FRANCHISE DISCLOSURE DOCUMENT

NexGen Fitness Franchising Corporation
a Texas Corporation
130 N Preston Rd. Suite 108 Prosper TX 75078
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A NexGen Fitness Franchised Business offers private personal, fitness services, and small group training.

The total investment necessary to begin operation of a NexGen Fitness Franchised Business is $208,500 to~~$208,500 to~~~~$208,500 to~~ $856,400~~$856,400~~~~$856,400~~ This includes $59,347 that must be paid to the franchisor and its affiliate(s).

The additional total investment necessary to begin operation of a NexGen Fitness Area Developer Franchise is $238,400 to~~$238,400 to~~~~$238,400 to~~ $976,000~~$976,000~~~~$976,000~~. This includes between $89,247 to $178,947 that must be paid to franchisor and its affiliate(s). You must open a minimum of one additional NexGen Fitness Franchised Business under an Area Development Agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Bryan Whatley at 130 N Preston Rd, Suite 108 Prosper TX 75078 and 844-4NEXGEN (844-463-9436).

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 contracts 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: ~~June 22, 2023~~ April 29, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT G.
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 I 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 NexGen 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 NexGen Fitness Franchising Corporation franchisee?	Item 20 or EXHIBIT G and EXHIBIT H 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 F.

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

Special Risks to Consider About *This* Franchise

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

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

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

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

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

The Franchisor.

To simplify the language in this disclosure document, "NexGen Fitness Franchising Corporation," "NexGen Fitness," "we" or "us" means NexGen Fitness Franchising Corporation the franchisor. "You" means the business entity that buys the franchise, and includes each partner, shareholder, member, or another owner of that entity. NexGen Fitness Franchising Corporation is a Texas Corporation formed on February 7, 2019. Our principal office is located at 130 N Preston Rd, Suite 108 Prosper TX 75078. Our agents for service are listed in EXHIBIT F.

Predecessors, Parents, and Affiliates.

We do not have any parents. NexGen Fitness Corporation, Texas Corporation with an address of 130 N Preston Rd, Suite 108 Prosper TX 75078 is our predecessor pursuant to an asset purchase In February of 2019.

We do not have any affiliates, parents, or predecessors that offer franchises in any other line of business. Bryan Whatley, LLC, with an address of 130 N Preston Rd, Suite 108 Prosper TX 75078 offered NexGen Fitness licenses during the years 2014 to 2018. As of December 31, ~~2022~~2023, there were and are currently ~~4~~ 3 open and operating NexGen Fitness licensees in Texas.

NexGen Fitness Prosper, LLC, our affiliate, owns and operates a NexGen Fitness Business like the franchises offered in this disclosure document.

We do not have any parents or affiliates that offer franchises in any line of business.

Our Other Business Activities.

In addition to the franchises offered in this disclosure document, we are and have been the Franchisor of the NexGen Fitness Area Representative franchised business since Febrary of 2019. As of December 31, ~~2022~~2023, there was ~~1~~ 2 ~~—~~ 2 NexGen Fitness Area Representative outlets. We are also an exclusive suppler of apparel, NexGen Fitness software and computer applications, and Leadership Training to NexGen Fitness Franchisees.

Our Business and the Franchise Offered.

We do business under the name NexGen Fitness and no other names. A NexGen Fitness franchised business offers private personal, fitness services, and small group training from a real property space ("Site"). We offer the franchises under the form of franchise agreement attached to this disclosure document (the "Franchise Agreement").

As a NexGen Fitness franchisee, you will use specialized business formats and systems, called the "System," which we may modify, supplement, and update. You will use certain service or

trademarks and other commercial symbols referring to as the NexGen Fitness brand, products, and services, which we call the "Marks." NexGen Fitness Franchised Businesses must provide all and only NexGen Fitness products and services unless we consent in writing.

If you desire and qualify to develop multiple NexGen Fitness Franchised Businesses, we offer the opportunity to enter into an Area Development Agreement with us (the "Area Development Agreement"). Under an Area Development Agreement, you are granted the ability to develop multiple NexGen Fitness Franchised Businesses within a designated area (the "Development Area") in accordance with a development schedule specified in the Area Development Agreement (the "Development Schedule"). Our current form of Area Development Agreement is attached as Exhibit "B" to this Disclosure Document.

For each Franchised Business that you open, you must sign a then-current form of NexGen Fitness Franchise Agreement. If you do not open your Franchised Businesses per the Development Schedule, we may terminate the Area Development Agreement, you will lose the ability to develop other NexGen Fitness Franchised Businesses under the Area Development Agreement, we may keep the full development fee, which you paid; however, the Franchise Agreements for the NexGen Fitness Franchised Business already opened will not be terminated, because you did not follow the Development Schedule.

We may continue to develop new products and services, but we are not obligated to do so. If we do develop new products or services, we may offer you the opportunity to provide such products or services, but we are not required to offer you such opportunity, and if we do, we may require you to take additional training, pay additional fees, sign additional ~~agreements~~agreements, or meet other requirements.

You have no obligation or ~~right,~~right to open any additional NexGen Fitness Franchised Businesses unless you sign an Area Development Agreement.

Industry-Specific Regulations.

In addition to laws governing business generally, such as the Americans with Disabilities Act, Federal Wage, and Hour Laws, and the Occupation, Health, and Safety Act, some states have portable automated external defibrillator AED laws that may require business registration, CPR and first aid training, bond mandates, and defibrillator and other equipment onsite.

You should check your state and local statutes, regulations, laws, licensure requirements, and ordinances specific to your state or local area. It is your responsibility to investigate and comply with all laws affecting your Franchised Business.

General Description of the Market and Competition.

The private personal, fitness services and small group training industry has limited direct competition from local individual personal trainers. The private personal, fitness services and small group training industry is not seasonal.

The target audience for NexGen Fitness businesses is high income, middle-aged men and women. We offer personalized fitness training to a wide variety of clientele at different fitness levels, ranging from teenagers to adults and from sedentary clients to competitive athletes.

Clients work with their own personal trainer, by appointment only, in the privacy of individual training studios. The goal is to provide clients with the highest quality, private, personal training in an upscale and fun atmosphere.

Prior Business Experience.

Bryan Whatley, LLC, our affiliate, operated businesses like the NexGen Fitness franchises being offered in this disclosure document from 2012 to 2023 and is the current licensor of 3 NexGen Fitness licensed locations as of December 31, ~~2022~~2023. NexGen Fitness Prosper, LLC, our affiliate, owns and operates a NexGen Fitness Business like the franchises offered in this disclosure document. We began offering the franchises being offered in this disclosure document since June of 2018.

ITEM 2. BUSINESS EXPERIENCE

Bryan Whatley, President

Mr. Whatley is and has been our President and the President of NexGen Fitness Corporation since their inception in February of 2019 and September of 2013. Mr. Whatley is also the Owner of our affiliates, Bryan Whatley, LLC, NexGen Fitness Prosper, LLC and NexGen Nutrition, LLC since their respective inceptions in October of 2011, June of 2018 and October 2022.

Paula Whatley, CFO

Ms. Whatley is and has been our CFO since April of 2019. She was formally the Director of Internal Audit for Builders FirstSource located in Dallas, TX from 2005 to 2019.

Bryson Gresham, Director of Business Operations

Mr. Gresham is and has been our Director of Business Operations since January of 2023. He is currently the owner of NexGen Allen, LLC. Prior Mr. Gresham was the owner of BTG Gresham Enterprises, LLC. from 2010 to 2023.

Brian Andrews, Director of Fitness

Mr. Andrews is and has been our Director of Fitness since June of 2021. He is currently the owner of GATB Fitness Southlake LLC, and the Area Representative Franchisee for Oklahoma, since 2018. Prior Mr. Andrews was the owner of BA Fitness, LLC, which owned the NexGen Fitness franchise location in Norman, OK, from 2018 to 2020.

Jenny Whatley, Director of Programming

Mrs. Whatley is and has been our Director of Programming since February 2019. Prior, Mrs. Whatley was the Director of Programming with NexGen Fitness Corporation in Prosper, Texas, from August 2013 to February 2019.

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.

The NexGen Fitness initial franchise fee is $34,900. The initial franchise fee is uniformly charged for all franchises currently being offered. You must pay the initial franchise fee in full when you sign the franchise agreement. The initial franchise fee is considered fully earned and is nonrefundable.

Area Development Fee.

The Area Development Agreement is $29,900 per additional franchise. The Area Development Fee depends on the number of additional franchises you purchase. For example, if you purchase one additional franchise, the Area Development Fee will be $29,900; if you purchase 5 additional franchises, the Area Development Fee will be $119,600. You must pay the Area Development Fee in full when you sign the Area Development Agreement. You must open a minimum of one additional NexGen Fitness Franchised Business under an Area Development Agreement. Under an Area Development Agreement, there is no maximum number of additional NexGen Fitness Franchised Businesses. The Area Development Fee is uniformly charged for all area development agreements currently being offered. The area development fee is considered fully earned and nonrefundable upon payment.

Other Initial Fees.

You need to pay us $1,000 for an apparel Startup Package, $350 per month ($1,050 for three months) for Leadership Training, and a Technology Fee in the amount of $799 per month ($2,397

for three months). You must also pay us a Project Management Fee in the amount of $20,000 upon signing the Franchise Agreement.. This amount is paid to us for project management for the unit opening, website page development, real estate site review and other work directly related to the Franchise going from signing to opening of the Franchised Business. The amounts for the Startup Package, Leadership Training, NexGen U Program, and Technology Fee are uniformly charged to all franchisee. The Startup Package, Leadership Training and Technology Fee are considered fully earned and nonrefundable upon payment.

~~Discounts.~~

~~/eterans Discount~~

~~We offer a 10% discount on the Initial Franchise Fee to honorably discharged U.S. military 'eterans as an appreciation and financial incentive.~~

~~:mployee Discount~~

~~We offer a 10% discount on the Initial Franchise Fee to qualifying NexGen Fitness employees is an appreciation and financial incentive.~~

~~We reserve the option to discount initial fees, discontinue discount(s) offers at any time or offer new discounts in the future.~~

The initial fees are not refundable under any circumstances. Except as explained and listed above, the Initial fees are uniformly calculated for all Franchised Businesses currently being offered.

ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Revenues[1] or $1,750, whichever is greater	10th of each month	Royalty Fees are payable by electronic funds transfer.
National Advertising Contributions	5% of Gross Revenues or $500 per month, whichever is higher	10th of each month	National Advertising Contributions are contributions to the National Advertising Fund payable by electronic funds transfer.

Name of Fee	Amount	Due Date	Remarks
Local Advertising	$3,000[2]	As incurred	Local Advertising is monies that you spend to promote your business in your Territory.
Regional Advertising Cooperative	1% of Gross Revenues	As incurred	The amount is determined by the Cooperative but will not exceed the amount equal to 1% of Gross Revenues.
Project Management Fee [6]	$20,000	Upon Signing the Franchise Agreement	This amount is paid to us for project management for the unit opening, website page development, real estate site review and other work directly related to the Franchise going from signing to opening of the Franchised Business.
Leadership Training [3]	$350 per month	Monthly	This amount is paid to us for the Initial Leadership Training Program. You must participate in the Leadership Training Program for no less than 1 year upon commencement of your Franchised business.
Technology	$799 plus $10 for each email account above the 2 email accounts included in the Technology Fee	Monthly	This amount is paid to us for the use of NexGen Fitness software and computer applications.
Late Fees	$50 per day	Upon demand	A late fee must be paid on any payment to us that is more than 1 day late.
Interest	18% per annum	Upon demand	In addition to the Late Fee, interest is assessed on any payment to us that is more

Name of Fee	Amount	Due Date	Remarks
			than 30 days late. The interest accrues from the date the payment was due.
Insurance[4]	Amount of premium paid by NexGen Fitness Franchising Corporation plus 20%	Upon demand	If you do not purchase insurance coverage as required, you must reimburse us this amount to secure insurance coverage.
Additional Training and Conventions[5]	$750 per day plus travel expenses for onsite assistance and $5,000 for each additional initial training attendee and a per diem fee for other trainings and conventions	Upon your registration for program or meeting	For training beyond the initial training, you must pay the current training fee.
Transfer Fee	$10,000	Prior to transfer of franchise	Transfer includes any sale, assignment, conveyance, giving away, pledging, mortgaging, or otherwise encumbering any interest in ownership in the Franchised Business assets outside of the normal course of business or ownership rights.
Renewal Franchise Fee	$10,000	At least 9 months before the expiration of the franchise	In addition to paying this fee, other conditions must be met as listed in the Franchise Agreement.
Interim Franchise Royalty Fees	Franchisor's then-current Royalty Fee plus 4%	10th of each month when applicable	An Interim Franchise Fee applies if your Franchise Agreement expires, no renewal franchise agreement is signed, and you continue operation of the Franchised Business.

Name of Fee	Amount	Due Date	Remarks
Relocation Fee	Variable	When applicable	If you relocate your franchise business, you must reimburse us the cost and expense we incur in connection with your relocation.
Supplier Approval	Variable	When applicable	To approve a supplier, we require the reimbursement of any costs or expenses we incur in approving the supplier.
Audit	All costs of inspection and audit	Upon demand	You must reimburse us audit expenses, and any owed royalties, if an audit reveals you under-reported Gross Revenues by 3% or more
Cost of Enforcement	Cost including attorney fees	Upon demand	You must reimburse us for all costs to enforce obligations under the Franchise Agreement if we prevail.
Indemnification	Cost including attorney fees	Upon demand	You must defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business.
Sales/Use Taxes	Variable	Payable with your royalty fee or National Advertising Contribution payments	You must pay any state or local sales or use tax that may be assessed on fees paid to us.

Notes:

[1]"Gross Revenues" means any and all money and other consideration you receive in connection with the ownership or operation of your Franchised Business and from the sale of any authorized products and services or from the sale of any goods or services under the Marks. Gross Revenues do not include sales or excise taxes that are separately stated and that you are required to collect from customers and pay to a governmental taxing authority.

[2] You are free to determine how much you spend on local. Notwithstanding, we require you expend at a minimum $3,000 per month to promote your Franchised Business locally.

[3] We may increase the Leadership Training Fee upon a 30 day written notice to you.

[4] You must purchase insurance in the following amounts and coverage: (a) General Liability Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (b) Automobile Insurance in the minimum amount of $1,000,000 per occurrence; (c) Errors and Omissions Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (d) Property Insurance in the minimum amount an amount sufficient to replace the equipment, the Franchised Business Site, if any, and personal property upon loss or damage; (e) Business Interruption Insurance in the minimum amount of $500,000; (f) Theft Insurance in the amount of $50,000; (g) Building Insurance in an amount sufficient to replace the Franchise Premises; (h) Umbrella Liability Insurance in the minimum amount of $1,000,000; (i) sexual abuse and molestation limits not less than $1,000,000. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in the franchise agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against You.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

Your insurance policies must insure us, you, and our respective affiliates, subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of your Business. Your policies of insurance will contain a separate endorsement naming us and our affiliates as additional named insureds. You are required to submit an insurance certificate to our office on an annual basis

[5] We provide a tuition-free initial NexGen Fitness training program which includes orientation to the NexGen Fitness Franchising Corporation system; customer service; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. The training lasts up to 3 to 5 days or less depending on your existing experience level. We provide onsite assistance at our then current rate, which current is $750 per day plus travel expenses. We offer Initial Franchise Training for $5,000 for each additional initial training attendee and a per diem fee paid by the franchisee for other trainings and conventions, currently.

All fees are nonrefundable and uniformly imposed on all new franchisees. Some franchisees under past or future versions of our franchise agreement may be obligated to pay more, less, or different fees than what is listed here.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	$34,900	Lump sum via Check or Wire	Upon Signing the Franchise Agreement	Us
Project Management Fee[1]	$20,000	Lump sum via Check or Wire	Upon Signing the Franchise Agreement	Us
Leasehold Improvements	$50,000 to $400,000	As incurred	Before Beginning Operations	Contractor
Real Estate/Rent[2]	$2,500 to $25,000	As incurred	Before Beginning Operations	Lessor
Utility Deposits[3]	$300 to $1,500	As incurred	Before Beginning Operations	Utilities
Furniture, Fixtures & Equipment[4]	$50,000 to $200,000	As incurred	Before Beginning Operations	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Inventory[5]	$500 to $10,000	As incurred	Before Beginning Operations	Us and/or Suppliers
Insurance[6]	$4,000 to $6,000	As incurred	Before Beginning Operations	Insurance Companies
Signage[7]	$5,000 to $30,000	As incurred	Before Beginning Operations	Suppliers
Office Equipment & Supplies[8]	$1,500 to $3,000	As incurred	Before Beginning Operations	Suppliers
Pre-Opening Expenses[9]	$2,000 to $10,000	As incurred	Before Beginning Operations	Us and/or Suppliers
Computer Equipment (Hardware, Software, POS System, etc.)[10]	$3,000 to $5,000	As incurred	Before Beginning Operations	Suppliers
Training[11]	$1,050 to $3,000	As incurred	Before Beginning Operations	Airlines, Hotels, other Suppliers
Licenses & Permits[12]	$250 to $5,000	As incurred	Before Beginning Operations	Licensing Authorities

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Legal & Accounting[13]	$500 to $7,000	As incurred	Before Beginning Operations	Attorney, Accountant
Grand Opening Advertising[14]	$3,000 to $6,000	As incurred	Before opening	Vendors
Additional Funds – three months[15]	$30,000 to $90,000	As incurred	As Necessary	Us, Suppliers, Locations, Lessor, Etc.
TOTAL	$208,500 to $856,400			

Notes:

[1] This amount is paid to us for project management for the unit opening, website page development, real estate site review and other work directly related to the Franchise going from signing to opening of the Franchised Business.

