents, warrants and covenants that: (i) Developer is duly organized and validly existing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement are within Developer's corporate power, if Developer is a corporation or if Developer is a partnership permitted under Developer's written partnership agreement, or if Developer is a limited liability company, permitted under the management agreement;

(2) If Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Developer is a partnership, copies of Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Developer is a limited liability company, copies of Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principal's (as defined in Section 1), or if Developer believes in the event any individual later qualifies as one of Principals, Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Developer is a corporation, Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of ten percent (10%) or more in the ownership of Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete (Attachment E). The Principals agree to jointly and severally guarantee the performance of all of Developer's obligations, under the terms of this Agreement, except the obligation to open Facilities.

B. REQUIREMENTS OF REPRESENTATIVE

Upon the execution of this Agreement, Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Developer in all transactions with Developer

concerning Developer's obligations under this Agreement (the "Representative"). If Developer is an individual, Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a direct or indirect ownership interest in the Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Learning Management System or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Developer must promptly notify Franchisor and designate a replacement.

C. BEST EFFORTS; COMPLIANCE WITH APPLICABLE LAWS

Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders. Developer will have sole authority and control over the day-to-day operations of the Franchised Business and Developer's employees and/or independent contractors. Developer agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Developer or Developer's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT

A. SELECTION OF SITE BY DEVELOPER

Developer assumes all costs, liabilities, expenses and responsibilities for locating, obtaining, financing and developing sites for System Facilities, and for constructing and equipping System Facilities at those sites. The selection of a site and the development of a Facility at any site is the responsibility of Developer. The selection of a site by Developer is subject to our approval and must be in compliance with Franchisor's site selection procedures and its standards for demographic characteristics, parking, traffic patterns and the predominant character of the neighborhood, and other commercial characteristics of the site and any other factors Franchisor may consider relevant in reviewing a site selected by Developer. Developer must not enter into a binding commitment with a prospective seller or lessor of real estate with respect to the site for a Facility until Franchisor has approved the proposed site. Developer specifically acknowledges that the selection of a site by Developer in compliance with Franchisor's site selection procedures and the approval of a site by Franchisor does not constitute a representation, promise or guarantee by Franchisor that the site and the Facility to be operated at that site will be profitable or successful. Developer acknowledges that factors governing the success of a System Facility are unpredictable and beyond Franchisor's control. Franchisor is not responsible to Developer or to any other person or entity if a site approved by Franchisor fails to meet Developer's expectations for revenue or operational criteria.

B. DEMOGRAPHIC INFORMATION

Before acquiring a site for any Facility by lease or purchase, Developer must locate a site for the Facility that satisfies the site selection guidelines Franchisor provides to Developer and must submit to Franchisor, in the form Franchisor specifies, a description of the site, a demographic study and other information and materials Franchisor may reasonably require and shall represent in writing that Developer has the option or other firm commitment to obtain the site. Franchisor will review information provided by Developer for the site which may include the population of the work force or residents, character of the neighborhood, household income, ingress and egress, and trade area. If on-site evaluations by Franchisor

are requested by Developer or determined to be necessary by Franchisor, then Franchisor or its designee will, at Franchisor's expense, provide a single on-site inspection in connection with each Facility that Developer is required to open hereunder at Franchisor's expense. Developer must reimburse Franchisor for the reasonable expenses Franchisor incurs for any additional on-site evaluations, including, but not limited to, the cost of travel, lodging, meals and wages of Franchisor's representatives and employees.

C. LEASE OR PURCHASE OF SITE

Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a System Facility until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer (or its affiliate) for a Facility at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed. Developer must comply with the conditions set forth in the Franchise Agreement at issue in connection with the signing of such a lease, including ensuring that both Developer and the landlord for the proposed site execute Franchisor's prescribed form of Collateral Assignment of Lease.

D. FRANCHISE AGREEMENT

Franchisor will deliver a Franchise Agreement, in the then-current form, to Developer for execution by Developer (or its affiliate). With the execution of this Agreement, Developer must concurrently execute the Franchise Agreement establishing Developer's first System Facility and return both this Agreement and the Franchise Agreement to Franchisor. If Developer fails to execute the Franchise Agreement, Franchisor may, at its sole discretion, revoke its approval of the site and its offer to grant Developer a franchise to operate a System Facility at the site.

9. DEVELOPMENT FEE

Concurrently with the execution of this Agreement, Developer must pay to Franchisor a nonrefundable area development fee equal to \$_____ (the "Development Fee"). The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable under any circumstances. Developer will not be required to pay any additional initial franchise fee for each Facility opened pursuant to this Agreement upon executing a Franchise Agreement for that Facility.

10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT

Developer understands and agrees that any and all individual Franchise Agreements executed by Developer and Franchisor for System Facilities within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Area Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority (except with respect to the opening deadline for each System Facility Developer is granted the right to open under this Agreement).

11. COVENANTS

A. Developer and the Representative covenant that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer and the Representative must devote substantial time, energy and best efforts to the management and operation of the development activities required under this Agreement.

B. Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Developer agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees and developers.

(1) During the term of this Agreement, neither Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) generates revenue from the sale of personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that is similar to that offered by a System Facility (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Developer under a Development Agreement with Franchisor; or (ii) any business operated by a publicly traded entity in which Developer owns less than two percent (2%) legal or beneficial interest;

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

(c) Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

(2) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its principals, owners and guarantors, nor any member of the immediate family of Developer, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

(3) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business within a twenty five (25) mile radius of the: (i) the Development Area; or (ii) any other System Facility (whether franchised or company-owned) that is open or under development as of the date this Agreement expires, terminates, or is assigned in any manner; or

(b) Solicit business from customers of Developer's former Facilities or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee or developer to discontinue employment.

C. It is the parties' intent that the provisions of this Section 11 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 11 by Developer, any of Developer's Principals, or any member of the immediate family of Developer or Developer's Principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Developer acknowledges that the covenants contained herein are necessary to protect the goodwill of other System franchisees and developers, and the System. Developer further acknowledges that covenants contained in this Section 11 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Developer agrees that in the event of the actual or threatened breach of this Section 11, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 11 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 11 in no way prevent any such person from earning a living. Developer further acknowledges and agrees that the time limitation of this Section 11 shall be tolled during any default under this Section 11.

D. Developer must ensure that all management personnel of Developer's Facilities opened under this Agreement, as well as any officers or directors of Developer, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. Developer must furnish Franchisor a copy of each executed agreement.

E. Developer hereby agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 11.

F. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to reduce the period of time or geographic scope of the non-competition covenants set forth in this Section 11 and in Attachment E, by written notice to Developer.