[2] The site for your Franchised Business is a real property space, which is a 1,700 to 2,700 square feet stand-alone building or within a shopping center that has easy access, convenient parking and is in a high-end center. The landlord must offer restrictions preventing competition with another fitness concept. Visibility is desirable, but not mandatory, and the Demographics within a one and a three-mile radius must be approved by us. The upper estimate is based on an assumption that you will have to pay a higher security deposit and the lower estimate is based on a lower security deposit. Some lessors may refund the security deposit if you cancel the lease before you occupy the sites.

[3] If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary on the local utilities. You should contact your local utilities for more information.

[4] You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your Business from us, our affiliate, or an approved supplier. The cost of

the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. Factors determining whether furniture, fixtures and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. You should inquire about the return policy of the suppliers at or before the time of purchasing or leasing. We reserve the right to require that you purchase your furniture, fixtures and equipment from us or our affiliate.

[5] You must purchase an initial inventory for your Business. As part of the inventory you must pay us $1,000 for an apparel Startup Package. The Startup Package Fee is uniformly charged for all franchisees. The Startup Package Fee is considered fully earned and nonrefundable upon payment. The cost of the Startup Package Fee is uniformly changed and nonrefundable. Factors determining whether other inventory items are refundable typically include the condition of the items at time of return, level of use and length of time of possession. The money you pay for inventory items may not be refundable depending the purchase arrangements. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[6] You must purchase insurance in the following amounts and coverage: (a) General Liability Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (b) Automobile Insurance in the minimum amount of $1,000,000 per occurrence; (c) Errors and Omissions Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (d) Property Insurance in the minimum amount an amount sufficient to replace the equipment, the Franchised Business Site, if any, and personal property upon loss or damage; (e) Business Interruption Insurance in the minimum amount of $500,000; (f) Theft Insurance in the amount of $50,000; (g) Building Insurance in an amount sufficient to replace the Franchise Premises; (h) Umbrella Liability Insurance in the minimum amount of $1,000,000; (i) sexual abuse and molestation limits not less than $1,000,000. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in the franchise agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

Your insurance policies must insure us, you, and our respective affiliates, subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to Your operation of Your Business. Your policies of insurance will contain a separate endorsement naming us and our affiliates as additional named insureds. You are required to submit an insurance certificate to our office on an annual basis.

[7] This range includes the cost of all signage used in your Business. The signage requirements and costs will vary based upon the size and location of the Site, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase. We must approve all signage before you order it.

[8] You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include market conditions, competition amongst suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[9] Included in this estimate are expenses related to pre-opening payroll, cleaning and preparation, telephone and other communication expenses, and electricity.

[10] You must purchase the computer equipment, hardware, and software necessary for operating the franchise and not included in the Technology fee. We currently require you to have and use NexGen Nutrition, MindBody Online, Ikizmet, NexGen Ignite, and Camera System. You must pay us a Technology Fee in the amount of $799 plus $10 for each email account above the 2 email accounts included for the use of NexGen Fitness software and computer applications per month. The Technology Fee is non-refundable upon payment. The amounts you pay for computer equipment are typically non-refundable, or if refundable, may be subject to a "restocking" fee. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. You must use the POS system that we designate.

[11] The cost of initial training for you and your Franchised Business Managing Partner is included in the Initial Franchise Fee. This amount reflects your travel, stay expenses during the training period, and participation in our Leadership Training. You must participate in the Leadership Training Program for no less than 1 year upon commencement of your Franchised business. The cost of the Leadership Training Program is $350 per month. You must pay us additional tuition for additional trainees beyond you and your designee at our then-current rate, which is currently $5,000 per training, per person and $750 per day plus travel expenses for onsite training.

[12] State and local government agencies typically charge fees for occupancy permits, operating licenses, health department licenses and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

[13] You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchise. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-

refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

[14] This is the recommended amount that you spend on advertising upon opening. The range will depend on your Territory and local market demographics.

[15] We recommend that you have a minimum amount of money available to cover operating expenses, including additional inventory, supplies, professional fees, and employees' salaries for the first 3 months that your Business is open. These are only estimates based on Our affiliate's experience in opening and operating a similar business. The predominant factors for calculating the 3-month estimate are amounts paid for employee wages and inventory. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable.

In compiling this chart, we relied on research and investigation regarding the operating history, knowledge and experience of similar Businesses. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your Site, the capabilities of your management team, and your business experience and acumen. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the franchise.

The total figure listed in the table above does not include compensation for your time or labor. Nor does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing for any of your initial investment. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless agreed.

Area Development

If you desire to purchase additional territories and qualify for Area Development Agreement, your additional estimated initial Investment will be as follows

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Estimated Initial Investment for Unit Franchise[1]	$208,500 to~~$208,500 to$208,500 to~~ $856,400~~$ 856,400~~$856,400~~	As incurred	As Necessary	Us, Vendors, Lessor, Suppliers, Locations, Lessor, Etc.
Area Development Fee[2]	$29,900 to $119,600	Lump Sum	When you sign the Area Development Agreement	Us
TOTAL	$238,400 to $976,000			

[1] Estimated Initial Investment for Unit Franchise is taken for the first item 7 table above.

[2] If you desire and qualify for more than one Territory, Area Development Fee is $29,900 per additional franchise. The upper range is for 4 Franchises and the lower range is for 1 additional franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications.

Every detail of NexGen Fitness Franchised Businesses is important, not only to your Franchised Business but also to us and the other NexGen Fitness franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services offered by all franchisees, to establish and maintain a reputation for uniform, efficient, high quality products and services, and to protect the goodwill of all NexGen Fitness franchises.

You agree to comply with NexGen Fitness uniform specifications, standards, operating procedures and rules for the development and operation of your NexGen Fitness Franchised Businesses (collectively referred to as System Standards). System Standards are described in the NexGen Fitness Operating Manual and otherwise communicated to you. The NexGen Fitness System and Franchise Operations Manual are occasionally updated, supplemented, modified, and enhanced.

Current Specifications.

Below is a partial listing of NexGen Fitness specifications and System Standards for the identified categories.

Insurance.

You must obtain and provide us with evidence of insurance in at least the minimum amounts and with the coverage as follows: (a) General Liability Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (b) Automobile Insurance in the minimum amount of $1,000,000 per occurrence; (c) Errors and Omissions Insurance in the minimum amount of $1,000,000 per occurrence $2,000,000 in aggregate; (d) Property Insurance in the minimum amount an amount sufficient to replace the equipment, the Franchised Business Site, if any, and personal property upon loss or damage; (e) Business Interruption Insurance in the minimum amount of $500,000; (f) Theft Insurance in the amount of $50,000; (g) Building Insurance in an amount sufficient to replace the Franchise Premises; (h) Umbrella Liability Insurance in the minimum amount of $1,000,000; (i) sexual abuse and molestation limits not less than $1,000,000. The Franchisee shall maintain Workman's Compensation, Unemployment Compensation, disability insurance, social security and other similar types of insurance coverage in such amounts as may now or hereafter be required by any applicable law.

Evidence of this insurance must be initially provided at least 10 days before you begin operation of your NexGen Fitness Franchise Business. A certificate of renewal must be provided no later than 10 days before the expiration date of each policy. Each required policy of liability insurance must name us as an additional insured and must provide that we will be given at least 30 days' notice before cancellation, modification or amendment of the policy.

The site of the Franchise Business.

The site for your Franchised Business is a real property space. For your NexGen Fitness Site, you must retain a licensed architect. The Site must be approved by us.

Supplies, Fixture, Equipment, Inventory.

All the equipment, supplies, fixtures, inventory, products for your Franchised Business must comply with NexGen Fitness Standards and specifications.

Advertising.

You shall use, display, and publish the NexGen Fitness Marks per System Specification. All of your NexGen Fitness advertising in any medium must be conducted in a dignified manner, be

completely accurate and truthful, and conform to all applicable laws and regulations relating to consumer advertising and NexGen Fitness System Standards. You must submit to us and obtain our prior approval for all advertising and promotional plans and materials, and all other materials displaying the NexGen Fitness Marks. You may not use your advertising materials unless we issue you written approval to do so. Post submission to us, we shall, within fifteen (15) days, notify you of approval or disapproval of advertisements.

Computer System and Software.

You must buy and use NexGen Nutrition, MindBody Online, Ikizmet, NexGen Ignite, and Camera System. You may not install, or permit to be installed, any devices, software or other programs not approved by us for use with the communication and information system. We may, from time to time, develop or authorize others to develop proprietary software programs for use in the NexGen Fitness System, which you may be required to purchase or license, and use. You may be required to execute any license, sublicense, or maintenance agreement and pay any applicable fees including maintenance, upgrade and support fees required by us or any other approved licensor or approved supplier of such proprietary software programs.

Employee Uniforms.

Your NexGen Fitness employees and staff will be required to wear uniforms that conform to NexGen Fitness specifications, which are contained in the NexGen Fitness Franchise Operations Manual.

Designated and Approved Suppliers

For any product or service that we designate an approved supplier, you may not purchase these products and services from any other suppliers. We may designate new or different approved suppliers including designating ourselves or one of our affiliates as an approved supplier of any goods or services.

The criteria for designating approved suppliers include a supplier's ability to meet quality standards, availability, and consistency of the products or services. The criteria for designating and approving suppliers are not published and is not made available to franchisees. Franchisees may not contract with alternative suppliers for designated products or services.

To approve a supplier, we require a sample of the product(s), information regarding the product or service's quality standards, availability, terms, and conditions of purchase, and other information as we may request. If desired, we may request a physical inspection of the supplier's place of business or manufacturing facility. Upon submission of samples and information required for approval, we will provide notification within 30 days of our approval or disapproval of a supplier. As a condition of approval, we require the reimbursement of any costs or expenses we incur in approving the supplier. We may revoke the approval of any supplier upon 30 days' notice to franchisees.

We estimate that, assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7 of this disclosure document, the proportion of your purchases and leases of goods and services from approved suppliers or of

products that meet our specifications to be approximately 30%-40% of all the purchases and leases in establishing your NexGen Fitness Franchised Business and approximately 10%-20% of your ongoing costs of operating your NexGen Fitness Franchised Business.

As a result of the sale of all required purchases and leases of products and services to NexGen Fitness franchisees in calendar year 2023, we derived $53,409 or 14% of our total revenue of $388,025~~As a result of the sale of all required purchases and leases of products and services to NexGen Fitness franchisees in calendar year 20222023, we derived $_____44,070 or 14_% of our total revenue of 308,432$_____~~.

None of the NexGen Fitness Franchising Corporation officers, directors, or managers have an interest in any of the NexGen Fitness approved or designated vendors.

You are required to purchase fitness equipment and other equipment, constructions services, insurance, and postcards from suppliers and vendors that we designate or approve. We are the exclusive supplier of apparel and the NexGen Nutrition Application to NexGen Fitness franchisees.

We have successfully negotiated discounts on Online Systems, Postcards, Heart Rate Monitoring Software, I.T. Solutions, and Fitness Equipment. We've also developed key relationships with banks for lending. Currently, there are no formal or mandatory purchasing or distribution cooperatives, but we reserve the right to institute them in the future.

We do not provide a material benefit to franchisees based on a franchisee's purchases of particular products or services or use of particular suppliers.

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 under these agreements and in other items of this disclosure document.

The Section references are to those in the Franchise Agreement and Area Development Agreement (ADA) unless otherwise noted.

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
a. Site Selection and Acquisition/Lease	Article IV	Item 11

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
b. Pre-Opening Purchases/Leases	Section V(B)	Items 7, 8 and 11
c. Site Development and Other Pre-Opening Requirements	Article V* ADA Article III	Items 7 and 11
d. Initial and Ongoing Training	Article V	Items 7 and 11
e. Opening	Section IV(D) ADA Article I	Item 11
f. Fees	Article III ADA Article II	Items 5, 6, 7, 8 and 11
g. Compliance with Standards and Policies/Operating Manual	Article IV and Article VI	Items 8 and 11
h. Trademark and Proprietary Information	Article XII ADA Article V	Items 13 and 14
i. Restrictions on Products/Services Offered	Section VII(F)	Items 8 and 16
j. Warranty and Customer Service Requirements	Section VII(F)	Not Applicable
k. Territorial Development and Sales Quotas	None	Not Applicable

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
l. Ongoing Product/Service Purchases	Article X, Article VII	Items 8 and 11
m. Maintenance, Appearance and Remodeling Requirements	Section VI (G&H)	Item 8
n. Insurance	Article XI	Items 6, 7 and 8
o. Advertising	Article XV	Items 6, 7, 8 and 11
p. Indemnification	Article XI & XXI	Not Applicable
q. Owner Participation Management/Staffing	Section VIII(B)	Item 15
r. Records/Reports	Article X(A)	Item 6
s. Inspections/Audits	Section X(B)	Item 6
t. Transfer	Article XVI ADA Article VII	Item 17
u. Renewal	Section II(B)	Item 17
v. Post-Termination Obligations	Article XIX	Item 17

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
w. Noncompetition Covenant	Article VIII ADA Article IX	Item 17
x. Dispute Resolution	Article XX ADA Article XI	Item 17
y. Other	None	None

ITEM 10. FINANCING

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

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

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

Pre-Opening Obligations

1. The site for your NexGen Fitness Franchised Business is a real property space (Site). We do not select the site for your NexGen Fitness Franchised Business. We may approve the Site for your NexGen Fitness Franchised Business (Section IV of the Franchise Agreement).

2. For your Site, you must retain a licensed architect. We do not deliver or install equipment for your site. (Section IV of the Franchise Agreement).

3. We may provide you with the standards, specifications, and a list of designated and approved suppliers for all the equipment, supplies, products, and other materials you will need to operate the franchised business (Section VI of the Franchise Agreement).

4. We may provide a listing of all products and services that your NexGen Fitness Franchised Business may offer (Franchise Agreement Article VI).

5. We may provide final written approval prior to the opening of your NexGen Fitness Franchised Business. (Section IV of the Franchise Agreement).

6. We may provide onsite assistance at our then current rate, which currently is $750 per day plus travel expenses (Section IV of the Franchise Agreement).

We provide you with an initial training program as further described in this item (Section V of the Franchise Agreement).

7. We loan or make available to you a copy of the NexGen Fitness Franchise Operations Manual, which is confidential and will remain our property. We may modify the Franchise Operations Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. (Section XIV of the Franchise Agreement). The table of contents is listed in EXHIBIT J along with the total number of pages in the Franchise Operations Manual.

After the Franchised Business Opens

1. In the event of relocation, we do not select the site for your NexGen Fitness Franchised Business. We approve the Site for your NexGen Fitness Franchised Business (Section IV of the Franchise Agreement).

2. Upon relocation, remodeling, or updating of your NexGen Fitness Site, you must retain a licensed architect

3. We maintain and provide updated standards, specifications, and designated and approved suppliers for all the equipment, supplies, products, and other materials you will need to operate the franchised business (Section VI of the Franchise Agreement).

4. We maintain and provide updated listing of all products and services that your NexGen Fitness Franchised Business may offer (Franchise Agreement Article VI).

5. We provide initial training for replacement staff and managers at our then current fees (Section V of the Franchise Agreement).

6. We may provide additional and on-going training for staff and managers (Section V of the Franchise Agreement).

7. We may organize an annual conference for all NexGen Fitness franchisees and staff (Section V of the Franchise Agreement).

8. If you do not resolve a dispute with a client, we may investigate the matter and resolve the dispute (Franchise Agreement VII).

9. We provide continuing assistance in operating your NexGen Fitness Franchise Business (Section V of the Franchise Agreement).

10. We loan or make available to you any updates and changes to the NexGen Fitness Franchise Operations Manual (Section XV of the Franchise Agreement).

11. We review your NexGen Fitness advertising material (Section XV of the Franchise Agreement).

12. We require specific pricing structures. You must fully participate, honor, and comply with any and all System, local, regional, seasonal, promotional and other programs, initiatives and campaigns adopted by us that we require you to participate in (Section VI of the Franchise Agreement).

Advertising.

At your request, we will provide marketing consultation, general advertising strategy, promotional planning, and budgeting. We are not obligated to conduct advertising or spend any amount of money on advertising in your Territory or area.

Your Advertising.

You must submit, to us for our prior approval, samples of all advertising and promotional plans, materials, and all other materials displaying the Marks, and we will provide you written approval or disapproval in 15 days. You may not use your own advertising materials or other materials which bear the Marks unless you have received our prior written approval.

You may not establish or maintain a domain name, an Internet website or webpage that relates to or advertises your NexGen Fitness Franchised Business or displays the Marks, as we reserve the exclusive right to control any websites or web pages concerning NexGen Fitness Franchised Businesses and the Marks. We have the right to use and have ownership of any Franchisee developed advertising.

Local Advertising.

You must expend sufficient monies, resources, and conduct advertising and public relations within the local area to promote your NexGen Fitness Franchised Business. Currently, we require you spend $3,000 per calendar month on local advertising.

Grand Opening.

It is recommended that you spend at least $3,000 to $6,000 on grand opening prior to opening of your NexGen Fitness Franchise Business. You may choose to spend more. Factors that may affect your decision on the actual amount to spend includes local media cost, the location of the NexGen Fitness Franchised Business, and customer demographics in the surrounding area.

Regional and Local Advertising Cooperatives.

We may designate any geographical area in which at least two NexGen Fitness Franchised Businesses are located for the purpose of establishing a local or regional marketing and advertising cooperative (Cooperative). Each Cooperative will be organized and governed in a manner approved by us in writing. If your Territory is within the geographic boundaries of a

Region or Local Cooperate that we designate, you will be required to participate in the cooperative. The members of the Cooperative will determine the amount of the Cooperative Contribution, but the Cooperative Contribution may not exceed 1% of Gross Revenues unless the members of the Cooperative, by a majority vote, agree to a Cooperative Contribution greater than that amount. Within thirty days after the end of each calendar month, each Cooperative will prepare an unaudited statement of the Cooperative's financial position and results of operations of the Cooperative. Each member of the Cooperative will be entitled to receive a copy of the Cooperative's financial statements upon request. For each NexGen Fitness business operated by us or our affiliates in a geographical area for which a Cooperative has been established, we will make a Cooperative Contribution on the same basis as assessments required of comparable franchises that are members of the same Cooperative. You do not have the right to form, change, dissolve, or merge any Regional Advertising Cooperative. The Regional Advertising Cooperative shall be administered by us. There are currently no Regional Advertising Cooperatives or governing documents available for your review.