12. RELATIONSHIP OF THE PARTIES

A. The parties agree that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor and must at all times represent itself as an independent contractor. This Agreement does not create either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or joint employer. Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take any action necessary to that end, including without limitation, exhibiting a notice on signage and member contracts, as required by Franchisor as to content and manner of disclosure. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer or joint employer of Developer's employees and/or independent contractors.

B. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of any such action, or for any act or omission of Developer in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

C. Developer and each of the Principals shall, at all times, indemnify and hold harmless Franchisor and its affiliate, successors and assigns and the officers, directors, shareholders, agents, representatives and employees of each of them ("Indemnitees") from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal in any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation of any Proprietary Mark or other proprietary right owned by Franchisor;

(2) Claims of sexual harassment or discrimination by Developer's employees or by a guest at the Facility;

(3) The violation of any federal, state or local law, regulation, rule, standard or directive, or any industry standard, including without limitation, health, sanitation and safety laws and regulations;

(4) Libel, slander or any other form of defamation of Franchisor or the System, by Developer or the Principals;

(5) The violation or breach by Developer or any of the Principals of any warranty, representation, agreement or obligation of this Agreement or any Franchise Agreement; and

(6) Acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

Notwithstanding anything contained in this Section 12(C), Developer will not be required to indemnify, defend or hold Franchisor harmless for any claims or causes of action that arise solely out of Franchisor's gross negligence or willful misconduct.

D. Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry or investigation.

E. Franchisor may, at any time and without notice, as it, in its reasonable discretion, consent, or agree to settlement, or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

F. All losses and expenses incurred under this Section 12 shall be chargeable to and shall be paid by Developer or any of the Principals pursuant to this Section 12, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. However, Franchisor will indemnify Developer from losses or expenses resulting from the direct result of Franchisor's negligence or intentional acts.

G. The phrase "losses and expenses" shall include, without limitation, all monetary losses, compensatory, exemplary or punitive damages, fines, actual costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, damages to Franchisor's reputation and goodwill, costs of financing or advertising material and media costs and all expenses of recall, refunds, compensation, public notices and such other amounts incurred in connection with the matters described.

H. Developer must give Franchisor notice of any such action immediately upon Developer having received notice of any such action, claim or proceeding.

I. Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer and the Principals agree that the failure of Franchisor to pursue recovery or mitigate loss from third parties will in no way reduce the amounts recoverable from Developer or the Principals.

J. Developer and the Principals expressly agree that the terms of this Section 12 shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

13. PROPRIETARY MARKS

A. Developer acknowledges that Franchisor claims exclusive common-law rights in and to the trade name "Kommunity Fitness" and certain other trade names, logos, designs, and commercial symbols that identify the Kommunity Fitness System (collectively, the "Proprietary Marks"). Developer understands that, as of the date of this Agreement, Franchisor has not filed any federal or state trademark or service-mark applications and does not own any registered marks. Franchisor intends, but is not obligated, to seek trademark registration in the future. Developer's right to use any Proprietary Marks arises solely from and is limited to the individual Franchise Agreements executed between Developer and Franchisor for each System Facility. All goodwill associated with the use of the Proprietary Marks inures exclusively to Franchisor's benefit. Developer will not acquire any ownership or other interest in the Proprietary Marks through its use, and upon termination or expiration of this Agreement, Developer must immediately discontinue all use of the Proprietary Marks except as permitted under active Franchise Agreements.

B. Developer must not use any Proprietary Mark:

1. As part of any corporate or trade name, domain name, social-media handle, or e-mail address;
2. In connection with any business or activity other than the operation of franchised System Facilities pursuant to valid Franchise Agreements; or
3. In any manner that Franchisor has not expressly authorized in writing.

Developer must comply with all reasonable directions from Franchisor concerning the display, legend, and attribution of the Proprietary Marks, including use of any trade-name or service-mark notice Franchisor designates from time to time.

C. Developer must promptly notify Franchisor in writing of any apparent infringement of, or challenge to, the Proprietary Marks or to Franchisor's claimed ownership or right to use them. Franchisor will have the sole discretion to determine whether and how to respond to any such matter, including whether to institute, defend, or settle any legal or administrative proceeding. Developer must not communicate with any third party regarding such issues except as directed by Franchisor and will cooperate fully with Franchisor and execute any documents reasonably requested to assist Franchisor in protecting or strengthening its claimed rights or in pursuing trademark registration. Franchisor makes no representation or warranty that Developer's or any franchisee's use of the Proprietary Marks will not infringe upon the rights of others. If another person asserts a claim of superior rights, Developer may be required to modify or cease using one or more Proprietary Marks, at its own expense. Franchisor is not obligated to indemnify or defend Developer against such claims unless expressly required by this Agreement or by an individual Franchise Agreement.

D. If Franchisor determines that it is advisable to modify, discontinue, or replace any Proprietary Mark, or to adopt and use a new or substitute mark, Developer must comply with Franchisor's written directions within a reasonable period. Developer, at its own expense, must remove or replace affected signage, marketing materials, and digital content. Franchisor will not be liable to Developer for any expenses or losses resulting from such modification, substitution, or discontinuance.

E. Developer's right to use the Proprietary Marks under this Agreement is non-exclusive. Franchisor retains the unrestricted right to use, license, and permit others to use the Proprietary Marks and to develop or license additional marks, trade names, or systems for other businesses or programs. Developer has no right or interest in such other marks or systems.

F. Developer acknowledges and agrees that:

1. Its right to use the Proprietary Marks derives solely from the individual Franchise Agreements it executes with Franchisor;
2. Franchisor's rights in the Proprietary Marks are presently based on common-law ownership and contractual license and may not be federally registered;
3. Any use of the Proprietary Marks outside the scope of the applicable Franchise Agreements or this Agreement without Franchisor's prior written consent constitutes an unauthorized use; and
4. During and after the term of this Agreement, Developer will not directly or indirectly contest or aid in contesting Franchisor's claimed ownership of or rights to the Proprietary Marks, or take any action in derogation thereof.

14. TERMINATION

A. Franchisor may terminate this Agreement for a material default of this Agreement by Developer and all rights granted herein shall automatically terminate upon written notice to Developer, upon the occurrence of any of the following:

(1) If Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Developer in bankruptcy; or Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer, (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer; or if a suit to foreclose any lien or mortgage against the premises or Facility is levied; or if the real or personal property of Facility is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Developer or any of its Principals fail to comply with Section 11 of this Agreement;

(3) If Developer or a Principal discloses the contents of the Learning Management System or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a Facility operated by Developer under a Franchise Agreement;

(5) If Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Developer fails on three (3) or more occasions within any one (1) year period to comply with one (1) or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon thirty (30) days written notice to Developer, or a less time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Developer to cure the good cause for termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Developer fails to develop, open and operate each Facility and execute each Franchise Agreement in compliance with this Agreement;

(3) If Developer fails to designate a qualified replacement Representative;

(4) If Developer misappropriates, misuses or makes any unauthorized use of the Proprietary Marks or materially impairs the goodwill associated with the Proprietary Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within fourteen (14) days following written notice from Franchisor;

(6) If Developer fails to correct a deficiency of a health, sanitation, or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Developer.