National Advertising Fund.

You are obligated to contribute up to 5% of Gross Revenues or $500 per month, whichever is higher to the NexGen Fitness National Advertising Fund. This is currently 2% or $500 per month, whichever is higher, but subject to change upon 30 days written notice. All contributions to the NexGen Fitness National Advertising Fund are maintained in a separate account and may be used for maintaining, administering, researching, directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns, which may be local, regional or national, in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development; and developing and providing promotional and other marketing materials for franchisees in the System. We are reimbursed for any labor or services that we provide to the fund and for any costs that we incur for or on behalf of the fund. We may loan the additional funds if needed. For each of our company-owned locations (if any), we will make contributions to the National Advertising Fund on the same basis as assessments required of comparable franchises within the System. We will make available to any franchisee who contributes to the fund the unaudited financial statements of the fund after April 30 of each year. Except as disclosed above, neither we nor any affiliate of ours will receive any payment from the fund. We do not use any National Advertising Fund dollars for soliciting new franchise sales. (Sections III of the Franchise Agreement).

The National Advertising Fund collected $~~12,945~~20,431.76 of contributions in ~~2022~~2023, which was retained by the National Advertising Fund, not spent, and shall be used for expenditures in the following year(s).

Franchisees are not required to participate in any other advertising funds other than those mentioned above.

Franchise Advisory Council.

We may establish a Franchise Advisory Council. The purpose of the Franchise Advisory Council is to facilitate communication between our franchisees and us, which will lead to mutual growth, development, and profitability of the entire NexGen Fitness System. You shall participate, at

your sole expense, in local, regional and national franchise advisory committees or councils if established or sanctioned by us. The Council serves in an advisory capacity only and does not have the authority to establish or modify our policies. We have the power to determine membership, the election of Council Officers and change or dissolve the Franchise Advisory Council.

Computer Requirements.

You must buy and use NexGen Nutrition, MindBody Online, Ikizmet, NexGen Ignite, and Camera System. We estimate the cost of leasing or purchasing the computer system to be $3,000 to~~$3,000 to~~~~$3,000 to~~ $5,000~~$5,000~~~~$5,000~~.

It is your obligation to maintain, repair, upgrade, and update your computer system. Without a contractual limit on frequency and cost, you are required to lease, buy, use, update, and upgrade the computer hardware and software that we designate and stipulate. We are not required, and we do not require our affiliates or third parties to maintain, repair, upgrade, and update your computer system. We estimate annual costs of any optional or required maintenance updating, upgrading or support contracts for the cash register or computer systems to be $3,000 at a minimum. Article IX of the Franchise Agreement.

You must pay us a Technology Fee of $799 plus $10 for each email account above the 2 email accounts included in the Technology Fee monthly for the use of the computer system software and applications. We may increase the Technology Fee upon 30 days written notice to you.

You will use your computer system to maintain information about your customers, prepare proposals and invoices, maintain the financial records of the franchised business, access Internet sites, and communicate with prospective and current customers, suppliers, us, and others via e-mail. You must provide us with independent access to all of the information that will be generated and stored on your computer system if we request it, including the delivery of a backup of your database. There are no contractual limitations on our right to access the information.

Site Selection and Opening.

The site for your NexGen Fitness Franchised Business is a real property space (Site), which is 1,700 to 2,700 square feet stand-alone building or within a shopping center that has easy access, convenient parking and is in a high-end center. The landlord must offer restrictions preventing competition with another fitness concept. In addition, the landlord must execute the Rider to Franchise Premisis Lease Agreement. Visibility is desirable, but not mandatory, and the Demographics within a one and a three-mile radius must be approved by us. We do not select the site for your NexGen Fitness Franchised Business, and we generally do not own the premises or lease site to you for your NexGen Fitness Franchised Business. We approve the Site for your NexGen Fitness Franchised Business (Section IV of the Franchise Agreement). For your Site, you must retain a licensed architect for the Site of your NexGen Fitness Franchised Business (Section IV of the Franchise Agreement).

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the franchise, and opening the franchised business varies, but you should be

able to commence operation within 8 -12 months after signing as required by the Franchise Agreement. Factors affecting this time period include how long it takes to complete any modification of your NexGen Fitness Site, completion of financing arrangements, compliance with local ordinances and obtained permits, obtained, and installed equipment, your previous employment commitments (if any), your ability to complete our training program, and/or hiring and training personnel.

If you do not secure a Site, or we do not approve a Site for your NexGen Fitness Franchised Business within 90 days, or you do not open your NexGen Fitness Franchised Business within 8 - 12 months, we may terminate your Franchise Agreement and retain all monies that you have paid us or our affiliates.

We do not select the site for any additional franchises under your Area Development Agreement, and we generally do not own the premises or lease for sites the NexGen Fitness Franchised Businesses under the Area Development Agreement. We approve each additional Sites for the NexGen Fitness Franchised Businesses under the Area Development Agreement. Our then-current standards for Sites approval will apply. For additional Sites of your NexGen Fitness Franchised Business, you must retain a licensed architect.

The typical length of time between the signing of the Area Development Agreement, or the first payment of consideration for the Area Development Agreement and securing the lease for each additional franchise under the Area Development Agreement is an additional 12 -20 months for each franchise. You must open each additional franchised business under the Area Development Agreement within 12 - 20 months for each franchise. Factors affecting this time period include how long it takes to complete any modification of your NexGen Fitness site, completion of financing arrangements, compliance with local ordinances and obtaining permits, obtaining and install of equipment. If you do not secure a lease or fail to obtain our approval for a lease within the additional 14 months for each additional franchise, or do not open the additional franchised businesses within the additional 12 - 20 months under the Area Development Agreement, we may terminate the Area Development Agreement, but we may not terminate the franchise agreements for the franchised businesses already open for your failure to open or secure a lease within the required time period.

Training Program.

We provide a tuition-free initial NexGen Fitness training program which includes orientation to the NexGen Fitness system; customer service; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. The training lasts up to 20 to 40 hours or less depending on your existing experience level. It is currently held at our Prosper, Texas location, but we may hold the training at one of our other locations in the future. Instructional materials may include manuals, videos, scripts and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you before opening the franchised business. The initial training must be attended and successfully completed by you and your Franchised Business Operator one month before opening. You must pay for all travel, lodging and other costs of attendance.

You must participate in our Leadership Training Program for a period of no less than 1 year upon the opening of your Franchised Business. For the Leadership Training Program, you must pay us

a Leadership Training Fee in the amount of $350 per month. We may increase the Leadership Training Fee upon a 30 day written notice to you. We may discontinue Leadership Training Program at any time.

Thereafter, we may charge a fee for attendance of the initial training for new and replacement managers. Our current fee for a replacement and new managers is $5,000 per trainee. We may provide onsite assistance at our then current rate, which currently is $750 per day plus travel expense.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Sales	8		Prosper, Texas
Marketing/Social Media	3		Prosper, Texas
Software/Applications	8		Prosper, Texas
Employee Hiring	1		Prosper, Texas
Management	1		Prosper, Texas
Dietician Services	1		Prosper, Texas
Consumer Service	4		Prosper, Texas
Total	26 Hours		

Instructors for Initial Franchise Training are

Brian Andrews, Director of Fitness, who has been in the fitness industry for over 15 years and with NexGen Fitness since 2018.

Paula Whatley has been our CFO since 2019. She was formally the head of internal audit for a Fortune 500 company and has been a CPA for more than 30 years.

Sherri Coale has been our Culture Coach since October of 2021. She is a hall of fame Women's Basketball coach of 25 years and a distinguished motivational speaker.

Bryson Gresham, has been our Director of Business Operations since 2023. He has been a business owner operator for more than 10 years.

We may change, add to, or make substitutions for the subjects and instructors listed in the ~~tables and~~tables above as necessary or appropriate. There are no minimum experience standards for substitute instructors.

We may provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement and may host national conventions at times and locations selected by us. You must attend the national convention. We may require attendance at other additional training programs. You must pay for all travel, lodging and other costs of attending training and the national convention. We may charge a reasonable per diem fee for other training programs and national conventions. In the current fiscal year, there will be no more than two to five additional training programs and the programs will be between one and four days long.

You are encouraged to schedule your training as soon as possible after executing the Franchise Agreement. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because mandatory training is not completed to our satisfaction.

You are responsible for all expenses you and your employees incur to attend the initial training, including wages, benefits, transportation, meals, accommodations, and entertainment. Other than providing initial training, we do not provide any other assistance with the hiring or training of your employees.

ITEM 12. TERRITORY

Your NexGen Fitness Franchised Business will operate from a real property space (Site). We approve the Site for your NexGen Fitness Franchised Business.

You may relocate the Site of your NexGen Fitness Franchised Business so long as the new Site meets our then current Site requirements, and you reimburse us for any costs and expenses we

incur in your relocation. Currently, for relocation and Site selection, we require that the Site is approved by us and you must retain a licensed architect for your NexGen Fitness Franchised Business Site. As a relocation fee, you are obligated to reimburse for any cost and expense that we incur reviewing or approving your relocation.

Subject to the Franchise Agreement Terms, you are granted an exclusive territory, which is 3 miles from the Site or a population of 7,500, whichever is less. You may only solicit customers within your Territory and accept orders at your Site. You do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory unless we give you written consent to serve another specified area where no other NexGen Fitness franchise or company-owned unit is located. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other applicable fees to us for the services performed or products sold.

We promise and agree not to operate a business using the NexGen Fitness System and the Marks within the Territory or authorize anyone else to operate a business using the NexGen Fitness System and the Marks within the Territory during the term of the Franchise Agreement if you are complying with the Franchise Agreement and subject to these limitations. The exclusivity of your Territory is not dependent upon achieving any certain sale volumes, or market penetration or any other contingencies. We are not obligated to ensure that no other franchise will conduct operations in your Territory. Although such activities are discouraged, we reserve the right to determine how to respond to any such situation. We are not required to pay you if we or other franchisees solicit or accept orders inside your Territory.

We reserve the right to limit your Territory, as follows:

Own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, outside the Territory.

Acquire a system of Competitive Businesses (as defined herein) with units located within your Territory or outside the Territory.

Sell or franchise others to sell the services and products authorized for NexGen Fitness Franchised Businesses using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution; venues; site or location models other than the model concepts of your Franchised Business ,which is a real property space; joint marketing with partner companies; direct mail; catalogue sales; internet sites; and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate.

Advertise, promote, market or sell goods or services using the NexGen Fitness Marks over the Internet, the World Wide Web or any other electronic network.

We nor our affiliates operate or have plans to operate or franchise others to operate a business selling the same goods or products under a different name or solicit customers within your Territory except as stated above.

Acquisition of Competing System.

If you are in compliance with the Franchise Agreement and we acquire a system of Competitive Businesses (an "Acquired System") during the term of the franchise agreement, we will offer you the option to purchase and operate, as a NexGen Fitness Franchise, any unit of the Acquired System (an "Acquired Unit") that is both purchased by us for operation by us or our Affiliate (e.g., the unit will not be operated by a licensee of the Acquired System) and is located within your Territory. We shall provide you with written notice of our purchase of the Acquired System, the terms and conditions applicable to your option to purchase Acquired Units, and such other information that we believe is necessary to be included in the notice. If you do not elect to purchase or fail to complete the purchase of, an Acquired Unit within two (2) months after notice, we can operate, through an Affiliate or third-party licensee, the Acquired Unit under any trade name or trademark other than NexGen Fitness Marks. You have no right to purchase, and we are not obligated to offer you any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired System. We may license such unit to be operated under any trade name or trademarks other than NexGen Fitness Marks and may also license additional units of the Acquired System to be developed and operated within your Territory.

If you are in good standing under the Franchise Agreement and otherwise meet our financial qualifications, you may request that we sell you another NexGen Fitness franchise. We reserve the right to determine whether to sell you another franchise. If you buy an additional franchise, it will be under the then-current form of Franchise Agreement and other applicable agreements that may be different from those described in this disclosure document.

Your Franchise Agreement does not give you any other option, the right of first refusal, or similar right to acquire additional franchises. Your Territory rights are not dependent on achieving a certain sales volume or market penetration. We may establish another franchise or company-owned location in the Territory if you fail to comply with the Franchise Agreement. Except as disclosed in this Item 12, there are no other circumstances that permit us to modify your territorial rights.

Area Development Program

If you sign an Area Development Agreement, your rights to the Development Area are as set forth in the Area Development Agreement. The Development Area Territory is typically 3 miles from the Site or a population of 7,500, whichever is less but may be smaller depending on the market area for each additional Franchised Business. The Development Area Territory is determined as mutually agreed upon by you and us and set forth in the Area Development Agreement at the time of the signing of the Area Development Agreement.

While the Area Development Agreement is in effect, provided that you open and operate NexGen Fitness Franchised Businesses in accordance with the Development Schedule and the minimum number of Franchises that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a NexGen Fitness Franchised Business under the Marks and the System within the Development Area.

We reserve the right to own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, outside the Development Area;

acquire a system of Competitive Businesses (as defined herein) with units located within your Development Area or outside the Development Area; sell the services and products authorized for NexGen Fitness Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate; advertise, promote, market or sell goods or services using the NexGen Fitness Marks over the Internet, the World Wide Web or any other electronic network.

We do not select the Site for any additional franchises under your Area Development Agreement, and we generally do not own the premises or lease sites for the Franchised Businesses under the Area Development Agreement. We approve the Sites for each additional Franchised Businesses under the Area Development Agreement. For your additional NexGen Fitness Sites, you must retain a licensed architect.

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the Area Development Agreement, and opening the franchised business varies, but you should be able to commence operation within an additional 8 - 12 months for each additional franchise business after signing as required by the Area Development Agreement. Factors affecting this time period include how long it takes to complete any modification of your NexGen Fitness Site, completion of financing arrangements, compliance with local ordinances and obtaining permits, obtaining and installing equipment. If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement and all of your territorial rights will be eliminated. We otherwise will not change the size of your Development Area. If a default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement, we may terminate your Area Development Agreement. However, a default under the Area Development Agreement is not cause for termination of any existing Franchise Agreement.

ITEM 13. TRADEMARKS

Our principal trademarks (the "Marks") are described below and are registered with the United States Patent and Trademark Office (the "Trademark Office") on the principal registry:

Mark	Registration Number or Serial Number if Registration is Pending	Class	Registration Date
NEXGEN FITNESS	6066728	IC 041	June 2, 2020

NEXT GENERATION FITNESS	6407926	IC 041	July 6, 2021
	4554885	IC 041	June 24, 2014

We have filed all required affidavits and renewals with respect to these registrations.

The trademark is owned by Bryan Whatley, LLC. We have a perpetual license agreement to use and franchise the trademarks, which may only be terminated upon our dissolution. In such an event you may lose your right to use the trademark.

There are no currently effective material determinations of the Trademark Office, the Trademark Trial and Appeal Board, or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Marks.

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

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We are not aware of any infringing uses of the Marks that could materially affect your use of them.

Your use of the NexGen Fitness Marks is limited to use in connection with the operation of your NexGen Fitness Franchised Business within the Territory as described in the Franchise Agreement and as set forth in the NexGen Fitness Franchise Operations Manual. You must promptly notify us of any use of the NexGen Fitness Marks or any colorable variation by any person or legal entity or any litigation instituted by any person or legal entity against you or us involving the NexGen Fitness Marks. We are not required to defend the NexGen Fitness Marks. In the event we undertake the defense, prosecution, or settlement of any litigation relating to the NexGen Fitness Marks, you agree to assist as necessary to carry out such defense, prosecution or settlement. In the event that any party demonstrates to us a superior right to use any of the NexGen Fitness Marks, you shall, upon demand by us, discontinue use of such NexGen Fitness Mark(s) and adopt, at your sole cost and expense, any Mark(s), if any, selected by us to replace such discontinued Mark(s).

You shall not use any of the NexGen Fitness Marks, or any derivative or colorable variation thereof: (i) as part of your corporate or other legal name; (ii) on or as part of any Web Site, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers,

electronic mail services, communication providers, search engines, or other similar services (without our prior written consent); (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefor or that may harm, tarnish, or impair Franchisor reputation, name, services or Marks. The provisions of this paragraph shall survive the expiration, termination or cancellation of this Agreement.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no patents material to the franchise. We own no copyright registration material to the franchise. We do have unregistered copyrights in the NexGen Fitness Manual, and all printed, audiovisual and other materials developed and distributed for use by our franchisees or us (collectively called the "Proprietary Information"). Information not protected by copyright, but which is confidential to us, such as information about our methods, policies, and marketing programs, is also part of the Proprietary Information.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. We are not obligated to protect these copyrights.

You will not acquire any interest in the Proprietary Information. All Proprietary Information must be returned to us immediately upon the termination of the Franchise Agreement for any reason. The Proprietary Information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Franchise Operations Manual or any other written communication from us; (4) will not disclose or duplicate any part of the Proprietary Information other than disclosure to an employee of the franchised business to the extent necessary to do his or her job; and (5) will adopt and implement all reasonable procedures we may require preventing unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the franchised business and the use of nondisclosure and noncompetition clauses in employment agreements. All shareholders, officers, directors, partners, and members of the franchise are presumed to have access to Proprietary Information and must sign a Nondisclosure and Noncompetition Agreement to maintain the confidentiality of the Proprietary Information and conform to the noncompetition covenants.

You must inform us in writing if anyone breaches the Nondisclosure and Noncompetition Agreement or if there is any other violation of the obligations regarding any of the Proprietary Information or if you learn about any improper use of any of it.