D. Upon termination of this Agreement, Developer has no right to establish or operate any Facility for which an individual Franchise Agreement has not already been executed by both Franchisor and Developer, as well as delivered to Developer, as of the date of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, System Facilities in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

15. EFFECT OF TERMINATION AND EXPIRATION

All obligations of Franchisor and Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

16. TRANSFER OF INTEREST

A. BY FRANCHISOR

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

B. DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR

Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and its owners and that Franchisor has granted these rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Developer as provided in Section 16(D), none of these rights nor any ownership interest in Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a partnership, by transfer of an interest in Developer or in this Agreement in a divorce proceeding, or if Developer or an owner of Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee. Furthermore, Developer may not transfer any undeveloped areas unless written permission by the Franchisor is provided.

C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

If Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 16(B) so long as the proposed assignee or transferor has good and moral character, sufficient business experience and aptitude to develop and own and operate Facilities, and otherwise meets Franchisor's then-current standards for developers and System franchisees. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

(1) All the accrued monetary obligations of Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;

(2) Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Developer or any of its affiliates and Franchisor or its affiliate;

(3) Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this Agreement and any other agreements between Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business, and

the geographic proximity of other territories with respect to which transferee has been granted development rights or of other System Facilities operated by transferee, if any;

(5) The transferee shall sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Developer in this Agreement; and, if transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Developer shall pay a transfer fee equal to Ten Thousand Dollars (\$10,000) per franchise this is granted to Franchisee under this Agreement and that Franchisee wishes to transfer, unless the transfer is being made: (i) to an immediate family member of Developer that Franchisor approves pursuant to Section 16(F); or (ii) in the form of an encumbrance of the assets of any Franchised Business (or a subordinating Franchisor's security interest in such assets) as a necessary condition to obtain SBA or traditional bank financing. Developer will always be solely responsible for all third-party broker fees incurred in connection with any transfer with respect to this Agreement;

(7) Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Developer described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee. Upon an approved transfer under this Section, Developer will only be bound by, and liable in connection with, its post-term obligations under this Agreement.

D. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY

(1) Notwithstanding the provisions of this Section 16 of this Agreement, upon thirty (30) days' prior written notice to Franchisor, and without payment of a transfer fee, Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of System Facilities. Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Developer before the transfer. Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Developer, by and amongst themselves with Franchisor's prior written consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 11, except that such transfer, sale or assignment shall not effect a change in the controlling interest in Developer.

(2) Any person who is or becomes a shareholder or member of Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than ten percent (10%) ownership interest in Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or

members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Developer.

E. RIGHT OF FIRST REFUSAL

If Developer receives and desires to accept any bona fide offer to transfer an ownership interest in this Agreement from a third party, then the Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Developer that Franchisor intends to purchase the Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within sixty (60) days from the date of notice by Franchisor to the Developer of Franchisor's election to purchase. If Franchisor elects not to accept the offer within the thirty (30) day period, Developer shall have a period not to exceed sixty (60) days to complete the transfer subject to the conditions for approval set forth in Section 16(C) of this Agreement. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 16 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

F. DEATH OR DISABILITY

Upon the death or permanent disability of Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager that is approved by Franchisor within ninety (90) days from the date of death or permanent disability (the "90 Day Period"). Before the end of the 90 Day Period, the appointed manager must attend and successfully complete Franchisor's training program and must either execute Franchisor's then-current form of area development agreement for the unexpired term of this Agreement, or furnish a personal guaranty of any partnership, corporate or limited liability company Developer's obligations to Franchisor and Franchisor's affiliates. If the Facility is not being managed by a Franchisor approved manager during the 90 Day Period, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Developer's Facilities for and on behalf of Developer until an approved assignee is able to assume the management and operation of the Facility. Franchisor's appointment of a manager of the Facilities does not relieve Developer of his obligations, and Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Facility or to any creditor of Developer for any products, materials, supplies or services purchased by the Facility during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time. Franchisor's right of first refusal set forth in Section 16(E) will not apply to a transfer under this Section if the transferee is an immediate family member of Developer that Franchisor approves.

G. PUBLIC OR PRIVATE OFFERINGS

(1) Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Developer agrees to submit any written information intended to be used for

that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: (i) if Developer attempts to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interest) and (ii) if any of its owners attempt to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interests) Developer (or any of its owners) agrees not to use the written materials submitted to Franchisor or any other written materials to raise or secure funds unless and until Franchisor approves of the language. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been furnished to Franchisor, in writing, pursuant to the written request of the Developer. The written request shall state the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or its affiliate or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Developer must pay Franchisor a public offering fee of Three Thousand Five Hundred Dollars (\$3,500) for the costs to Franchisor to review the information. The written consent of Franchisor pursuant to this Paragraph G does not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

“NEITHER FRANCHISOR NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER FRANCHISOR, NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER FRANCHISOR NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

(3) Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) asserted by a purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

H. NOTICE TO FRANCHISOR

Provided Developer is not then a public company, if any person holding an interest in Developer (other than Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor’s competitors. The transferee must execute a Confidentiality Agreement and Ancillary

Covenants Not to Compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Attachment E. Franchisor also reserves the right to designate the transferee as one of the Principals. If Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than ten percent (10%) of Developer's voting stock.

17. APPROVALS

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent.

B. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or to any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent, or services to Developer in connection with this Agreement, or by any reason of neglect, delay or denial of any request therefor.

18. NONWAIVER

A. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer or Principals with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Developer and the Principals warrant and undertake that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default by Developer or any of the Principals shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

B. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement, the rights and remedies of the parties hereto 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 or early termination of this Agreement shall not discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or early termination of this Agreement.

19. DEVELOPER'S RECORDS AND REPORTS

A. Developer must keep accurate records concerning all transactions and written communications between Franchisor and Developer relating to the development and operation of Facilities in the Development Area. Franchisor's duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Developer's records with respect to the subject

matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three (3) years after preparation.

B. Developer must furnish to Franchisor monthly written reports regarding Developer's progress on the development of System Facilities under this Agreement.

20. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Learning Management System shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one (1) business day after sending by overnight courier with delivery confirmed and addressed to the party to be notified at its most current address of which the notifying party has been notified. The following addresses for the parties shall be used unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Kommunity Fitness Franchising, Inc.
Attn: Aaron Keay, Chief Executive Officer
1296 Homer Street
Vancouver, BC Canada V6B 2Y5

Notice to Developer:

Attn: _____

21. GOVERNING LAW AND ALTERNATIVE DISPUTE RESOLUTION

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the state's conflict of laws principles.

B. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing notice as set forth in Section 20 of this Agreement, and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. At Franchisor's option, all claims or disputes between Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to

any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Developer's payment obligations under this Agreement.

22. LITIGATION AND OTHER DISPUTE RESOLUTION PROVISIONS

A. Subject to Sections 22(B)-(C) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must only and exclusively be initiated in the United States District Court for the District of Delaware. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Delaware as set forth in this Section.

B. Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and confidential information; (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

C. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in Sections 21 and 22 of this Agreement, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

D. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

E. Developer shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Developer under this Agreement or any related agreements.

F. Developer further agrees that no cause of action arising out of or under this Agreement may be maintained by Developer against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Developer becomes aware of facts or circumstances reasonably indicating that Developer may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Developer hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

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

H. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT OR THE PERFORMANCE OF EITHER PARTY.

I. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS

AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

23. ENFORCEMENT

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, is considered severable and if, for any reason, any portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party, otherwise upon Developer's receipt of a notice of non-enforcement from Franchisor.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure Franchisor prescribes is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any specification, standard or operating procedure Franchisor prescribes, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

B. EXCEPTIONS

Neither Franchisor nor Developer are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Developer of any other right or remedy which Franchisor or Developer is entitled by law to enforce.

D. COSTS AND ATTORNEYS' FEES

If Developer is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

E. VARIANCES

Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from Franchisor in writing. Developer understands existing Developers may operate under different forms of agreements and that the rights and obligations of existing Developers may differ materially from this Agreement.

F. BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

G. CONSTRUCTION/INTEGRATION CLAUSE

This Agreement, all Attachments to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the franchised business.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

24. CAVEAT

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent business person, and the active participation of Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.

C. Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

25. MISCELLANEOUS

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The "Developer" as used in this Agreement is applicable to one (1) or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer or the Assignee, if Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____

Print Name: _____

Title: _____

Date: _____

DEVELOPER:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

**IF A PARTNERSHIP, CORPORATION,
OR OTHER ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

ATTACHMENT TO AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20____, by _____, (each a “Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the “Area Development Agreement”) by and between Kommunity Fitness Franchising, Inc. (the “Franchisor”), and _____ (“Developer”), each of the undersigned (each, a “Guarantor”) hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every obligation of Developer under the Area Development Agreement, both monetary obligations and non-monetary in nature, including without limitation, those obligations related to: confidentiality and non-disclosure; indemnification; the Proprietary Marks; the in-term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue, attorneys’ fees and other dispute resolution provisions set forth in the Area Development Agreement (that shall also apply to this Guaranty and Assumption of Obligations).

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor’s undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor’s liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor’s liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

PERSONAL GUARANTORS

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

ATTACHMENT A TO THE AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA

The development rights and obligations of Developer, _____, to timely develop and open System Facilities shall be within the following described area:

DEVELOPER

By: _____

Name: _____

Title: _____

FRANCHISOR

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____
Aaron Keay, Chief Executive Officer

ATTACHMENT B TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

1. Development Schedule

Developer, _____, agrees to timely open _____ () System Facilities in compliance with the following development schedule (the “Development Schedule”). Developer further agrees that failure to timely open the Facilities in compliance with the Development Schedule shall cause the rights of exclusivity granted to Developer regarding the geographic area defined in Attachment A to be forfeited.

The Development Schedule is as follows:

Expiration of Development Period	Number of New Unit Franchises that Must be Opened and Commence Operations Within Development Period	Number of Unit Franchises that Must be Open and Operating by the Expiration of the Development Period

2. Forfeiture of Rights of Exclusivity

Developer’s failure to comply with the Development Schedule in any manner shall be grounds for Franchisor to (a) terminate the Area Development Agreement to which this Development Schedule is attached as an Attachment, or (b) in lieu of such termination, terminate any exclusive or other territorial rights that Developer may have within the Development Area or otherwise under the Area Development Agreement.

APPROVED:

DEVELOPER

By: _____

Name: _____

FRANCHISOR

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____

Name: Aaron Keay, Chief Executive Officer

ATTACHMENT C TO AREA DEVELOPMENT AGREEMENT

FRANCHISE AGREEMENT

(for initial Franchised Business to be developed within the Development Area)

ATTACHMENT D TO AREA DEVELOPMENT AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

- A. The following is a list of shareholders, partners, members or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

- C. The following is a list of all of Principals described in and designated pursuant to this Area Development Agreement, each of whom shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment E of this Area Development Agreement:

DEVELOPER

By: _____

Name: _____

Title: _____

FRANCHISOR

KOMMUNITY FITNESS FRANCHISING, INC.

By: _____
Aaron Keay, Chief Executive Officer

ATTACHMENT E TO AREA DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of _____, 20__, between: (i) **KOMMUNITY FITNESS FRANCHISING, INC.**, a Delaware corporation (“Franchisor”) with a business address at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5; (ii) _____, a/an _____ with a business address at _____ (“Developer”); and (iii) _____, an individual with a notice address at _____ (“Covenantor”).

RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the “System”) for the development and operation of System Facilities under the name and marks “Kommunity Fitness” (each, a “Facility”); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “Kommunity Fitness” and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System’s high standards of quality, appearance, service and the System’s proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (collectively, the “Confidential Information”); and

WHEREAS, the Proprietary Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Developer the limited right to develop a System Facility using the System, the Proprietary Marks and the Confidential Information, pursuant to an Area Development Agreement entered into on _____, 20__ (“Area Development Agreement”), by and between Franchisor and Developer; and

WHEREAS, Franchisor and Developer have agreed in the Area Development Agreement on the importance to Franchisor and to Developer and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Developer, or any entity having an interest in Developer (“Covenantor”) to have access to and to use some of all of the Confidential Information in the management and operation of Developer’s System Facility using the System; and

WHEREAS, Developer has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Developer; and

WHEREAS, Covenantor wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform the services for Developer; 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.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Developer shall disclose to Covenantor some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Developer and/or Covenantor are deemed Confidential Information for the purposes of this Agreement.

2. Covenantor shall receive the Confidential Information in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Developer and then only in connection with the development and/or operation by Developer of a System Facility for so long as Developer is licensed by Franchisor to use the System.

3. 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.

4. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a System Facility.

5. Covenantor must surrender any material containing some or all of the Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by Developer, or upon conclusion of the use for which the information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. Franchisor loans all manuals to Developer for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information during the term of this Agreement, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Facilities to any competitor;

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any Developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Developer's employment of that person if permitted under the Area Development Agreement; and

c. Except with respect to Facilities operated under a valid and existing Franchise Agreement between Developer (or Developer's affiliates) and Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business (as defined below) or a business that is of a character and concept similar to a System Facility. For purposes of this Agreement, a "Competing Business" is defined as any business which generates ten percent (10%) or more of its revenue from the sale of personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that are similar to that offered by a System Facility location, or any business which grants franchises or licenses to others to operate such a Competing Business.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for two (2) years following the earlier of the expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of his association with or employment by Developer, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Facilities to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any franchisee of franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to Facilities operated under Franchise Agreements between Developer and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a System Facility (i) within the Development Area granted to Developer; or (ii) within a twenty-five (25) mile radius of the perimeter of the Development Area being granted to Developer or any other designated territory or development area licensed by Franchisor to a System Facility as of the date of expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of Covenantor's association with or employment by Developer.

Miscellaneous

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

2. 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 a breach, or threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Area Development Agreement, to a temporary and/or permanent injunction and a decree for the specific

performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

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

4. Any failure by Franchisor to object to or take action with respect to any breach 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.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA AND COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT FOR THE MIDDLE DISTRICT OF FLORIDA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY FLORIDA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement 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. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

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

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to

Kommunity Fitness Franchising, Inc.
Attn: Aaron Keay, Chief Executive Officer
1296 Homer Street
Vancouver, BC Canada V6B 2Y5

If directed to Developer, the notice shall be addressed to:

Attention: _____

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

Attention: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor without the prior written consent of Franchisor.

***[THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE]***

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

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

COVENANTOR:

Printed Name: _____

(If Developer is an individual owner,
Developer must sign below; if a partnership,
all partners must sign
below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

EXHIBIT C
To Franchise Disclosure Document

LIST OF STATE AGENTS FOR SERVICE AND STATE ADMINISTRATORS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 651 Bannan Street, Suite 300 Sacramento, CA 95811 (866) 275-2677 or (916) 327-7585	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Ave. State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex, 69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563
Virginia	State Corporation Commission 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 (608) 266-2801	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

EXHIBIT D
To Franchise Disclosure Document

STATE ADDENDA

ADDITIONAL STATE DISCLOSURES

If the franchise being awarded is subject to the franchise-specific laws of one (1) or more of the following states because (a) the franchise prospect is a resident of that state, and/or (b) the franchise rights being awarded in within that state, as applicable under the specific state statute(s) at issue, the addendum (or addenda) of that state set forth below will apply to the franchise documents and should be entered into with Franchisor.

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

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

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

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

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

The following language is added to the end of Item 3 of the Disclosure Document:

Neither Kommunity Fitness Franchising, Inc., nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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

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

The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement and Area Development Agreement require application of the laws of the State of Delaware. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement and Area Development Agreement require that any dispute not resolved by mediation, if Franchisor elects to submit such dispute to mediation, shall be resolved by litigation. The litigation must be initiated in applicable state or federal court in the State of Delaware. Franchisee will be responsible for reimbursing Franchisor the costs that Franchisor incurred in connection with any litigation in which Franchisor prevails. Franchisor shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with litigation, including reasonable attorney's fees. 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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in section 11(B)(1) and 11(B)(3) of the franchise agreement and Area Development Agreement that is disclosed in Item 17, rows q and r.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT AND THE AREA
DEVELOPMENT AGREEMENT**

Notwithstanding anything to the contrary set forth in the Kommunity Fitness Franchising, Inc. Franchise Agreement or the Kommunity Fitness Franchising, Inc. Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Kommunity Fitness franchises offered and sold in the State of California:

This California Addendum is only applicable if you are a resident of California or if your business is located in California.

1. The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in section 11(B)(1) and 11(B)(3) of the franchise agreement and Area Development Agreement.
2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **FRANCHISEE :** _____

By: _____ By: _____

Title: _____ Title: _____

ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything in the Franchisor's FDD to the contrary, the parties agree and acknowledge as follows:

Illinois law governs the Franchise Agreement and Area Development Agreement with regards to any state-specific claim arising out of Illinois franchise laws or franchise regulations.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and/or Area Development Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration and/or mediation to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and Area Development Agreement are specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement and, if applicable, Area Development Agreement, agree as follows:

Illinois law shall govern the Franchise Agreement and Area Development Agreement with regards to any and all claims arising out of or based upon an Illinois franchise-specific law or regulation that is applicable to the sale/awarding of the franchise right(s) at issue.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for mediation and/or arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **FRANCHISEE :** _____

By: _____ By: _____

Title: _____ Title: _____

MARYLAND

ADDENDUM TO DISCLOSURE DOCUMENT

1. With respect to each Chart in Item 17 of the FDD, the “**Summary**” section of (a) Item 17(b) entitled **Renewal or Extension of the Term**, and (b) Item 17(m) entitled **Conditions for franchisor approval of transfer**, are hereby amended by adding the following:

Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The “**Summary**” section of Item 17(h) of each Chart in Item 17, entitled “**Cause**” **defined – non-curable defaults**, is amended by adding the following:

The Franchise (and, if applicable, Development) Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of each Chart disclosed in Item 17:

Despite any contradicting provision in the Franchise Agreement (and, if applicable, Area Development Agreement), you have three (3) years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided such laws are applicable to the awarding of the franchise right(s) at issue.

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and Area Development Agreement are specifically amended as follows:

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Section 21(I) of the Franchise Agreement shall be supplemented by the following additional language:

PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise 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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **FRANCHISEE :** _____

By: _____

By: _____

Title: _____

Title: _____

MINNESOTA

ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

Item 13 **Trademarks** is amended by adding the following:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17 **Renewal, Termination, Transfer and Dispute Resolution** in each Chart disclosed in this Item 17 is amended by adding the following:

Renewal and Termination With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

Choice of Forum Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Releases A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.22.

These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

MINNESOTA

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and, if applicable, Area Development Agreement are hereby specifically amended as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement ("Agreement") agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

The franchisee cannot consent to franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. *See* Minn. Rule 2860.4400J. A court will determine if a bond is required.

Nothing in the Disclosure Document or the Franchise Agreement (and, if applicable, Area Development Agreement) can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Any claims brought pursuant to the Minnesota Franchises Act, § 80C.01 et seq. must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement or Area Development Agreement imposes a different limitations period for such claims, the provision of the Act shall control.

Fees for NSF checks shall be subject to a maximum amount of thirty dollars (\$30.00).

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC.

FRANCHISEE: _____

By: _____

By: _____

Title: _____

Title: _____

NEW YORK

ADDENDUM TO DISCLOSURE DOCUMENT

5. 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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

6. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies 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.

7. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for a 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 provision that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

8. 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.

9. 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 the franchisee by Article 33 of the General Business Law of the State of New York.

10. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

11. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 **Renewal, Transfer, Dispute Resolution, Choice of Forum, and Choice of Law** in each Chart disclosed in this Item 17 is amended by adding the following:

Renewal With respect to franchises governed by North Dakota law, we will comply with Section 51-19-09 of the North Dakota Franchise Investment Law, which will not allow for franchisees to sign a general release upon renewal of the Franchise Agreement.

Transfer With respect to franchises governed by North Dakota law, we will comply with Section 51-19-09 of the North Dakota Franchise Investment Law, which will not allow for franchisees to sign a general release upon a transfer of the Franchise Agreement.

Dispute Resolution Nothing in the Disclosure Document or Franchise Agreement can control the location if mediation is to take place between Franchisee and Franchisor as provided for in Section 51-19-09 of the North Dakota Franchise Investment Law.

Choice of Forum Nothing in the Disclosure Document or Franchise Agreement can control the jurisdiction of courts as provided for in Section 51-19-09 of the North Dakota Franchise Investment Law.

Choice of Law The Franchise Agreement will be governed by the laws of North Dakota with respect to Section 51-19-09 of the North Dakota Franchise Investment Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NORTH DAKOTA

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and, if applicable, Area Development Agreement are hereby specifically amended as follows:

In recognition of the Section 51-19-09 of the North Dakota Franchise Investment Law the parties to the attached Franchise Agreement (“Agreement”) agree as follows:

Franchisees will not be required to sign a general release upon renewal of the Franchise Agreement.

Franchisees will not be required to sign a general release upon a transfer of the Franchise Agreement.

The location of any mediation is to take place at a location mutually agreed on by the Franchisee and Franchisor.

The jurisdiction of courts will be mutually agreed to by the Franchisee and Franchisor.

The Franchise Agreement will be governed by the laws of North Dakota.

Franchisee is not required to consent to a waiver of trial by jury.

Franchisee is not required to consent to a waiver of exemplary and punitive damages.

Any claims brought. must be brought within 10 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement or Area Development Agreement imposes a different limitations period for such claims, the provision of the Section 51-19-09 of the North Dakota Franchise Investment Law shall control.

The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **Franchisee :** _____

By: _____ By: _____

Title: _____ Title: _____

RHODE ISLAND

ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) of each Chart disclosed in Item 17, entitled “**Choice of Forum**”:

... ,except as otherwise required by the Rhode Island Franchise Investment Act

RHODE ISLAND

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 21(A) of the Franchise Agreement, as well as Section 21(A) of the Area Development Agreement, each entitled “**GOVERNING LAW**”, are amended by adding the following at the end of this provision:

§19-24.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **Franchisee:** _____

By: _____ By: _____

Title: _____ Title: _____

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document (or “FDD”) for Kommunity Fitness Franchising, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is 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 ground for default or termination stated in the franchise agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Agreement and Area Development Agreement for Kommunity Fitness Franchising, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

KOMMUNITY FITNESS FRANCHISING, INC. **Franchisee :** _____

By: _____ By: _____

Title: _____ Title: _____

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND RELATED AGREEMENTS

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

Section 1 of the Franchise Agreement ("Preambles, Acknowledgments and Representations of Franchisee") is stricken for franchisees in Washington.

Section 3.B.4 of the Franchise Agreement shall not apply to franchisees in Washington.

The following sentence within Section 5.N of the Franchise Agreement ("Pre-Opening Obligations Acknowledgment") is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2) while the

remainder of Section 5.N of the Franchise Agreement shall remain unaltered: “Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.”

The following sentence within Section 9.B of the Franchise Agreement (“Approval for all Advertising/Promotional Materials”) is stricken in accordance to RCW 19.100.180 while the remainder of Section 9.B of the Franchise Agreement shall remain unaltered: “If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected.”

Section 13.B.1 of the Franchise Agreement is amended as follows:

“In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors), Franchisee’s legal representative, or Franchisee’s partner’s or guarantor’s respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as “Franchisee” under this Agreement if: (i) within one hundred eighty (180) days from the date of death, disability or incapacity (the “180 Day Period”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s training program (which Franchisor will provide at Franchisor’s then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.”

The first sentence of Section 13.B.2. of the Franchise Agreement shall be amended as follows while the remainder of Section 13.B.2 of the Franchise Agreement shall remain unaltered: “Franchisor is under no obligation to operate the Franchised Business or incur any obligation on behalf of any incapacitated franchisee during or after the 180 Day Period.”

Section 13.E.3 of the Franchise Agreement is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

The post-termination non-competition provisions in Section 14.B of the Franchise Agreement (“After the Term of This Agreement”) and Section 11.B.3 of the Area Development Agreement may not be enforceable in Washington.

Section 14.E of the Franchise Agreement (“No Defense”) is stricken in accordance with RCW 19.100.180(1), RCW 19.100.180(2)(g), and RCW 19.100.220(2).

Section 15 of Exhibit E to the Franchise Agreement (“Confidentiality and Restrictive Covenant Agreement”) is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

In accordance with RCW 19.100.180(2), Section 16.H of the Franchise Agreement (“Franchisor’s Option to Purchase Operating Assets”) shall be amended such that Franchisor shall purchase the assets referenced in the statute at their fair market value at the time of the expiration of the franchise based on Franchisor’s refusal

to renew or the termination of the Franchise Agreement upon an expiration or termination with good cause, with such amounts permitted to be offset by any amounts owed by Franchisee to Franchisor.

Section 21.I. of the Franchise Agreement, Article IV, Section 9 of Exhibit B to the Franchise Agreement (“Personal Guaranty”), and Section 22.F of the Area Development Agreement are stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

The following sentence within Section 23.A of the Franchise Agreement is stricken while the remainder of Section 23.A of the Franchise Agreement shall remain unaltered: “Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson.”

The following within Section 23.B of the Franchise Agreement is stricken while the remainder of Section 23.B of the Franchise Agreement shall remain unaltered: “and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee for any reason.”

The following sentence within Section 23.G of the Area Development Agreement (“Construction/Integration Clause”) is stricken while the remainder of Section 23.G of the Area Development Agreement shall remain unaltered: “Except as may have been disclosed at Item 19 of Franchisor’s Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.”

Section 23.G.4 of the Area Development Agreement and Section 23.G.5 of the Area Development Agreement are stricken.

The following sentence within Section 24.B of the Area Development Agreement is stricken while the remainder of Section 24.B of the Area Development Agreement shall remain unaltered: “Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.”