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

You must maintain a designated full-time manager of the franchised business who is approved by us and has completed the Initial Training. The manager need not have an ownership interest in the franchise. No individual franchisee or any shareholder, partner, member, or other owner of a business entity franchisee may compete with us or own an interest in any competitor of ours anywhere during the term of your Franchise Agreement or within 25 miles of any NexGen Fitness franchise territory for two years after the expiration or termination of your Franchise Agreement.

Each shareholder, partner, member, and other equity owner of the franchise, and each individual shareholder, partner, member, and other equity owner of any shareholder, partner, member, and other equity owner that is itself a business entity, must personally guarantee all of the franchisee's obligations and performance under the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all products and services, and only those products and services, authorized by us and specified in the NexGen Fitness Franchise Operations Manual or as designated in writing by us (the "Permitted Products and Services"). We may add and delete products or services to or from the NexGen Fitness Permitted Products and Services at any time. We may also designate any products or services as optional.

You may only solicit customers within your Territory and accept orders at your Site. You do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory unless we give you written consent to serve another specified area where no other NexGen Fitness franchise or company-owned unit is located. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other applicable fees to us for the services performed or products sold.

You must participate in and fully comply with any customer warranty or guaranty or customer satisfaction program we may establish from time to time.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

References are to sections in the Franchise Agreement unless otherwise noted.

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section II(A)	10 years from the date that we sign the Franchise Agreement.
b. Renewal or extension of the term	Section II(B)	Upon the expiration of the initial term or any renewal term of the Franchise Agreement, you may, at your option, renew the Franchise Agreement for an additional term of 10 years (the "Successor Franchise"), provided that at the end of each term you meet conditions listed including paying a Successor Fee.
c. Requirements for you to renew or extend	Section II(B)	In order to renew, we must be offering NexGen Fitness Franchises; you must give us written notice between 6 months to 1 year, prior to the end of the term; you must not be in default under any provision of The Franchise Agreement or any other agreement between you and our affiliates, approved suppliers of the NexGen Fitness System, or the lessor of your NexGen Fitness Site, and have substantially complied with all of the terms and conditions of Franchise Agreement; you have the right to remain in possession of your NexGen Fitness Site, or a suitable substitute location that is approved by us and meets our then-current specifications and standards, for the entire term of the Successor Franchise; you must refurbish your NexGen Fitness Franchised Business to conform to the then-current NexGen Fitness trade dress, color schemes, and presentation of the Marks and

Provision	Section in Franchise Agreement	Summary
		NexGen Fitness Systems Standards; you must sign the then-current NexGen Fitness franchise agreement terms of which may differ from the terms of the Franchise Agreement; you must pay us a Successor Franchise Fee of $10,000 and you must comply with then-current NexGen Fitness qualifications and training requirements. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Section XVII(A)	We will be considered in default of the Franchise Agreement if we breach any material obligations of the Franchise Agreement and fail to cure the default within 60 days of written notice from you.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	Section XVII(B)	We can terminate only if you default.
g. "Cause" defined -- defaults which can be cured	Section XVII(B)	We may elect to terminate your NexGen Fitness Franchise Agreement if you fail to pay, when due, any sum required to be paid under the Franchise Agreement or any other agreement between us after written notice and ten (10) days opportunity to cure; or if you fail to perform, or breach, any other provision of your NexGen Fitness Franchise Agreement or of any other agreement or instrument between us; or you fail to operate the Franchised Business in full compliance with the Franchise Agreement, the NexGen Fitness Franchise Operations Manual, or NexGen Fitness System Standards; or fail to cure any such breach within thirty (30) days from notice of breach.

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined defaults which cannot be cured	Section XVII(B)	We may elect to terminate your NexGen Fitness Franchise Agreement, without opportunity to cure if you fail to locate and secure a Site and get approval with the terms of the Site Selection Addendum or fail to open the Franchised Business within the time limits prescribed by the Franchise Agreement; you fail to satisfy all of the training obligations on three (3) or more separate occasions within any period of twelve (12) consecutive months; you fail to submit reports or other information or supporting records when due or otherwise fail to comply with the Franchise Agreement, whether or not such failures to comply are corrected after notice; you fail to operate your NexGen Fitness Franchised Business for more than two (2) consecutive days, or otherwise abandon the Franchised Business; you provide for offers or sales of any Permitted Products and Services at or from a location that is within the franchise territory of another NexGen Fitness franchisee (except as expressly stated in this Agreement, the Franchise Operations Manual, or any other written agreement between Franchisor and Franchisee), or otherwise infringes upon rights granted by us under franchise agreements with other franchisees of Franchisor; you fail to achieve or exceed System Standards in two (2) inspections in any twenty four (24) month period; you are declared bankrupt or insolvent or you are the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code; a receiver is appointed for you or for any part of your property, or you make any assignment for the benefit your creditors, if not dismissed within fifteen (15) days; you lose the right to possession of the premises upon which the Franchised Business is located, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located; Franchisee fails, for a period of ten (10) days after receipt of notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the

Provision	Section in Franchise Agreement	Summary
		operation of the Franchised Business; you make any transfer or attempted transfer that fails to comply with this Agreement; the Franchised Business is seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor; a final judgment against you remains unsatisfied for thirty (30) days (unless superseded as or other appeal bond has been filed), or a levy of execution has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business that is not discharged within five (5) days of such levy; any conduct or activity by you or any of your Principals, directors, or officers that Franchisor believes is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, us, the NexGen Fitness System, the Marks, or the goodwill associated; you knowingly maintain false books or records, or knowingly submit any false reports to us, or knowingly understate your Gross Revenues reported to Franchisor; any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business, and you have not immediately commenced actions to cure the problem or have not promptly cured or corrected the problem or activity that gave rise to the threat or danger; you make or attempt to make any transfer or assignment of the Franchised Business, Franchise business assets, rights under the Agreement, or ownership the Franchised Business contrary to the Franchise Agreement; or you or any of your Principals violate any of the Covenants of the Franchisee, commit an infringement of the Proprietary Marks, or communicate, divulge, or use Confidential Information contrary to the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination or nonrenewal	Section XVIII	Upon the termination, you must: cease to operate your Franchised Business and not hold itself out as a present or former NexGen Fitness franchisee of Franchisor; cease to use the NexGen Fitness System or NexGen Fitness Marks; make modifications to the Franchised Business Site to prevent the operation of any business on the Site that might be deemed substantially similar to the NexGen Fitness Franchised Business; at our option, assign to us (i) telephone numbers of the Franchised Business and all related Yellow Pages, White Pages and other business listings, and (ii) Web Sites, web pages, listings, banners, URLs, advertisements, or any other services and links, and sell to us the assets of the Franchised Business; turn over the NexGen Fitness Franchise Operations Manual, records, client and other files, instructions, correspondence, and software provided and/or licensed by us; cancel any assumed name or equivalent registration that contains the NexGen Fitness Marks; pay all sums due and owed to us; obtain and maintain professional liability or errors and omissions insurance and general liability insurance for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located; appoint us as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee obligations under the terms of termination.
j. Assignment of contract by us	Section XVI(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity.
k. "Transfer" by you definition	Section XVI(B)	Transfer includes any sales assignment, transfer, convey, give away, pledge, mortgage, or otherwise encumbrance of any interest therein or in Franchise, or Franchisee assets.

Provision	Section in Franchise Agreement	Summary
l. Our approval of transfer by franchisee	Section XVI(B)	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for NexGen Fitness Franchising Corporation approval of transfer	Section XVI(B)	All outstanding obligations related to the Franchised Business must be paid, and the transferor's right to receive compensation must be subordinated and secondary to our rights. The transferee must sign written assumption; transferee must meet NexGen Fitness standards; transferee must sign a then-current NexGen Fitness franchise agreement, and such other ancillary agreements; transferee must successfully complete NexGen Fitness initial training, and you or the transferee must pay a transfer fee.
n. Our right of first refusal to acquire your business	Section XVI(D)	We have the right, exercisable by written notice to you, to purchase such rights or interests for the price and on the terms and conditions contained in any offer for your Franchised Business, except we may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by us must be completed within ninety (90) days after your receipt of our written notice. If we do not exercise our right of first refusal, you may complete the sale of interest to the bona fide purchaser, subject to our approval; however, if the sale to the purchaser is not completed within one hundred twenty (120) days after the delivery of the offer to us, we will again have the right of first refusal.
o. Our option to purchase your business	Section XX (8)	Upon termination or expiration of your Franchise Agreement, at our option (to be exercised within thirty (30) days after termination), you must sell to us any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory related to the

Provision	Section in Franchise Agreement	Summary
		operation of your Franchised Business, at the depreciated book value.
p. Your death or disability	Section XVI(E)	Must transfer to an approved 3rd party within 6 months subject to all conditions except transfer fee.
q. Noncompetition covenants during the term of the franchise	Section XIX(B)(3)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights; cannot employ ours or another franchisee's employees.
r. Noncompetition covenants after the franchise is terminated or expires	Section XIX(C)	No involvement in a competing business for 2 years in, or within 25 miles of any NexGen Fitness; no solicitation of customers of your franchise for 2 years.
s. Modification of the agreement	Section XXII(A)	The Agreement may not be modified or amended except by written instrument signed by each of the parties hereto, expressing such amendment or modification.
t. Integration/merger clauses	Section XXII(A)	The Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representation made in this Franchise Disclosure Document.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Article XX	You and we must settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation before resorting to litigation or other dispute resolution procedures. The mediation proceedings will take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Collin County, Texas).
v. Choice of forum	Section XXII(D)	Any and all suits, actions or other proceedings with respect to, arising out of, or in connection with this Agreement shall be litigated in courts having a situs within Collin County, Texas (subject to applicable state law).
w. Choice of law	Section XXII(D)	The state of Texas (subject to applicable state law).

A provision in your Franchise Agreement that terminates the franchise on your bankruptcy may not be enforceable under federal bankruptcy law.

Area Development Relationship

Provision	Section in Area Development Agreement	Summary
a. Term of the franchise	Article VI	The term ends in accordance with the Development Schedule.
b. Renewal or extension of the term	Not applicable	

Provision	Section in Area Development Agreement	Summary
c. Requirements for you to renew or extend	Not applicable	
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Section VII	We can terminate only if you default. We can terminate the Area Development Agreement if the Franchise Agreement is terminated. Termination of the Area Development Agreement is not cause for terminating the Franchise Agreement.
g. "Cause" defined defaults which can be cured	Not applicable	
h. "Cause" defined defaults which cannot be cured	Section VII	We may terminate the agreement if you fail to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Development Schedule; you fail to have opened and maintained in continuous operation the minimum number of NexGen Fitness Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule; if a default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or you breach or otherwise fail to comply fully with any other provision contained in this Area Development Agreement or any other agreement between the Franchisor and/or its Affiliates. However, a default under the Area

Provision	Section in Area Development Agreement	Summary
		Development Agreement is not cause for termination of any existing Franchise Agreements.
i. Your obligations on termination or nonrenewal	Not applicable	
j. Assignment of contract by us	Section VIII(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity.
k. "Transfer" by you – definition	Section VIII(B)	Transfer includes any voluntary or involuntary sale, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest voluntarily or involuntary therein or in Franchisee or Franchisee assets.
l. Our approval of transfer by franchisee	Section VIII(B)	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for NexGen Fitness Franchising Corporation approval of transfer	Section VIII(B)	All outstanding obligations related to the Franchised Business must be paid; transferor's right to receive compensation must be subordinated and secondary to our rights. The transferee must sign written assumption; the transferee must meet NexGen Fitness standards, and you or the transferee must pay a transfer fee.
n. Our right of first refusal to acquire your business	Section VIII(C)	If we elect to purchase an interest under a bona fide offer for purchase, closing will occur within 90 days after the date of our notice to the seller electing to purchase the interest. If we do not elect to purchase such interest within the 30-day period, you may sell or transfer their offered interests to a third party, provided that such sale or transfer: (i) is made within 90 days after we give notice of its election,

Provision	Section in Area Development Agreement	Summary
		(ii) is made at a price and on the same material terms as those offered to us, and (iii) is made in full compliance with all applicable requirements of this Agreement.
o. Our option to purchase your business	Not applicable	
p. Your death or disability	Not applicable	
q. Noncompetition covenants during the term of the franchise	Section IX(A)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights; and cannot employ ours or another franchisee's employees.
r. Noncompetition covenants after the franchise is terminated or expires	Section IX(B)	No involvement in a competing business for 2 years in, or within 25 miles of any NexGen Fitness; no solicitation of customers of your franchise for 2 years.
s. Modification of the agreement	Section X(B)	The Agreement may not be modified or amended except by written instrument signed by each of the parties hereto, expressing such amendment or modification.
t. Integration/merger clauses	Section X(B)	The Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the

Provision	Section in Area Development Agreement	Summary
		express representation made in this Franchise Disclosure Document. Only the terms of the area development agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and area development agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	
v. Choice of forum	Section X(E)	Any and all suits, actions or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Collin County, Texas (subject to applicable state law).
w. Choice of law	Section X(E)	Texas (subject to applicable state law)

ITEM 18. PUBLIC FIGURES

Rob Gronkowski, 4 times Super Bowl champion and Ashley Greene, Award Winning Actress both appear in print and video advertisements promoting our franchise. Neither Mr. Gronkowski nor Ms. Greene receives payment for these advertisements. Both Mr. Gronkowski and Ms. Greene are partners in entities which own NexGen Fitness franchises.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure

document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bryan Whatley at 130 N Preston Rd, Suite 108 Prosper TX 75078 or by telephone at 844-4NEXGEN (844-463-9436), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
For Years ~~2020~~ 2021 to ~~2022~~2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets*	2021~~2020~~	10~~9~~	11~~11~~10	+1~~+1~~
	2022~~2021~~	11~~10~~	13~~11~~11	+2~~+1~~
	~~2022~~2023	~~11~~13	17~~13~~	+4~~+2~~
Company-Owned	2021~~2020~~	1	1	0
	2022~~2021~~	1	1	0
	2023~~2022~~	1	1	0
TOTAL OUTLETS	**2021~~2020~~**	**11~~10~~**	**12~~11~~**	**+1~~+1~~**
	2022~~2021~~	**12~~11~~**	**14~~12~~**	**+2~~+1~~**
	~~2022~~2023	**~~12~~14**	**18~~14~~**	**+4~~+2~~**

*Some of the franchised outlets are operated as licensees of our affiliate.

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than Franchisor)
For Years 2021 to 2023~~2020 to 2022~~

State	Year	Number of Transfers
Texas	2021~~20212020~~	0~~0~~
	2022~~20222021~~	0~~1~~
	2023~~20232022~~	2~~0~~
Oklahoma	2021~~20212020~~	0~~2~~
	2022~~20222021~~	0~~0~~
	2023~~20232022~~	1~~0~~
TOTAL	**2021~~20212020~~**	**0~~2~~**
	2022~~20222021~~	**0~~1~~**
	2023~~20232022~~	**0~~30~~**

Table No. 3
STATUS OF FRANCHISED OUTLETS
For Years 2021 to 2023~~2020 to 2022~~*

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
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Missouri	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
New York	2021 ~~2021 2020~~	~~000~~	~~110~~	~~000~~	~~000~~	~~000~~	~~000~~	~~110~~
	2022 ~~2022 2021~~	~~110~~	~~001~~	~~000~~	~~000~~	~~000~~	~~000~~	~~111~~
	2023 ~~2022 2023~~	~~11~~	~~10~~	~~00~~	~~00~~	~~00~~	~~00~~	~~21~~
Oklahoma	2021 ~~2021 2020~~	~~22~~	~~11~~	~~00~~	~~00~~	~~00~~	~~00~~	~~33~~
	2022 ~~2022 2021~~	~~33~~	~~00~~	~~00~~	~~00~~	~~00~~	~~00~~	~~33~~
	2023 ~~2023 2022~~	~~33~~	~~10~~	~~00~~	~~00~~	~~00~~	~~10~~	~~33~~
Texas	2021 ~~2021 2020~~	~~777~~	~~000~~	~~000~~	~~000~~	~~000~~	~~000~~	~~777~~
	2022 ~~2022 2021~~	~~777~~	~~120~~	~~000~~	~~000~~	~~000~~	~~000~~	~~997~~
	2023 ~~2022 2023~~	~~979~~	~~120~~	~~00~~	~~00~~	~~00~~	~~00~~	~~109~~

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
TOTAL	2021 ~~2021 2020~~	10~~109~~	1~~1~~	0~~0~~	0~~0~~	0~~0~~	0~~0~~	11~~110~~
	2022 ~~2022 2021~~	11~~110~~	2~~1~~	0~~0~~	0~~0~~	0~~0~~	0~~0~~	13~~311~~
	2023 ~~2021 3202 2~~	13~~311~~	5~~02~~	0~~0~~	0~~0~~	0~~0~~	1~~0~~	17~~313~~

* Some of the franchised outlets are operated as licenses of our affiliate.

If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Where a franchise territory covers more than one state, the franchise, for purposes of this table, is assigned to the state where it has the bulk of its operation, which is not necessarily the same state shown in the business address in the list of franchisees, EXHIBIT G.

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
For Years 2021 to 2023~~2020 to 2022~~

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Texas	2021~~2020~~	1	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	1
	2023~~2022~~	1	0	0	0	0	1
TOTAL	**2021~~2020~~**	**1**	**0**	**0**	**0**	**0**	**1**
	2022~~2021~~	**1**	**0**	**0**	**0**	**0**	**1**
	2023~~2022~~	**1**	**0**	**0**	**0**	**0**	**1**

Table No. 5
PROJECTED OPENINGS
As of December 31, ~~2022~~2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arkansas	1~~1~~	0	0
Oklahoma	2~~3~~4	0	0
~~Missouri~~	4~~1~~	~~1~~	~~0~~
~~New York~~	7~~0~~	~~1~~	~~0~~
Texas	4~~1~~4	~~1~~2	0
TOTAL	7~~6~~5	~~4~~2	**0**

The number of new franchised locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this disclosure document. There is no assurance that the actual number of openings, or the states in which we projected the openings, will be the same as our estimates.