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

The undersigned does hereby acknowledge receipt of this Addendum and agree as such:

KOMMUNITY FITNESS FRANCHISING, INC.	Franchisee: _____
By: _____	By: _____
Title: _____	Title: _____

EXHIBIT E
To Franchise Disclosure Document
LEARNING MANAGEMENT SYSTEM TABLE OF CONTENTS

****KOMMUNITY FITNESS OPERATIONS MANUAL****

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SECTION 1: BRAND FOUNDATION & OPERATING PRINCIPLES (Pages 1–8)

- 1.1 Brand Purpose, Vision, and Promise
- 1.2 Brand Personality and Experience Standards
- 1.3 Core Values and Team Expectations
- 1.4 Operating Principles and Decision Framework

SECTION 2: BUSINESS MODEL & ORGANIZATIONAL STRUCTURE (Pages 9–18)

- 2.1 Studio Concept Overview
- 2.2 Revenue Streams and Membership Model
- 2.3 Organizational Structure and Roles
- 2.4 Decision Rights and Escalation Protocol

SECTION 3: STUDIO STANDARDS & DAILY OPERATIONS (Pages 19–32)

- 3.1 Studio Non-Negotiables
- 3.2 Presentation and Cleanliness Standards
- 3.3 Daily Operating Rhythm
- 3.4 Opening and Closing Procedures
- 3.5 Pre-Class and Post-Class Execution
- 3.6 Downtime and Maintenance Standards

SECTION 4: MEMBER EXPERIENCE & JOURNEY (Pages 33–48)

- 4.1 Member Lifecycle Overview
- 4.2 First-Time Guest Experience
- 4.3 Check-In and Front Desk Standards
- 4.4 Studio Tour Protocol
- 4.5 Post-Class Engagement
- 4.6 Retention Strategy
- 4.7 Service Recovery and Complaint Handling

SECTION 5: SALES & CONVERSION PLAYBOOK (Pages 49–64)

- 5.1 Sales Philosophy
- 5.2 Lead to Member Funnel
- 5.3 First-Time Conversion Process
- 5.4 Sales Scripts and Objection Handling
- 5.5 CRM and Follow-Up Standards
- 5.6 Sales KPIs and Accountability

SECTION 6: CLASS DELIVERY & COACHING STANDARDS (Pages 65–82)

- 6.1 Instructor Role and Expectations
- 6.2 Class Structure and Flow
- 6.3 Coaching Standards and Cueing

6.4 Programming Integrity

6.5 Coach Communication and Talk Tracks

6.6 Safety and Modifications

SECTION 7: PROGRAMMING & PRODUCT DELIVERY (Pages 83–94)

7.1 Weekly Programming Structure

7.2 Periodization Model

7.3 Class Types and Objectives

7.4 Coaching Translation Standards

SECTION 8: STAFFING, TRAINING & CERTIFICATION (Pages 95–110)

8.1 Hiring Standards

8.2 Onboarding Process (All Roles)

8.3 Instructor Training Pathway

8.4 Front Desk Training

8.5 Franchise Partner Training (3-Day Onsite, 8 hrs/day)

8.6 General Manager Training (3-Day Onsite, 8 hrs/day)

8.7 Assessment and Certification Requirements

SECTION 9: GENERAL MANAGER & LEADERSHIP PLAYBOOK (Pages 111–124)

9.1 GM Role and Responsibilities

9.2 Daily, Weekly, Monthly Cadence

9.3 Team Management and Accountability

9.4 Performance Management

9.5 Operational Leadership Standards

SECTION 10: MARKETING & PRE-SALE SYSTEM (Pages 125–138)

10.1 Local Marketing Strategy

10.2 Social Media and Content Standards

10.3 Pre-Sale Timeline (90 / 60 / 30 Days)

10.4 Lead Generation System

10.5 Grand Opening Execution

SECTION 11: KPI DASHBOARD & PERFORMANCE MANAGEMENT (Pages 139–150)

11.1 Key Metrics Overview

11.2 Sales and Conversion Metrics

11.3 Retention and Engagement Metrics

11.4 Operational Performance Metrics

11.5 Reporting Cadence

SECTION 12: SAFETY, COMPLIANCE & SYSTEMS (Pages 151–162)

12.1 Safety and Incident Protocol

12.2 Facility and Equipment Standards

12.3 Communication Standards

12.4 Technology Systems and Tools

12.5 Compliance and Brand Protection

SECTION 13: APPENDICES & TOOLS (Pages 163–180)

13.1 Checklists (Opening, Closing, Daily)

13.2 Sales Scripts

13.3 Class Templates

13.4 Job Descriptions

13.5 Approved Systems and Vendors

EXHIBIT F
To Franchise Disclosure Document
LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENTLY OPERATING FRANCHISEES AS OF DECEMBER 31, 2025:

Franchisee Name	Business Address	Business Number
None		

**FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENTS BUT NOT YET
OPENED FRANCHISED BUSINESS AS OF DECEMBER 31, 2025:**

Franchisee Name	City and State	Contact Number
None		

**LIST OF FORMER FRANCHISEES THAT LEFT OUR SYSTEM IN THE PAST
FISCAL YEAR ENDING DECEMBER 31, 2025, OR THAT HAVE FAILED TO
COMMUNICATE WITH US IN THE PAST 10 WEEKS:**

Name	City and State	Contact Number
None		

EXHIBIT G
To Franchise Disclosure Document

SAMPLE FORM OF GENERAL RELEASE

This General Release ("Release") is made and entered into on this _____ day _____ of _____, 20__ by _____ and _____ between FBX ("Franchisor") and _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a Kommunity Fitness Franchising, Inc. Franchise Agreement (the "Franchise Agreement") dated _____, 20__, granting Franchisee the right to operate a franchised business utilizing Franchisor's then-current (a) proprietary marks and (b) system of operations, at the following location: _____.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasors"), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasees"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist.

Each of the Releasors expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing a release, which if known by him or her must have materially affected his or her settlement with the debtor.

Each of the Releasors hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Releasors acknowledge and agree that they have read the terms of this Release,

they fully understand and voluntarily accept the terms, and that they have entered into this Release voluntarily and without any coercion.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first above written.