A list of the names, addresses, and telephone numbers of all NexGen Fitness franchisees is attached to this disclosure document as EXHIBIT H. A list of the names, last known home addresses, and telephone numbers of every NexGen Fitness franchise who has had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this disclosure document, is attached to this disclosure document as EXHIBIT H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Our Franchise Advisory Council has not been established as of the date of this document.

As of the date of this disclosure document, there are no other trademark-specific franchisee organizations associated with the NexGen Fitness franchise system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Our ~~unaudited financials as of June 30, 2023, and~~ audited financials as of December 31, ~~2020~~2021, December 31, ~~2021~~2022, and December 31, ~~2022~~2023, are attached to this disclosure as EXHIBIT I.

Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

The following exhibits to this disclosure document are the contracts used by us in offering franchises:

EXHIBIT A FRANCHISE AGREEMENT
EXHIBIT B AREA DEVELOPMENT AGREEMENT
EXHIBIT C PERSONAL GUARANTY
EXHIBIT D RESTRICTIVE COVENANT AGREEMENT
EXHIBIT E POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

ITEM 23. RECEIPT

The last page of this disclosure document is a detachable document that you must sign to acknowledge your receipt of this disclosure document.

EXHIBIT A. FRANCHISE AGREEMENT

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

Franchise Agreement

BETWEEN

NEXGEN FITNESS FRANCHISING CORPORATION
FRANCHISOR

AND

_____
FRANCHISEE

_____
Location (Common Territory Name)

_____
DATED

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Exhibits

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EXHIBIT 3. AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS
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EXHIBIT 5. RIDER TO FRANCHISE PREMISES LEASE AGREEMENT

NEXGEN FITNESS FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the Agreement), made by and between NexGen Fitness Franchising Corporation, a Texas Corporation (the Franchisor), and _____, a(n) _____ (the Franchisee) on the date signed herein by the franchisor herein _____ (the Effective Date).

W I T N E S S E T H:

WHEREAS Franchisor has dedicated time, skill, effort, and money to create and develop and continues to develop a system (the System) for the establishment and operation of a distinctive type of business (referred to as a NexGen Fitness or the Franchised Business) that offers private personal, fitness services, and small group training in private training suites; and

WHEREAS, the System consists of distinctive methods and procedures for marketing and advertising; specially designed business forms and procedures for the efficient operation of the Franchised Business; an operations manual (the Franchise Operations Manual); and specially designated equipment, techniques, and procedures for the promotion and provision of Franchisee's services; and

WHEREAS, Franchisor has invested substantial amounts of money in developing, and continues to develop, use and control the use of the marks NexGen Fitness design, stylized, any derivatives thereof, and certain other trade names, business names, service marks, trademarks, logos, designs and trade symbols (collectively referred to as the Marks) to identify to the public the source of services marketed thereunder and through the NexGen Fitness System and to represent the NexGen Fitness uniform and high standards of quality; and

WHEREAS, Franchisor has applied to register the mark NexGen Fitness with the United States Patent and Trademark Office, and claims the exclusive right to use all of the Marks and any derivatives thereof in connection with the operation of the NexGen Fitness System, as are now or may from time to time be designated in writing by Franchisor for use in connection with the operation of the System, and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality and service, the necessity of opening and Franchise Operations the Franchised Business in conformity with Franchisor's standards and specifications as presented in Franchisor's Franchise Operations Manual and updates, and preserving the confidentiality of the System; and

WHEREAS, Franchisee has applied for a license to operate a NexGen Fitness Franchise. In reliance upon all of the representations made by Franchisee in the application and in this Agreement, Franchisor has approved Franchisee's application;

NOW, THEREFORE, in consideration of the above Recital, which is incorporated herein as if fully rewritten, and the mutual promises contained herein, the parties agree as follows:

I. APPOINTMENT

A. Grant of Franchise

Franchisor grants to Franchisee the right to operate a NexGen Fitness Franchised Business under the System and the Marks and using the system standards set (referred herein as "**System Standards**" which include the terms of this Agreement, the Franchise Operations Manual (as defined here), other directives provided by Franchisor) at the location (the Site) and in the geographic area specified in the Territory Addendum attached as Exhibit 2, which thereby constitutes the collectively Franchised Business Territory (the "**Territory**") to offer and sell Permitted Products and Services (as defined herein) within the Territory in accordance with this Agreement.

If a Site is not identified upon the signing of this Agreement, Franchisee shall execute a Site Selection Addendum (Exhibit 4). Franchisee acknowledges and agrees that Franchisor's approval of the Site may in part be conditioned on Franchisee's and the Site landlord's execution of the Lease Rider, which included herein as Exhibit 5 or in another form acceptable to Franchisor. In any event, the Site of the Franchised Business must be secured by lease or other lawful rights of possession no later than 90 days fromn the signing of this Agreement. Time is of the essence. It is acknowledged and agreed that Franchisee's failure to secure a Site or Franchisor's failure to approve a Site within the aforementioned time is a material default of this Agreement, which may among other things be grounds for the termination of this Agreement.

Franchisee shall only solicit customers and accept orders within the Territory and from the Site as defined herein. Franchisee shall not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Territory unless Franchisor gives Franchisee written consent to serve another specified area where no other NexGen Fitness franchise or company-owned unit is located. If Franchisor does so grant consent to service another specified area, Franchisee shall be obligated to a pay royalty fees and other fees to Franchisor for the services performed or products sold.

B. Franchisor Restrictions

Provided that Franchisee is not in breach of this Agreement, and except as otherwise set forth herein, Franchisor shall not establish or franchise another to establish, a NexGen Fitness within the Territory If for any reason the boundaries of the Territory are moved, altered, or eliminated, Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor's discretion, to Franchisee's original Territory, and Franchisor's decision shall be final and binding upon both Franchisor and Franchisee.

C. Reserved Rights

Franchisor specifically reserves all rights not expressly granted to Franchisee in this Agreement. Without limiting the generality of the preceding sentence, Franchisor has the right to:

1. Own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, outside the Territory.

2. Acquire a system of Competitive Businesses (as defined herein) with units located within the Territory or outside the Territory, subject to the provisions of this Agreement.

3. Sell or franchise others to sell the services and products authorized for NexGen Fitness Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, venues, site or location models other than model concept of your Franchised Business (real property space, joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate.

Acquisition of Competing System

If Franchisee is in compliance with this Agreement and Franchisor acquires a system of Competitive Businesses (an "**Acquired System**") during the term of this Agreement, the following terms apply:

1. Franchisor shall offer Franchisee the option to purchase and operate, as a NexGen Fitness Franchise, any unit of the Acquired System (an "**Acquired Unit**") that is both purchased by Franchisor for operation by Franchisor or an Affiliate (e.g., the unit will not be operated by a licensee of the Acquired System) and is located within the Territory. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired System, the terms and conditions applicable to Franchisee's option to purchase Acquired Units, and such other information that Franchisor deems necessary to be included in the notice. The terms and conditions offered to Franchisee will include, without limitation, the following: (i) the purchase price of the unit; and (ii) the requirement that Franchisee enter into Franchisor's then-current form of the franchise agreement for the Acquired Unit, provided that Franchisee shall not be required to pay an Initial Franchise Fee for an Acquired Unit. If Franchisee does not elect to purchase or fails to complete the purchase of, an Acquired Unit within two (2) months after its receipt of the notice, Franchisor has the right to operate itself, or through an Affiliate or third-party licensee, the Acquired Unit under any trade name or trademark other than the Marks.

2. Franchisee has no right to purchase, and Franchisor is not obligated to offer Franchisee any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks other than the Marks and may also license additional units of the Acquired System to be developed and operated within the Territory.

II. TERM AND RENEWAL

A. Initial Term

Except as otherwise provided, the term of this Agreement shall be for a period of 10 years commencing on the date set forth on the cover hereof.

B. Renewal

Upon the expiration of the initial term or any renewal term hereof, Franchisee may, at its option, renew this Agreement for an additional term of 10 years (the "**Successor Franchise**"), provided that at the end of each term:

1. Franchisor is still offering Franchises at the time of each renewal period;

2. Franchisee has given Franchisor written notice of its election to renew not less than six (6) months, but not more than one (1) year, prior to the end of the preceding term;

3. Franchisee is not in default under any provision of this Agreement, any amendment or successor thereto, or any other agreement or instrument between Franchisee and Franchisor or its affiliates, approved suppliers of the System and had substantially complied with all of the terms and conditions of all such agreements during the then current terms;

4. Franchisee has access to and the right to remain in possession of the Site, or a suitable substitute location that is approved by Franchisor and meets Franchisor's then-current specifications and standards, for the entire term of the Successor Franchise.

5. Franchisee shall refurbish the Franchised Business to conform to the then-current trade dress, color schemes, and presentation of the Marks and Systems Standards;

6. Franchisee executes Franchisor's then-current form of franchise agreement and all other agreements and contracts that are normally and customarily signed by franchisees, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, different royalty and National Advertising Contributions; provided, however, the agreement offered Franchisee upon renewal shall not require Franchisee to pay the initial franchise fee again;

7. Franchisee must pay Franchisor a Successor Franchise Fee of $10,000 at the same time that Franchisee gives Franchisor the written request required by this Section. If Franchisor refuses to grant Franchisee a Successor Franchise, Franchisor shall, at the same time Franchisor notifies Franchisee of the refusal, refund the Successor Franchise Fee paid by Franchisee. The Successor Franchise Fee is not refundable under any other circumstances; and

8. Franchisee shall comply with Franchisor's then-current qualification and training requirements, including, without limitation, any training requirements specifically designated for renewing Franchisees.

C. Interim Term

If Franchisee does not execute a Successor Agreement before the expiration of the Agreement and Franchisee continues to accept the benefits of this Agreement after the expiration, then at Franchisor's option, this agreement may be treated either as: (i) expired as of the expiration date, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (the "**Interim Term**") until terminated by either party with at least one month written notice. In the latter case, all of

Franchisee's obligations will remain in full force and effect during the Interim Term as if this agreement had not expired, except Royalty Fees, and all other Fees shall be at the Franchisor's then-current rates and amounts plus an additional 4% royalty on gross revenues, and all obligations and restrictions imposed on Franchisee upon the expiration of this agreement will be deemed to take effect upon termination of the Interim Term. Except as described in this paragraph, Franchisee has no rights to continue to operate the Franchised Business following the expiration of the Initial Term. If any applicable Franchise Law requires a longer notice period, the one-month period will be deemed modified to be the shortest notice period required by the Franchise Law.

III. INITIAL AND ON-GOING FEES

A. Initial Franchise Fee

Franchisee shall pay Franchisor an initial franchise fee of $34,900 in cash or by check, money order, or bank draft. The initial franchise fee is fully earned, due and payable to Franchisor upon the execution of this Agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee as described herein and for Franchisor's lost or deferred opportunity to franchise to others. Except as provided in below, the initial franchise fee is not refundable.

B. Project Management Fee

Franchisee shall pay Franchisor a Project Management Fee in the amount of $20,000 for project management for the unit opening, website page development, real estate site review and other work directly related to the Franchise going from signing to opening of the Franchised Business.

C. Royalty Fee

Following the commencement of the Franchised Business and in consideration of Franchisee's continued right to utilize the System and the Marks and Franchisor's ongoing assistance as described herein, Franchisee shall pay Franchisor a fee each month (the "Royalty Fee") of 7% of Gross Revenues or $1,750, whichever is greater. Royalty Fees are due and payable by the 10th of each month based upon Franchisee's Gross Revenues for the preceding calendar month. Franchisee shall also pay all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, on the Royalty Fees payable to Franchisor, regardless of whether such taxes be assessed against or payable by Franchisor or Franchisee.

D. National Advertising Contributions

Franchisee shall contribute to the national advertising fund as Franchisor established for advertising for the System, a National Advertising Contribution up to 5% of Gross Revenues or $500 per month, whichever is higher, of Franchisee's Gross Revenues (the National Advertising Contribution). National Advertising Contributions are due and payable by 10th of each month based upon Franchisee's Gross Revenues for the preceding calendar month. Franchisee shall also pay all federal, state and local sales or use taxes that may be levied or assessed, in whole or in part, on the National Advertising Contributions payable to Franchisor, regardless of whether such taxes be assessed against or payable by Franchisor or Franchisee.

E. Late Payments

Franchisee shall pay Franchisor a late fee of $50 per day plus interest at of the rate of 18% for each Royalty Fee, National Advertising Contribution or other payment that is not received by Franchisor within one (1) day after the due date or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of fees.

F. Gross Revenues

The term "**Gross Revenues**", as used in this Agreement, shall mean all sales and other income (recognized on a cash basis), whether cash or credit or barter for exchange (regardless of collection in the case of credit), arising from the operation of the Franchised Business, less (i) all refunds and discounts made to clients in good faith and in accordance with Franchisor's policies, and (ii) any sales or excise taxes that are separately stated and that Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority.

G. Technology Fee

Franchisee shall pay Franchisor a Technology Fee of $799 plus $10 for each email account above the 2 email accounts included in the Technology Fee monthly for the use of the computer system software and applications. Franchisor may increase the Technology Fee upon a 30 day written notice to you.

H. Leadership Training

Franchisee shall pay Franchisor a Leadership Training Fee of $350 per month for initial leadership training and group leadership training meetings for a period of no less than 1 year upon the opening of the Franchised Business. Franchisor may increase the Leadership Training Fee upon a 30 day written notice to Franchisee. Franchisor may discontinue Leadership Training Program at any time.

I. Method of Payment

Franchisee agrees to remit fees and any other amounts due Franchisor hereunder via electronic funds transfer or other means as Franchisor may stipulate. Franchisee agrees to execute and deliver to Franchisor an authorization for electronic transfer of funds (in the form attached hereto as Exhibit 3 or such other form as Franchisor may accept) for direct debits from Franchisee's business bank operating account, and to comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic fund transfer. Franchisee authorizes Franchisor to initiate debit entries and/or credit correction entries to a designated checking account for payment of royalties, or any other fees and amounts payable to Franchisor, including, but not limited to, attorney fees, interest; Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no

later than the due date for payment therefor. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized to debit Franchisee's account in an amount equal the Royalty Fees and other fees and amounts payable by Franchisee for the last reporting period for which a statement of operations was received from Franchisee. Nothing contained in this paragraph shall be construed to waive Franchisee's obligations to submit any reports, records or other materials required by this Agreement, or waive any remedy available to Franchisor for Franchisee's failure to make timely payments.

IV. OPENING OF FRANCHISED BUSINESS

A. Site

Franchisee shall solely operate the Franchised Business from a real property space that is approved by and meets Franchisor's then site requirements (Site) and is identified in Exhibit 2 to this Agreement.

Franchisee acknowledges and agrees that Franchisor's approval of the Site is solely based upon the Site conforming to System Standards and is not intended as and should not be interpreted as an opinion, Testament, or assurances regarding the success or profitability of the specific Site.

Franchisee may relocate the Site of the Franchised Business so long the new Site meets Franchisor's then-current Site requirements and is approved by Franchisor and Franchisee reimburses Franchisor for any costs and expenses incurred by Franchisor in the Franchised Business relocation.

B. Schedule of Equipment

Franchisor shall provide, at no charge to Franchisee, a schedule of all equipment necessary to operate the Franchised Business.

C. Franchisee Obligations

Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design, and operation of the Franchised Business. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five days after receipt thereof.

D. Opening Date

Franchisee shall complete all pre-opening requirements hereunder before opening the Franchised Business, and Franchisee shall open the Franchised Business, in accordance with the requirements contained herein, in the Franchise Operations Manual, and/or elsewhere in writing by Franchisor, not later than 8 - 12 months after the execution of this Agreement. Time is of the essence.

E. Notice and Franchisor's Final Inspection Approval

In connection with the opening of the Franchised Business, Franchisee shall provide at least thirty (30) days prior notice to Franchisor of the date on which Franchisee proposes first to open the Franchised Business for business. Franchisee agrees not to open Franchised Business without first obtaining Franchisor's final written inspection approval.

V. TRAINING AND ASSISTANCE

A. Initial Training

Prior to opening the Franchised Business, you and your Franchised Business Operator, if applicable shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attends and successfully completes, to Franchisor's satisfaction, the initial training program.

Franchisee acknowledges that the grant of the franchise under this Agreement is conditioned upon the successful completion of Franchisor's initial training program by Franchisee or if Franchisee is other than an individual, the Designated Manager. If, during the course of the initial training program or within fifteen (15) days thereafter, Franchisor concludes that Franchisee or the Franchised Business Operator, as the case may be, has not exhibited the aptitude, abilities, or personal characteristics necessary or desirable to successfully operate a NexGen Fitness Franchised Business in accordance with the standards and procedures of the NexGen Fitness Methods and the System, Franchisor may, in its sole discretion and judgment, cancel this Agreement and all rights hereunder by giving notice to Franchisee. Upon the cancellation of this Agreement pursuant to this paragraph, Franchisee shall return to Franchisor the Manual and all other materials, information, and other items that Franchisee received from Franchisor, including all copies thereof and notes thereon. Franchisee agrees to maintain the confidentiality of all information strictly received relating to the NexGen Fitness Method and not to use, in connection with the offering or selling of private personal, fitness services, and small group training, or similar business, any trade secrets or confidential information obtained from Franchisor.

B. Training of Replacement Personnel

If the Franchised Business Operator ceases active employment in the Franchised Business, Franchisee shall designate a new Franchised Business Operator who meets Franchisor's then-current training requirement and is approved by Franchisor within a reasonable amount of time after the cessation of such former Franchised Business Operator's employment, but no later than forty-five (45) days. Franchisor reserves the right to review any Franchisee-trained personnel and require that such persons attend and complete, to Franchisor's satisfaction, the initial training programs offered by Franchisor at a location designated by Franchisor.

C. Ongoing Training.

Franchisor may also require that Franchisee (and/or its Franchised Business Operator), employees, and contractors attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time.

D. Annual Meeting

Franchisor may require Franchisee (or if Franchisee is other than an individual, the Designated Manager) to attend a regional or national meeting of NexGen Fitness franchisees at a location designated by Franchisor. Franchisor reserves the right to charge Franchisee a fee for such meetings. This provision shall not be construed to require Franchisor to hold, provide, sponsor, host, or organize any such meetings.

E. Continuing Assistance

Franchisor will provide Franchisee, at no charge to Franchisee, periodic and continuing advisory assistance with technical, operational, sales, personnel, accounting, or other issues affecting the day-to-day operation of the Franchised Business in such manner and frequency as Franchisor deems advisable.

F. Training Costs

For all training courses, seminars, and programs, Franchisor shall provide instructors and training materials, provided that Franchisor reserves the right to charge a fee for any refresher, remedial, and additional training it provides. Franchisee shall bear the cost of all other expenses for its attendees during the training period, including, without limitation, the costs of transportation, lodging, meals, wages, and workers' compensation insurance.

VI. SYSTEM STANDARDS

A. Standards

Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other NexGen Fitness franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services offered by all franchisees, to establish and maintain a reputation for uniform, efficient, high-quality products and services, and to protect the goodwill of all NexGen Fitness franchises. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this Agreement, and other NexGen Fitness franchises are adherence by all Franchisees to the uniform specifications, standards, operating procedures and rules prescribed by Franchisor for the development and operation of the Franchised Business (collectively referred to as System Standards). Accordingly, Franchisee agrees to comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its sole and absolute discretion, during the term of this Agreement. Franchisee further agrees that System Standards prescribed from time to time in the Franchise Operations Manual or otherwise

communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all System Standards as periodically modified. Franchisee agrees to comply with System Standards and not to deviate from Franchisor's specifications, or procedures.

B. Supplier Approval

Franchisee shall purchase all supplies, equipment, marketing materials, and other products and materials required for the operation of the Franchised Business as the Franchisor designates from time to time solely from vendors and suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved, in writing, by Franchisor and not thereafter disapproved. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval or shall request the supplier itself to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing, and the actual cost of the tests shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Franchisor may charge a reasonable fee for inspection, review, and approval of suppliers. Franchisor may revoke supplier approval at any time for any reason upon notice to the franchisees.

C. Products and Services

Franchisee shall offer and sell all products and services, and only those products and services, authorized by Franchisor and specified in the Franchise Operations Manual or as designated in writing by Franchisor (the "**Permitted Products and Services**"). Franchisor may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. Franchisor may also designate any products or services as optional.

D. Pricing

Franchisor has the right to require specific pricing structures.

E. Promotions

Franchisee shall fully participate, honor, and comply with any and all System, local, regional, seasonal, promotional and other programs, initiatives and campaigns adopted by Franchisor that Franchisor requires Franchisee to participate in.

F. Fixtures and Furnishings

Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, signs, communication and information system, and other equipment as may be specified by the

System Standards from time to time; and shall not permit the installation of any fixtures, furnishings, signs, communication and information system, or other equipment not conforming to the System Standards.

G. Maintenance Standards

Franchisee shall at all times maintain the Franchised Business in a high degree of cleanliness, repair, and condition, and in connection therewith and shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, fixtures, equipment, and décor as Franchisor may direct.

H. Refurbishing

At the request of Franchisor, which may be made once every (2) years during the term of this Agreement (excluding any periods of renewal of the franchise rights, for which additional refurbishment may be required), Franchisee shall refurbish the Franchised Business at its own expense to conform to the trade dress, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for the new NexGen Fitness Franchised Business under the System. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements. Franchisee shall complete the refurbishing within the time period specified by Franchisor.

I. Variance

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege to vary System Standards for any NexGen Fitness Franchisee based upon any condition that Franchisor deems to be of importance to the successful operation of such franchisee's business.

VII. FRANCHISED BUSINESS OPERATIONS

A. Business Operation

After opening, Franchisee shall maintain the Franchised Business in continuous operation during all normal business hours as provided for in the Franchise Operations Manual during the term of this Agreement. Franchisee shall use its best efforts to promote and develop the market for the Permitted Products and Services. The Franchised Business must at all times be under the direct supervision of the Franchisee, the Designated Manager, or the Franchised Business Operator, who must devote his/her full time and energy to the operation of the Franchised Business and has successfully completed Franchisor's initial training.

B. Inspection

To ensure compliance with this Agreement and System Standards, Franchisor or its designated agents have the right, at any reasonable time and without prior notice, to (i) inspect the Franchised Business; (ii) observe the Franchise Owner and its employees during the performance of work; (iii) confer with the Franchise Owner and its employees; (iv) contact and interview customers and suppliers/distributors of Franchise Owner; (v) inspect, inventory, and check any and all inventory, equipment, signage, fixtures, furniture and operating methods of the Franchise Owner; (vi) test products and supplies; and (vii) conduct online or other surveys and secret shoppers, including tape-recorded and interviews. Franchisor may require that Franchisee furnishes its customers with an evaluation form specified by the Franchisor pre-addressed to the Franchisor. Franchisee agrees to fully cooperate with representatives of the Franchisor making any inspection or observing or evaluating the work of Franchisee or its employees. If any inspection conducted by Franchisor or its designee reveals that the Franchised Business fails to meet System Standards, Franchisor may charge the then current standard re-inspection fee. Franchisee's failure to achieve or exceed System Standards in two (2) inspections in any twenty (24) month period is a material breach of this agreement, for which Franchisor, in addition to its other legal and equitable remedies, may terminate this Agreement, refuse to renew the Franchise granted under this agreement, or reduce the geographic size of the Territory.

C. Payment of Liabilities

Franchisee shall at all times pay its distributors, lessors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such persons become due and hold Franchisor harmless therefrom. Franchisee's failure to do so shall constitute a breach of this Agreement. In the event Franchisee shall fail to pay any such obligations promptly as the debts to such persons or entities become due, Franchisor shall, in addition to its other remedies provided in this Agreement, have the right, at its election and without being obligated to do so, to pay such obligations and the amount or amounts paid therefor shall be paid by Franchisee to Franchisor with the next succeeding payment due Franchisor under this Agreement, together with interest at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

D. Payment of Taxes

Franchisee shall at all times pay its taxes on real and personal property, leasehold improvements, and fixtures and equipment, and all sales, payroll and other taxes promptly when due and hold Franchisor harmless therefrom. Franchisee's failure to do so shall constitute a breach of this Agreement. All taxes shall be paid directly to the taxing authorities prior to the delinquent date. If any taxes become delinquent, Franchisor may elect to pay the delinquent tax on behalf of Franchisee, together with penalties and interest, if any, and Franchisee agrees, upon demand of Franchisor, to reimburse Franchisor for any sums so paid by Franchisor, together with interest at the rate of eighteen percent (18%) per annum, or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

E. Compliance with Law

Franchisee agrees to comply with all laws, regulations, and requirements of federal, state, municipal, and other governmental entities and agencies (including, but not limited to, Title VII of the Civil Rights Act, the ADA, the Age Discrimination in Employment Act, and any other federal, state or local employment laws relating to occupational hazards and health, consumer protection, employment discrimination, and sexual harassment), and to obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone shall be responsible for compliance with the obligations under this paragraph and that Franchisor shall have no obligation with respect thereto.

F. Client Service

Franchisee acknowledges that client satisfaction is essential to Franchisee's success as well as the reputation and success of the Marks, the System, and other NexGen Fitness franchisees. Accordingly, Franchisee agrees to (i) use its best efforts to ensure the satisfaction of each of Franchisee's clients; (ii) use good faith and fair dealing in all dealings with clients, potential clients, suppliers and creditors; (iii) respond to client complaints in a courteous, prompt, and professional manner; and (iv) use its best efforts to promptly and fairly resolve client disputes in a mutually agreeable manner. If Franchisee fails to resolve a dispute with a client, for any reason whatsoever, Franchisor, in its sole discretion, may (but shall not be obligated to) investigate the matter and require Franchisee to take such actions as Franchisor deems necessary or appropriate to resolve the dispute fairly and promptly. Nothing contained in this Section or any other provision of this Agreement shall be construed to impose liability upon Franchisor to any third party for any action by or obligation of Franchisee.

Franchisee agrees to participate in and fully comply with any customer warranty or guaranty, or customer satisfaction program Franchisor may establish from time to time.

VIII. MANAGEMENT AND STAFFING

A. Non-Individual Franchisee

If Franchisee is other than an individual, it shall comply with the following requirements prior to its execution of this Agreement:

1. Franchisee shall be newly organized, and its charter, articles of organization, bylaws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Business;

2. Franchisee, prior to the execution of this Agreement, shall have provided Franchisor with written information as to each shareholder, member or partner of Franchisee ("Principals"),

and the interest of each, on Exhibit 1 hereto, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement;

3. All Principals of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of Franchisee's obligations to Franchisor;

4. Each ownership certificate of Franchisee, if any, shall have conspicuously endorsed upon its face the following legend:

> "The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with NexGen Fitness dated _____."

5. Copies of Franchisee's articles of incorporation or organization, bylaws, partnership agreement, operating agreement, and other governing documents, including the resolutions of the Principals or Board of Directors authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval; and

6. Franchisee's name shall not consist of or contain the Marks or any colorable variation thereof or any other mark in which Franchisor has or claims a proprietary interest.

B. Designated Manager

If Franchisee is other than an individual, prior to beginning the initial training program, Franchisee shall designate, subject to Franchisor's approval, an individual (the "**Designated Manager**") who shall be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee. Criteria for Franchisor's approval of the Designated Manager may include completion of the Franchisor's initial training and other criteria as stipulated by Franchisor. Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Manager to have been given, by Franchisee, decision-making authority and responsibility regarding all aspects of the Franchised Business. In the event that the person designated as the Designated Manager dies, becomes incapacitated, leaves the Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly, but no event later than forty-five (45) days, designate a new Designated Manager, subject to Franchisor's approval.

C. Franchised Business Staff

Franchisee shall maintain a competent, conscientious, trained staff (who shall have been adequately trained per Franchisor Standards) in numbers sufficient to service customers promptly and properly, including at least a trained manager (or other trained supervisory employee in accordance with the Franchise Operations Manual) on duty at all times at which the Franchised Business is open (including daily Franchised Business opening and closing procedures), and take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe.

D. Compliance with USA Patriot Act

Franchisee certifies that neither Franchisee nor any of its Affiliates, Principals, employees or other Persons associated with Franchisee is an Embargoed Person. Franchisee shall not hire or have any dealings with an Embargoed Person or permit an Embargoed Person to hold an Ownership Interest in or position as a director or officer of Franchisee. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or any of its Affiliates, Principals, employees or other Persons associated with Franchisee being an Embargoed Person. Franchisee shall comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws. In connection with that compliance, Franchisee certifies, represents and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its Affiliates and Principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities so stated in this agreement include Franchisee's obligations under this paragraph. Any misrepresentation by Franchisee under this paragraph or any violation of the Anti-Terrorism Laws by Franchisee, its Affiliates, Principals or employees, will constitute grounds for immediate termination of this Agreement and any other agreement between any Franchisor-Related Person and Franchisee or any of its Affiliates, Principals or employees.

IX. COMMUNICATIONS AND INFORMATION SYSTEMS

A. Computer System

To ensure the efficient management and operation of the Franchised Business and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the Franchised Business, and shall maintain and utilize during the term of this Agreement, such communication and information system as may be specified by the System Standards from time to time.

1. As used in this Agreement, the term communication and information system shall mean: hardware (including without limitation one or more computers and/or other computer components); software designated for the management and operation of the Franchised Business, as well as reporting and sharing information with Franchisor; and communication systems (including, without limitation, digital and analog modems, satellite, cable, and other systems).

2. Franchisee shall lease and/or purchase its communication and information system only from Franchisor Approved vendor or vendors or suppliers. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the communication and information system.

3. Franchisor may, from time to time, develop or authorize others to develop proprietary software programs for use in the System, which Franchisee may be required to purchase and/or license, and use, in connection with the Franchised Business. Franchisee agrees that it shall execute any license, sublicense, or maintenance agreement and pay any applicable fees

required by Franchisor or any other approved licensor or approved vendor of such proprietary software programs.

4. If required by Franchisor, Franchisee shall obtain and maintain a contract with a vendor that Franchisor has approved in writing for software maintenance, support, and upgrade services for Franchisee's communication and information system and to provide Franchisee with such assistance as Franchisee and Franchisee's employees may require. Franchisee acknowledges that Franchisor may be one of or the only, approved vendor for such services, and if Franchisee obtains these services from Franchisor, then Franchisee agrees that it shall pay Franchisor the maintenance fee and help desk fee specified by Franchisor for such services. Notwithstanding the rights of the Franchisor, Franchisor shall not at any time be obligated to provide any such services or support for the hardware or software used in the communication and information system.

5. Franchisee shall upgrade and update its communication and information system in the manner, and when, specified by Franchisor in writing.

6. Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's communication and information system interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's communication and information system is not properly operated, maintained, and upgraded.

7. Franchisee shall: (a) promptly enter, into its communication and information system, and maintain all information required to be entered and maintained by Franchisor; (b) provide to Franchisor such reports as Franchisor may request from the data so collected and maintained, and (c) permit Franchisor to access Franchisee's communication and information system at all times via modem or other means specified by Franchisor from time to time. Franchisee shall cooperate with Franchisor, and shall execute all documents required by Franchisor to permit access to Franchisee's communication and information system and data contained therein. The reporting requirements set forth in this Section shall be in addition to and not in lieu of the reporting requirements set forth otherwise in this Agreement.

8. Any and all data collected or provided by Franchisee, downloaded from Franchisee's communication and information system, and otherwise collected from Franchisee's system by Franchisor and/or provided to Franchisor is and shall be owned exclusively by Franchisor, and Franchisor shall have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee, including, but not limited to, the disclosure or distribution of such information to other franchisees of Franchisor, or the disclosure of such information to prospective franchisees of Franchisor, by inclusion in Franchisor's franchise disclosure document or otherwise; however, Franchisee is hereby licensed (without any additional fee) to use such data solely for the purpose of operating the Franchised Business, and such license shall automatically and irrevocably expire when this Agreement terminates or expires, without additional notice.

B. Telephone

Franchisee shall maintain telephone lines and features for use exclusively by the Franchised

Business as required by Franchisor in the Franchise Operations Manual or otherwise communicated to Franchisee from time-to-time.

1. Prior to opening the Franchised Business and thereafter at all times during the term of this Agreement, Franchisee shall obtain and maintain an e-mail account as specified by Franchisor that is capable of receiving and sending attached files of a size specified by Franchisor in the Franchise Operations Manual or otherwise communicated to Franchisee from time-to-time, along with an Internet connection via a commercial Internet service provider.

2. Franchisor shall have the right, but not the obligation, to establish a Web Site and/or other electronic system providing private and secure communications (e.g., an extranet) between Franchisor, Franchisee, other franchisees, and other persons and entities as determined by Franchisor, in its sole discretion. If required by Franchisor, Franchisee shall establish and maintain access to the extranet in the manner specified by Franchisor and shall from time to time execute such agreements and/or acknowledge and agree to comply with such policies concerning the use of the extranet as Franchisor may prepare.

X. RECORDS AND REPORTS

A. Records

During the term of this Agreement, Franchisee shall maintain and preserve, for at least seven (7) years from the date of their preparation, full, complete and accurate books and records of accounts, prepared in accordance with generally accepted accounting principles, and client files and records pertaining to the Franchised Business granted pursuant to this Agreement, all in the form and manner prescribed by Franchisor in the Manual or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

1. Submit to Franchisor, on or before the 5th of each month during the term of this Agreement, a Gross Revenue Report and statement of operations in the form prescribed by Franchisor and certified by Franchisee or the Designated Manager, accurately reflecting Franchisee's Gross Revenues and the results of operations of the Franchised Business, respectively, during the preceding period, along with such other data or information as Franchisor may require.

2. Submit to Franchisor, monthly, quarterly, and/or annual financial reports including balance sheets, cash flow statements, profit and loss statements, and other reports as required by Franchisor. All Reports shall be submitted timely in accordance with Franchisor's schedule, and all reports shall be certified by Franchisee or the Designated Manager to accurately reflect, respectively, the financial condition of the Franchised Business.

3. Submit to Franchisor signed copies of the federal income tax returns for the previous tax year, as filed with the Internal Revenue Service, of Franchisee and of any Principal who owns an ownership interest in Franchisee greater than or equal to fifty percent, on or before April 30 of each year, or, if the taxpayer has received an extension of time to file and submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, then within

fifteen (15) days after the final due date for such return, but in no event later than October 30th.

4. Submit to Franchisor, for review or auditing, such other forms, reports, bank statements, client files, records, information, and data as Franchisor may designate, in the form and at such times and places as Franchisor may request.

5. Purchase and install such equipment as Franchisor may require automating the reporting of financial information and payment of recurring fees pursuant to this Agreement, including, but not limited to, Internet or intranet reporting and pre-authorization of electronic fund transfer or bank debit.

B. Franchisor Audits and Inspection

At all times during the term of this Agreement and for a period of three (3) years after the termination or expiration of this Agreement, Franchisee covenants and agrees to permit Franchisor or its designated agents at all reasonable times to examine, at Franchisor's expense and at such location as Franchisor may reasonably select, Franchisee's books and records of accounts, bank statements, canceled checks, client files, federal, state, and local income tax, sales and use tax, and payroll tax returns, the federal income tax returns of any Principal who owns an ownership interest in Franchisee greater than or equal to fifty percent, and any other information or records pertaining to the Franchised Business (collectively referred to as Franchisee's Business Records). If such an inspection should reveal that Gross Revenues have been understated in any report to Franchisor, then Franchisee shall immediately pay the amount of Royalty and other fees and amounts due with respect to such understatement, plus the late fees and interest as provided by this Agreement. In addition, if an inspection discloses an understatement of Gross Revenues for any monthly period so inspected, or if an inspection is prompted by Franchisee's failure to maintain any records or to timely submit any report or other information required by this Agreement, then Franchisee shall also reimburse Franchisor for any and all costs and expenses of such inspection (including, without limitation, wages paid by Franchisor to its employees, travel expenses, and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. Franchisor shall also have the right, at any time, to have an independent audit made of Franchisee's Business Records.