FRANCHISOR

FRANCHISEE

By:_____

By:_____

Name: _____

Name:_____

Title:_____

EXHIBIT H
To Franchise Disclosure Document
FINANCIAL STATEMENTS



KOMMUNITY FITNESS
FRANCHISING, INC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
JANUARY 31, 2026



KOMMUNITY FITNESS FRANCHISING, INC

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Statement of stockholder's equity	7
Statement of cash flows	8
Notes to the financial statements	9



Independent Auditor's Report

To the Stockholder
Kommunity Fitness Franchising, INC
Vancouver, BC Canada V6B 2Y5

Opinion

We have audited the accompanying financial statements of Kommunity Fitness Franchising, INC, which comprise the balance sheet as of January 31, 2026, and the related statements of operations, stockholder's equity, and cash flows for the period from inception (September 9, 2025) to January 31, 2026, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kommunity Fitness Franchising, INC, as of January 31, 2026 and the related statements of operations, stockholder's equity and cash flows for the period from inception (September 9, 2025) to January 31, 2026 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Kezas & Dunlavy

St. George, Utah
March 13, 2026

KOMMUNITY FITNESS FRANCHISING, INC
BALANCE SHEET
As of January 31, 2026

	<u>2026</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 54,025
Stockholder note receivable	<u>22,980</u>
Total current assets	<u>77,005</u>
 Total assets	 <u><u>\$ 77,005</u></u>
 Liabilities and Stockholder's Equity	
Liabilities	\$ -
 Stockholder's equity	
Common stock, \$0.00 par value, 1000 shares authorized, 1000 shares issued and outstanding	-
Additional paid in capital	99,985
Retained earnings	<u>(22,980)</u>
Total stockholder's equity (deficit)	<u>77,005</u>
Total liabilities and member's equity	<u><u>\$ 77,005</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements

KOMMUNITY FITNESS FRANCHISING, INC
STATEMENT OF OPERATIONS
For the period from inception (September 9, 2025) to January 31, 2026

	<u>2026</u>
Operating revenues	\$ -
Operating expenses	
Franchise development costs	<u>22,980</u>
Total operating expenses	<u>22,980</u>
Net loss	<u><u>\$ (22,980)</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements

KOMMUNITY FITNESS FRANCHISING, INC
STATEMENT OF STOCKHOLDER'S EQUITY
For the period from inception (September 9, 2025) to January 31, 2026

	Common Stock		Additional Paid in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at September 9, 2025 (Inception)	-	-	-	-	-
Issuance of common stock	1,000	-	-	-	-
Capital contribution	-	-	99,985	-	99,985
Net loss	-	-	-	(22,980)	(22,980)
Balance at January 31, 2026	<u>1,000</u>	<u>\$ -</u>	<u>\$ 99,985</u>	<u>\$ (22,980)</u>	<u>\$ 77,005</u>

The accompanying notes to the financial statements are an integral part of these financial statements

KOMMUNITY FITNESS FRANCHISING, INC
STATEMENT OF CASH FLOWS
For the period from inception (September 9, 2025) to January 31, 2026

	<u>2026</u>
Net loss	\$ (22,980)
Adjustments to reconcile net income to net cash provided by operating activities:	
Shareholder loan	<u>(22,980)</u>
Cash flows provided (used) by operating activities	<u>(45,960)</u>
Cash flows from financing activities:	
Capital contributions	<u>99,985</u>
Cash flows provided by financing activities	<u>99,985</u>
Net change in cash and cash equivalents	54,025
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 54,025</u>
Supplemental disclosures of cash flow	
Cash paid for interest and taxes	\$ -

The accompanying notes to the financial statements are an integral part of these financial statements

KOMMUNITY FITNESS FRANCHISING, INC

NOTES TO THE FINANCIAL STATEMENTS JANUARY 31, 2026

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Kommunity Fitness Franchising, INC (the "Company") was incorporated in Delaware on September 9, 2025. The Company was formed for the purpose of franchising boutique group fitness studios operating under the Kommunity Fitness brand. The Company's sole stockholder is a NA Kommunity Fitness Canadian Corp, a Canada based corporation.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending July 31 of each year. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission ("SEC"), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of January 31, 2026, the Company had cash and cash equivalents of \$54,025.

(e) Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are classified as noncurrent. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," ("formerly FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize

KOMMUNITY FITNESS FRANCHISING, INC

NOTES TO THE FINANCIAL STATEMENTS JANUARY 31, 2026

tax positions that meet a "more likely than not" threshold. The Company did not make any adjustment to opening retained earnings as a result of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax years ended January 31, 2026, for U.S. Federal Income Tax and for the State of Delaware. As of January 31, 2026, no years were open to examination.

The Company has incurred net operating losses that give rise to deferred tax assets. Management has evaluated the realizability of these deferred tax assets and concluded that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a full valuation allowance against the deferred tax assets related to these net operating loss carryforwards.

The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense.

(f) Financial Instruments

For certain of the Company's financial instruments, such as cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

(g) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Stockholder Note Receivable

During the period ended January 31, 2026, the Company advanced funds to the sole stockholder in the amount of \$22,980. The amount does not bear interest and is due upon call.

(3) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(4) Subsequent Events

Management has reviewed and evaluated subsequent events through March 13, 2026, the date on which the financial statements were issued.

EXHIBIT I
To Franchise Disclosure Document
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state:

STATE	EFFECTIVE DATE
CALIFORNIA	
HAWAII	
ILLINOIS	
INDIANA	
MARYLAND	
MICHIGAN	November 24, 2025
MINNESOTA	
NEW YORK	
NORTH DAKOTA	
RHODE ISLAND	
SOUTH DAKOTA	
VIRGINIA	
WASHINGTON	
WISCONSIN	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J
To Franchise Disclosure Document
RECEIPTS

RECEIPT

This disclosure document summarizes provisions of the Franchise Agreement and/or Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Kommunity Fitness Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If Kommunity Fitness Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and in the state agency listed on Exhibit "C."

The Franchisor is Kommunity Fitness Franchising, Inc., located at 1296 Homer Street, Vancouver, BC Canada V6B 2Y5, with a telephone number at (604) 481-1296.

Issuance Date: April 3, 2026

Kommunity Fitness Franchising, Inc. authorizes the respective state agencies identified on Exhibit "C" to receive service of process for it in the particular state.

I received a disclosure document dated April 3, 2026 that included the following Exhibits:

A – Franchise Agreement and Attachments	F – List of Current and Former Franchisees
B – Area Development Agreement and Attachments	G – Sample Release Agreement
C – List of State Agencies and Agents for Service of Process	H – Financial Statements
D – State Addenda	I – State Effective Dates
E – Table of Contents of Manual	J – Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

Aaron Keay	1296 Homer Street, Vancouver, BC Canada V6B 2Y5	(604) 481-1296
Mike Gray	1296 Homer Street, Vancouver, BC Canada V6B 2Y5	(604) 481-1296
Nathan Malloy	PO Box 96, Elkhorn, NE 68022	(605) 254-7983

Individual, Corporation or Limited Liability Company Information:

By: _____
Print Name: _____
Title: _____

Name of Entity: _____
Address: _____
Telephone Number: _____
Date: _____

KEEP THIS COPY FOR YOUR RECORDS.

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By: _____
Print Name: _____
Title: _____

Name of Entity: _____
Address: _____
Telephone Number: _____
Date: _____

PLEASE RETURN THIS COPY TO US:

By mail to Kommunity Fitness Franchising, Inc. at
1296 Homer Street, Vancouver, BC Canada V6B 2Y5
Attn: Aaron Keay