XI. INDEMNIFICATION AND INSURANCE

A. Indemnification

Franchisee is responsible for all losses or damages from contractual liabilities to third persons from the possession, ownership, and operation of the Franchised Business and all claims or demands for damages to property or for injury, illness or death of persons, directly or indirectly arising out of, or in connection with, possession, ownership or operation of the Franchised Business or the actions or omissions of Franchisee, its employees, officers, managers, representatives, and agents. Franchisee agrees to indemnify, hold harmless and, at the Franchisor's request, defend the Franchisor and its affiliates and franchisees, and their agents, employees, attorneys, successors and assigns against any and all claims, suits, demands, losses, damages or liabilities and all related expenses, including reasonable attorneys' fees and court

costs, which directly or indirectly arise out of, in connection with, or as a result of possession, Franchisee's ownership or operation of the Franchised Business or the acts or omissions of the Franchisee. This indemnity obligation will continue in full effect even after the expiration, transfer or termination of this Agreement. The Franchisor's right to indemnity under this Agreement will arise and be valid notwithstanding that joint or concurrent liability may be imposed on the Franchisor by statute, ordinance, regulations or other laws.

B. Insurance

Franchisee must obtain and provide Franchisor with evidence of insurance in at least the minimum amounts and with the coverages specified by Franchisor. Evidence of this insurance must be initially provided before beginning operation of the Franchise Business. Certificates of renewal must be provided no later than 10 days before the expiration date of each policy. If Franchisee does not provide the Franchisor with evidence of any required insurance policies at any due date, Franchisor may purchase that insurance at the Franchisee's expense. Franchisee shall reimburse Franchisor on demand for Franchisor's cost in obtaining this insurance together with interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee. Each required policy of liability insurance must name Franchisor as an additional insured and must provide that Franchisor will be given at least 30 days' notice before cancellation, modification or amendment of the policy.

XII. PROPRIETARY MARKS

A. Use by Franchisee

Franchisee's right to use the Marks as granted in this Agreement is limited to their use in connection with the operation of the Franchised Business within the Territory and otherwise as described herein and as set forth in the Franchise Operations Manual or as may be prescribed in writing by Franchisor from time to time.

B. Exclusive Property of Franchisor

Franchisee acknowledges Franchisor's right, title, and interest in and to the Marks, along with the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System are exclusive to Franchisor. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title or interest therein, and any and all goodwill associated with the system and the Marks shall inure exclusively to the Franchisor's benefit. Upon the expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the system or the Marks.

C. Infringement by Franchisee

Franchisee acknowledges that the use of the Marks outside of the scope of this Agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title, and interest in and to the Marks. Franchisee expressly covenants that during the term of this Agreement and after the expiration or termination hereof, Franchisee shall not, directly or

indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof.

D. Infringement by Others

Franchisee shall promptly notify Franchisor of any use of the Marks or any colorable variation thereof by any person or legal entity other than Franchisor or any of its representatives and agents or other Franchisees, or any other mark in which Franchisor has or claims a proprietary interest. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any person or legal entity against Franchisor or Franchisee involving the Marks. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution, or settlement of any litigation relating to the Marks, Franchisee agrees to execute any and all documents, and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense, prosecution or settlement. In the event that any party demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Marks, Franchisee shall, upon demand by Franchisor, discontinue its use of such Mark(s) and adopt, at Franchisee's sole cost and expense, any Mark(s), if any, selected by Franchisor to replace such discontinued Mark(s).

E. Improper Use

Franchisee shall not use any of the Marks, or any derivative or colorable variation thereof: (i) as part of Franchisee's corporate or other legal name; (ii) on or as part of any Website, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services (without Franchisor's prior written consent); (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefor or that may harm, tarnish, or impair Franchisor's reputation, name, services or Marks. The provisions of this paragraph shall survive the expiration, termination or cancellation of this Agreement.

F. Non-exclusive Use

Franchisee expressly acknowledges and agrees that this license to use the Marks is non-exclusive, and Franchisor has and retains the rights, among others:

1. To grant other licenses for the use of the Marks, in addition to those already granted to existing franchisees and to Franchisee; and

2. To develop and establish other systems and programs utilizing the same or similar Marks, or any other proprietary marks, and to grant franchises therein without granting Franchisee any rights therein;

G. Use by Others.

Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents, and supplies utilized by Franchisee in connection with the operation of the Franchised Business without first obtaining the consent of Franchisor and causing such third party to execute a license agreement as specifically provided for in this Section of this Agreement.

XIII. CONFIDENTIAL FRANCHISE OPERATIONS MANUAL

A. Business Operations

In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with Franchisor's Franchise Operations Manual, as the same may be amended or modified from time to time.

B. Confidentiality

The Franchise Operations Manual shall at all times remain the sole property of Franchisor. Franchisor treats the Franchise Operations Manual and all information contained therein as confidential and proprietary. Franchisee shall treat the Franchise Operations Manual and all information contained therein as confidential and proprietary and shall use all reasonable efforts to maintain such information as confidential and proprietary. Franchisee shall also ensure that its employees treat the Franchise Operations Manual and all information contained therein as confidential and proprietary. Franchisee shall not at any time copy, duplicate, record, or otherwise, make the same available to any unauthorized person. The foregoing provisions shall survive the expiration, termination or cancellation of this Agreement.

C. Modification

Franchisor shall have the right to add to or otherwise modify the Manual from time to time to reflect changes in any of the System Standards, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Without limiting the generality of the foregoing, Franchisor may, during the term of this Agreement, require Franchisee to modify, enhance and/or replace all or any part of Franchisee's communication and information system at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this Agreement), within one hundred twenty (120) days after receipt of written notice from Franchisor, the modified, enhanced or replacement version of the communication and information system specified by Franchisor. Franchisee further agrees to take all other actions as may be necessary to enable the modified,

enhanced or replacement communication and information system to operate as specified by Franchisor. Any such modifications, enhancements, and replacements may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, enhancements, modifications, and replacements to the communication and information system or other items and that such maintenance, enhancements, modifications, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this Agreement. Franchisee shall at all times ensure that its copy of the Franchise Operations Manual is kept secure, current, and up to date, and in the event of any dispute as to the contents of the Franchise Operations Manual, the terms of the master copy of the Franchise Operations Manual maintained by Franchisor at Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Manuals that have been identified by the Franchisor as obsolete.

XIV. CONFIDENTIAL INFORMATION

A. Use of Confidential Information

Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation, any confidential information, knowledge, or know-how concerning the NexGen Fitness Method, the System, or the methods of operation hereunder that may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's business operations under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business as described herein. In connection therewith, Franchisee shall be fully responsible for ensuring that its employees comply with this Section.

B. Use of and Improvements to the Method

In order to assure maximum uniformity of quality and service in all treatments provided by all NexGen Fitness employees and staff, Franchisee agrees to follow the procedures prescribed by the NexGen Fitness methods strictly. As Franchisor develops or learns of improvements, enhancements, or innovations in the procedures and techniques embodied in the NexGen Fitness Method, Franchisor will disseminate such information to all franchisees of the system and authorize their use in the Franchised Business. In return and in consideration therefor, Franchisee agrees that any idea or suggested innovation or variation that may tend to enhance or improve the NexGen Fitness Method that Franchisee develops, discovers, or otherwise becomes aware of during the term of this Agreement shall be submitted to Franchisor for its evaluation for adoption and use, and Franchisee agrees that all proprietary rights to such ideas, innovations, improvements, enhancements, or variations created or acquired by Franchisee or any of its employees shall belong exclusively to Franchisor and may be made available to all NexGen Fitness franchisees.

C. Remedies

Franchisee acknowledges that any failure to comply with this Section will cause Franchisor irreparable injury, and Franchisee consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, specific performance of, or any injunction against a violation of, the requirements of this Section.

D. Preservation of Confidentiality

Franchisee shall require Franchisee's Principals directors, officers, and managers, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all information being proprietary or confidential hereunder that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Such covenants shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce the same.

XV. ADVERTISING

A. Advertising

Recognizing the value of advertising and the importance of consistency of advertising and promotion to the furtherance of the goodwill and public image of the System, the parties agree that Franchisor shall conduct, determine, maintain, and administer all national and/or regional advertising funds that are or may hereafter be established pursuant to this Section, and shall have sole discretion over the concepts, materials, media, type, nature, scope, frequency, place, form, copy, layout, and content of all national, regional, and local advertising, and accordingly agree as follows:

B. National Advertising Contributions

Upon 30 days' notice, Franchisee shall make National Advertising Contributions in an amount up to 5% of Gross Revenues or $500 per month, whichever is higher payable every month to such national advertising fund ("**National Advertising Fund**") as Franchisor may establish for advertising for the System.

1. The National Advertising Fund shall be maintained and administered by Franchisor as follows*:*

2. Franchisee agrees and acknowledges that the National Advertising Fund are intended to maximize general public recognition and acceptance of the Marks for the benefit of all franchisees within the System or within a region, as the case may be, and that Franchisor is not obligated in administering the National Advertising Fund to make expenditures for Franchisee

that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchise benefits directly or pro rata from the placement of advertising.

3. The National Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, researching, directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development; and developing and providing promotional and other marketing materials for franchisees in the System.

4. Franchisor shall, for each of its company-owned locations (if any), make contributions to the National Advertising Fund on the same basis as assessments required of comparable franchisees within the System.

5. Franchisee shall contribute to the National Advertising Fund via electronic funds transfer or other means as Franchisor may stipulate. All sums paid by Franchisee to the National Advertising Fund shall be maintained in an account separate from the other money of Franchisor. Such sums shall not be used to defray any of Franchisor's expenses, except for such reasonable salaries, overhead, and administrative, accounting, legal (including, without limitation, the defense of any claims against Franchisor and/or Franchisor's designee regarding the management of the National Advertising Fund) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the National Advertising Fund or advertising programs for franchisees and the System, including the costs of enforcing contributions to the National Advertising Fund required under this Agreement and the costs of preparing a statement of operations. The National Advertising Fund and their earnings shall not otherwise inure to the benefit of Franchisor.

6. It is anticipated that all contributions to and earnings of the National Advertising Fund shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the National Advertising Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from the previous year(s), next out of earnings in the current year, and finally from contributions.

7. Franchisee agrees that Franchisor (and any designee of Franchisor) shall not have any direct or indirect liability or obligation to Franchisee, the National Advertising Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the National Advertising Fund. Franchisee further agrees that Franchisor shall not be liable for any act or omission, whether with respect to the National Advertising Fund or otherwise, which is consistent with this Agreement or other information provided to Franchisee, or which is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical practical business importance of his or her relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the National Advertising Fund and all related matters are governed solely by this Agreement and that neither this Agreement nor the National Advertising Fund are

in the nature of a “trust”, “fiduciary relationship” or similar special arrangement, but is only an ordinary commercial relationship between independent businesspersons for their independent economic benefit.

8. The National Advertising Fund are not and shall not be an asset of Franchisor.

9. Although Franchisor intends the National Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate any Fund. No Fund shall be terminated, however, until all money in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

C. Franchise Advisory Council

Franchisee shall participate, at Franchisee’s sole expense, in local, regional and national franchise advisory committees or councils if established or sanctioned by Franchisor. The Council shall serve in an advisory capacity only and will not have the authority to establish or modify our policies or to direct or control the uses of our Marketing. Franchisor shall have the power to determine membership, the election of Council Officers and to change or dissolve the Franchise Advisory Committees.

D. Advertising Materials

In addition to any other advertising requirements described in this Agreement, Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time in the Franchise Operations Manual or otherwise in writing. Should these materials be provided by the Franchisor to the Franchisee, Franchisee agrees to reimburse to Franchisor for the cost of promotional materials

E. Delegation of Franchisor’s Duties

Franchisor shall have the right to delegate and re-delegate its responsibilities and duties under this Agreement to any designee(s) of its choosing; provided, however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

F. Web Site

Franchisee specifically acknowledges and agrees that any Website (as defined below) is “advertising” under this Agreement and is subject to (among other things) Franchisor’s approval. As used in this Agreement, the term Website means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers or other devices linked by communications’ software. The term Website includes, but is not limited to, the Internet, World Wide Web home pages, URL addresses, and Social Media accounts and pages. In connection with any Website, Franchisee agrees to the following:

1. Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, any or all of the Permitted Products and Services, NexGen Fitness Franchised Business, the franchising of NexGen Fitness

Franchised Business, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including, but not limited to, its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue the operation of the Website.

2. Franchisee shall not establish a separate Website or Social Media account or page without Franchisor's prior written approval.

3. Franchisor shall have the right, but not the obligation, to designate one or more web pages to describe Franchisee or the Franchised Business, with such web pages to be located within Franchisor's Web site. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages, and Franchisor shall have the right to limit and discontinue the content and operation of such Website and web pages.

4. Franchisor shall have the right to modify the provisions of this Section relating to Websites as Franchisor shall solely determine if it is necessary or appropriate for the best interests of the System.

G. Approval of Advertising

All advertising by Franchisee in any medium shall be conducted in a dignified manner, shall be completely accurate and truthful, shall conform to all applicable laws and regulations relating to consumer advertising and to such standards and requirements as Franchisor may specify from time to time in writing, and shall give notice that the Franchised Business is independently owned and operated. Franchisee shall submit to Franchisor (by certified mail, return receipt requested), for Franchisor's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials (including, but not limited to, signs and vehicles), and all other materials displaying the Marks that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. Unless Franchisee receives a written objection thereto from Franchisor within fifteen (15) days after the date Franchisor received such plans and materials, Franchisor shall be deemed to have given the required approval. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Business.

H. Copyright to Advertising

Franchisee acknowledges and agrees that any and all copyrights in and for advertising and promotional materials developed by or on behalf of Franchisee which bear the Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other franchisees of Franchisor without any compensation to Franchisee.

I. Local Advertising

Franchisee shall conduct advertising, promotion, and public relations within the local area to be serviced by the Franchised Business (Local Advertising). It is require that Franchisee spends at least $3,000 per month for Local Advertising to generate public interest and awareness of the Franchised Business and to adequately penetrate the market for Franchisee's products and services within Franchisee's trading area. Franchisee shall submit proof of local advertising spend to franchisor by the 10th day following the end of each fiscal quarter.

J. Regional Advertising Cooperatives

Franchisor may, in its discretion, designate any geographical area in which at least two NexGen Fitness Franchised Businesses are located for the purpose of establishing a local or regional marketing and advertising cooperative (Cooperative). Franchisee shall take appropriate steps to establish and participate in a Cooperative if required to do so by Franchisor. If a Cooperative for the geographical area in which the Franchised Business is located has already been established when Franchisee opens the Franchised Business, then Franchisee shall immediately become a member of the Cooperative under the terms of its governing documents. If a Cooperative for the geographical area in which the Franchised Business is located is established during the term of this Agreement, Franchisee shall immediately become a member of the Cooperative and take all steps necessary to become a member. In no event shall Franchisee be required to be a member of more than one Cooperative for the Franchised Business established under this Agreement. The following provisions apply to each Cooperative:

1. Each Cooperative will be organized and governed in a form and manner prescribed or approved by Franchisor in writing and will commence operations on a date specified by Franchisor. Any disputes arising between Franchisee, on one side, and other franchisees in the Cooperative or the Cooperative, on the other side, will be resolved in accordance with the rules and procedures in the Cooperative's governing documents. Each member of a Cooperative, whether Franchisor, an affiliate of Franchisor, or a franchisee of Franchisor, will be entitled to one vote for each Franchised Business operated by the member in the geographical area for which the Cooperative is established.

2. Franchisor, in its sole discretion, shall establish the geographical area covered by each Cooperative by determining the common coverage areas of advertising media relevant to the particular geographic market, the Metropolitan or Metropolitan Statistical Area, industry practices, or Franchisor's advertising policies.

3. Each Cooperative will be organized for the exclusive purpose of administering local or regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local or regional advertising and promotion.

4. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor pursuant to the procedures in this Section of this Agreement.

5. Each month that a Cooperative is in existence for Franchisee's geographical area, Franchisee shall contribute to the Cooperative an amount specified by Franchisor or the

Cooperative (the Cooperative Contribution). Franchisee's Cooperative Contribution will not be credited towards the National Advertising Contribution required by this Section.

6. The members of the Cooperative will determine the amount of the Cooperative Contribution in accordance with its governing documents, but the Cooperative Contribution may not exceed the monthly Suggested Local Advertising Expenditure provided here above unless the members of the Cooperative, by a majority vote conducted in accordance with its rules, bylaws, or other governing documents, agree to a Cooperative Contribution in excess of the amount listed in this Section. Franchisee shall pay its Cooperative Contribution, together with any statements or reports that Franchisor or the Cooperative (with Franchisor's prior written approval) may require, on a date each month determined by the Cooperative, but no later than the tenth day of each month.

7. Within thirty days after the end of each calendar month, each Cooperative will prepare and submit to Franchisor financial statements presenting the financial position and results of operations of the Cooperative for the preceding month. Each member of the Cooperative will be entitled to receive a copy of the Cooperative's financial statements upon request.

8. For each NexGen Fitness Franchised Business operated by Franchisor or an affiliate of Franchisor in a geographical area for which a Cooperative has been established, Franchisor shall make a Cooperative Contribution on the same basis as assessments required of comparable franchises that are members of the same Cooperative.

9. Cooperatives established by Franchisor are intended to be of perpetual duration. However, Franchisor maintains the rights to modify, merge, or dissolve any Cooperative. Franchisor shall use any unexpended monies from the dissolved Cooperative only for advertising or promotional purposes for the System.

10. Franchisee acknowledges that NexGen Fitness Franchised Business operated by other franchisees of Franchisor, even though located in the same geographical area in which the Franchised Business is located, may be operating under franchise agreements containing terms that vary substantially from the terms of this Agreement, and consequently, may not be required to participate in Cooperatives.

K. Grand Opening

It is recommended that Franchisee spends at least $3,000 to $6,000 on grand opening advertising before the opening of Franchised Business. Franchisee may choose to spend more. Factors that may affect your decision on the actual amount to spend include local media cost, the location of the Franchised Business, and customer demographics in the surrounding area.

XVI. TRANSFERABILITY OF INTEREST

A. Transfer by Franchisor

Franchisor shall have the right to transfer or assign all or any part of its rights and/or obligations herein to any person or legal entity, including a subfranchisor specifically responsible for assisting Franchisee. Franchisee agrees to execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

B. Transfer by Franchisee

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and, if Franchisee is other than an individual, Franchisee's Principals, and that Franchisor has entered into this Agreement in reliance upon the business skills and financial capacity of Franchisee and, if Franchisee is other than an individual, Franchisee's Principals. Accordingly, neither Franchisee, nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest therein or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without the opportunity to cure. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee or in this Franchise; provided, however, that prior to the transfer, Franchisor may, in its sole discretion, require that:

1. All of Franchisee's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchised Business shall have been satisfied.

2. The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in the Franchised Business shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from the transferor or Franchisee pursuant to this Agreement, whether arising before or after the transfer.

3. The transferee franchisee shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement prior to and after the date of the assumption.

4. The transferee franchisee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the Franchised Business.

5. The transferee franchisee shall execute Franchisor's then-current form of franchise agreement and such other ancillary agreements as Franchisor may require, for a term ending on the expiration date of this Agreement and with such renewal term(s) as provided in the then-current Franchise Agreement.

6. At the transferee franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee Franchisee, its Designated Manager and other persons that are normal and customary required to attend training must satisfactorily complete Franchisor's training requirements then in effect for franchisees.

7. Any right of Franchisee to any payments from the transferee franchisee resulting from the transfer shall be subordinate to any claim or right of Franchisor against the transferee franchisee subsequent to the effective date of the transfer, and Franchisee and the transferee

franchisee shall execute any and all instruments reasonably required by Franchisor to evidence such liability.

8. Either Franchisee or the transferee franchisee shall pay Franchisor a transfer fee of $10,000. No transfer fee will be required in the case of a transfer of Franchisee's interest under this Agreement to an entity formed solely for the convenience of ownership in accordance with the provisions of this Agreement.

9. Notwithstanding the provisions of Subsection above, neither Franchisee nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchised Business, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this Agreement, in the franchise granted hereunder, or in Franchisee (whether or not in connection with an absolute transfer of an interest in the Franchised Business). Franchisor shall not be obliged to consent to any such transfer.

C. Transfer to Controlled Entity

In the event that Franchisee proposes to transfer all of its interest in the Franchised Business to an entity formed solely for the convenience of ownership, Franchisor's consent to such transfer may, in its sole discretion, be conditioned on the following requirements:

1. Franchisee shall own a controlling interest in the transferee entity;

2. The transferee entity shall be newly organized, and its charter, articles of organization, bylaws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Business;

3. Franchisee, prior to the transfer, shall have provided Franchisor with written information as to each Principal of the transferee entity, and the interest of each, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement;

4. The transferee entity shall designate a Designated Manager in compliance with this Agreement;

5. All Principals of the transferee entity shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor;

6. Each ownership certificate of the transferee entity, if any, shall have conspicuously endorsed upon its face the following legend:

> *"The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with NexGen Fitness dated _____."*

7. Copies of the transferee entity's articles of incorporation or organization, bylaws, partnership agreement, operating agreement, and other governing documents, including the resolutions of the Principals or Board of Directors authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval; and

8. The transferee entity's name shall not consist of or contain the Marks or any colorable variation thereof or any other mark in which Franchisor has or claims a proprietary interest.

D. Franchisor's Right of First Refusal

If Franchisee or its Principals shall at any time decide to sell, transfer or assign any right or interest under this Agreement and/or the franchise granted pursuant hereto, Franchisee or its Principals shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty (30) days after the date of delivery of such offer to Franchisor, Franchisor shall have the right, exercisable by written notice to Franchisee or any of its officers, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by Franchisor must be completed within ninety (90) days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its Principals may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided herein; provided, however, that if the sale to such purchaser is not completed within one hundred twenty (120) days after the delivery of the offer to Franchisor, Franchisor shall again have the right of the first refusal herein provided.

E. The right of Franchisee's Heirs upon Death or Disability of Franchisee

A transfer to the heirs, surviving spouse, or personal or other legal representative of Franchisee (collectively, Involuntary Transferees) upon the death or legal disability of Franchisee shall not be subject to Franchisor's right of first refusal above or right to terminate for failure to obtain written approval for Transfer as provided herein, so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as a franchisee, and (ii) perform all other applicable acts required of a Transferee and Transferor as prescribed this Agreement. Such transfer shall be made within one hundred eighty (180) days after the death or disability of Franchisee, or Franchisor, at its option, may terminate this Agreement, whereupon all rights granted to Franchisee hereunder shall revert to Franchisor. Any subsequent sale or other transfer by any Involuntary Transferee shall be subject to Franchisor's right of written approval set forth in this Section in this Agreement and to Franchisor's right of first refusal set forth above. Transfer to Involuntary Transferees shall not require the payment of the transfer fee required by this Agreement. Actual legal costs incurred by Franchisor to approve and effect the transfer will be charged, however.

XVII. TERMINATION

A. Termination by Franchisee

Franchisor will be considered in default of this Agreement if the Franchisor breaches any material obligations of Franchisor under this Agreement and fails to cure that default within 60 days of written notice from Franchisee. As a remedy for a default by the Franchisor, Franchisee may elect to terminate this Agreement, but only if: (a) Franchisee is in full compliance with all terms of this Agreement; (b) Franchisee provides written notice to the Franchisor within 30 days of the occurrence of such default; and (c) the Franchisor has committed the default and

has not cured the default within 60 days of notice. Upon the termination of this Agreement by Franchisee, for any reason, Franchisee shall comply with all post-termination provisions of this Agreement.

B. Termination by Franchisor

Franchisor may elect to terminate this Agreement, without prejudice to any other legal or equitable rights or remedies Franchisor may have, upon the occurrence of any one or more of the following events:

1. Franchisee fails to timely (i) locate and secure a Site as so required by this Agreement, or (ii) open the Franchised Business within the time limits prescribed by this Agreement.

2. Franchisee fails to satisfy all of the training obligations herein.

3. Franchisee fails to pay when due any sum required to be paid by Franchisee under this Agreement or any other agreement or instrument between Franchisor and Franchisee.

4. Franchisee fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, Royalty Fees or other fees and payments when due to Franchisor or any Affiliate of Franchisor, or otherwise fails to comply with this agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee.

5. Franchisee fails to operate the Franchised Business in full compliance with the terms of this Agreement, the Franchise Operations Manual, or the System Standards.

6. Franchisee fails to operate the Franchised Business for more than two (2) consecutive days that the Franchised Business is required or is customarily open in the ordinary course of business, or otherwise abandons the Franchised Business.

7. Franchisee provides, offers or sells products or services other than those which are Permitted Products and Services and or Franchisee fails to provide, offer or sell products any one, some or all of Permitted Products and Services.

8. Franchisee provides, offers or sells any Permitted Products and Services at or from a location that is within the franchise territory of another NexGen Fitness franchise (except as expressly stated this Agreement, the Franchise Operations Manual, or any other written agreement between Franchisor and Franchisee), or otherwise infringes upon rights granted by Franchisor under franchise agreements with other franchisees of Franchisor.

9. Franchisee fails to achieve or exceed System Standards in two (2) inspections in any twenty (24) month period.

10. Franchisee is declared bankrupt or insolvent, or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code (this provision may not be enforceable under federal bankruptcy law).

11. A receiver is appointed for Franchisee or for any part of its property, or Franchisee makes

any assignment for the benefit its creditors, if not dismissed within fifteen (15) days.

12. Franchisee loses the right to possession of the Site upon which the Franchised Business is located, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located, unless such default results from circumstances beyond the control of Franchisee and does not arise from any action taken or failure to act by Franchisee or Franchisee's failure to cure or correct the circumstances that led to such default (provided, however, that if, through no fault of Franchisee, the Site are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, or if the Site is acquired pursuant to a government taking of property, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate the Franchised Business or reconstruct the Franchised Business, which approval shall not be unreasonably withheld).

13. Franchisee fails, for a period of ten (10) days after receipt of notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business.

14. Franchisee makes any transfer or attempted transfer that fails to comply with this Agreement.

15. The Franchised Business is seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; a final judgment against Franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business that is not discharged within five (5) days of such levy.

16. Franchisee or any Principal violates the restrictive covenants of the confidentiality, solicitation, competition as set forth in this agreement or otherwise directly or indirectly uses or discloses Confidentiality Information to or for the benefit of it, his/her, or benefit of another or publishes causes to be published Confidential Information without the expressed written consent of Franchisor.

17. Any conduct or activity by Franchisee or any Principal, director, or officer of Franchisee that Franchisor believes is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, Franchisor, the System, the Marks, or the goodwill associated therewith, including, but not limited to, any criminal misconduct for which Franchisee or any Principal, director, or officer of Franchisee is convicted.

18. Franchisee knowingly maintains false books or records, or knowingly submits any false reports (including, but not limited to, information provided as part of Franchisee's application for this franchise) to Franchisor, or understates its Gross Revenues reported to Franchisor by more than three percent (3%) in any given 180-day period.

19. Any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business, and Franchisee has not immediately commenced actions to cure the problem or has not promptly cured or corrected the problem or activity that gave rise to the threat or danger.

20. Franchisee fails to perform or breaches any other provision of this Agreement or of any other agreement or instrument between Franchisor and Franchisee and fails to cure any such breach within thirty (30) days from notice of breach.

C. Notice of Default

If Franchisee fails to cure any default within thirty (30) days (or such longer period as may be required by applicable law) after its receipt of a written notice of default from Franchisor, Franchisor may terminate this Agreement, except that no written notice of default or opportunity to cure shall be required in the case of a default described in immediately preceding subsections above. If Franchisee breaches the same term of this Agreement three (3) times within any twelve (12) month period, for each of which Franchisee was given notice and an opportunity to cure as provided herein, Franchisor may terminate this Agreement upon any subsequent breach of the same term within such twelve (12) month period, without providing notice or opportunity to cure. Termination of this Agreement shall be effective automatically upon the expiration of the time period specified above (or such longer period as may be required by applicable law) or, if no notice of default is required, immediately upon Franchisee's receipt of a written notice of termination.

D. Liability for Default

If Franchisee fails to cure any default within the applicable time period set forth in this Section, Franchisee shall pay all damages, costs, and expenses incurred by Franchisor as a result of any such default, including, but not limited to, reasonable attorney and accounting fees. This provision shall apply regardless of whether or not Franchisor exercises its right to terminate this Agreement or initiate legal or arbitration proceedings against Franchisee.

XVIII. OBLIGATIONS UPON TERMINATION

Upon the termination or expiration of this Agreement, for any reason, Franchisee shall forthwith:

1. Cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

2. Immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System or that display the Marks or any other distinctive forms, slogans, signs, symbols, or devices associated with or belonging to Franchisor.

3. Make such modifications or alterations to the Site of the Franchised Business, including the improvements thereon, as may be necessary or requested by Franchisor (including, but not limited to, changing the telephone number) to prevent the operation of any business on the Site upon which the Franchised Business is located that might be deemed substantially similar to that of the Franchised Business or any other franchisee of Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter the Site, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required, at the expense of Franchisee.

4. At the option of Franchisor, assign to Franchisor or Franchisor's designee any interest of Franchisee in any lease or sublease for the Site of the Franchised Business. If Franchisee fails to do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to make such assignment on Franchisee's behalf. If Franchisor elects not to exercise its option to acquire Franchisee's lease/sublease, Franchisee shall make such modifications or alterations to the Site of the Franchised Business as described in subparagraph (3) above immediately upon termination or expiration of this Agreement as may be necessary and requested by Franchisor for that purpose (including, but not limited to, changing the telephone number).

5. Turnover to Franchisor the Franchise Operations Manual, records, client and other files, instructions, correspondence, and software provided and/or licensed by Franchisor, including, without limitation, brochures, agreements, disclosure statements and any materials relating to the business operated hereunder, which may be in Franchisee's possession, together with all copies thereof (all of which Franchisee acknowledges to be Franchisor's sole property).

6. At the option of Franchisor, assign to Franchisor or Franchisor's designee all of Franchisee's rights, title and interest in and to any and all (i) telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings, and (ii) Web Sites, web pages, listings, banners, URLs, advertisements, or any other services and links related to the Franchised Business or the use of Franchisor's trademarks, service marks or other logos, on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services.

7. At the option of Franchisor (to be exercised within thirty (30) days after termination), sell to Franchisor any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's depreciated book value.

8. Take such action as may be necessary to cancel any assumed name or equivalent registration that contains the mark NexGen Fitness or any of the other Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after termination or expiration of this Agreement.

9. Immediately pay all sums due and owing to Franchisor, including, but not limited to, any unpaid Royalty Fees other fees and monies.

10. Obtain and maintain in effect all coverage for the professional liability or errors and omissions insurance and general liability insurance by this Agreement, to extend the period in which claims may be made for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located.

11. Franchisee does hereby irrevocably constitute and appoint Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under this Section. Franchisee agrees to promptly execute, acknowledge and deliver to Franchisor any and all such documents as may be required to carry out Franchisee's obligations hereunder. The provisions of this Section shall survive the expiration, termination or cancellation of this Agreement.

XIX. COVENANTS OF FRANCHISEE

A. Management of Franchise

Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, the Franchised Business shall at all times be under the direct supervision of Franchisee, the Designated Manager, or the Franchised Business Manager, who shall devote his/her full-time, energy, and best efforts to the management and operation of the Franchised Business.

B. Covenants during Term of Franchise Agreement

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development, and operation of the Franchised Business, procedures and techniques of the NexGen Fitness Method, and sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation:

1. divert or attempt to divert any business or client of the Franchised Business or of any other franchisee of Franchisor 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 Marks and the System;

2. employ or seek to employ any person who is at that time employed by Franchisor or any franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

3. own, maintain, engage in, or have any interest in any business offering private personal, fitness services, and small group training, or any other products or services that are offered in the Franchised Business ("**Competitive Business**"), unless otherwise consented to in writing by Franchisor.

C. Covenants after Termination of Franchise Agreement

Franchisee further covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, partnership or corporation:

1. for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, own, maintain, operate, engage in, or have any interest in any business offering private personal, fitness services, and small group training, or any other services that had been offered by the Franchised Business, within twenty-five (25) miles of any NexGen Fitness Franchised Business; or

2. for a continuous and uninterrupted period commencing upon the expiration or

termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly solicit or perform services for any person who was a client of the Franchised Business at any time during the term of this Agreement.

3. Franchisee and Franchisor agree that the covenants contained in this Section shall survive the expiration, termination or cancellation of this Agreement.

D. Exclusion for Publicly Traded Company

This Section shall not apply to the beneficial ownership by Franchisee of less than five percent (5%) of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

E. Independent Covenants; Severability

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

F. Reduction of Covenants by Franchisor

Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions hereof.

G. Claims Against Franchisor No Defense

Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

H. Injunctive Relief

Franchisee acknowledges that its violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available; and Franchisee accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section.

I. Execution of Covenants by Key Personnel

At the request of Franchisor, Franchisee shall provide Franchisor with executed Restrictive

Covenant Agreements, containing covenants similar in substance to those set forth in this Section (including covenants applicable upon the termination of a person's relationship with Franchisee), from each manager, officer, director, and Principal of Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above subsequent to the execution of this Agreement, Franchisee shall require and obtain such covenants from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Business prior to their execution of such a covenant. All covenants required by this Section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. The failure by Franchisee to obtain the execution of the covenants required by this Section and provide the same to Franchisor shall constitute a material breach of this Agreement.

XX. ENFORCEMENT

A. Mediation

If a dispute arises between the parties that cannot be settled through negotiation, the parties shall first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation or other dispute resolution procedures. The mediation proceedings shall take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Collin County, Texas).

B. Injunctive Relief

Franchisor shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (a) Franchisee's use of the Marks; (b) the obligations of Franchisee upon the termination or expiration of this Agreement; (c) Covenants of Franchisee; (d) any assignment or transfer of this Agreement or any ownership interest contrary to this Agreement; or (e) as necessary to prohibit any act or omission by Franchisee or its employees or agents: (i) that would constitute a violation of any applicable law, ordinance, or regulation: (ii) that is dishonest or misleading to Franchisor and/or Franchisor's other franchisees; or (iii) that, in Franchisor's reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the Franchised Business, Franchisor, the System or the Marks.

C. Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that shall cause it loss or damages including obtaining restraining orders, preliminary and permanent injunctions.

FRANCHISEE AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY

RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT INCLUDING REASONABLE ACCOUNTING AND/OR LEGAL FEES AS PROVIDED IN SECTION 22.C. FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, FRANCHISEE'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF FRANCHISEE'S FRANCHISE FEE PAYMENTS.

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

D. Limitations of Claims

Except for claims against Franchisee concerning the underreporting of gross sales and for claims against Franchisee by Franchisor relating to third party claims or suits brought against Franchisor as a result Franchisee's operation of the franchise business, any and all claims arising out of or relating to this Agreement or the relationship between the parties hereto shall be barred unless an arbitration or legal proceeding is commenced within one (1) year from the date Franchisee, or Franchisor knew or should have known of the facts giving rise to such claims.

XXI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

It is understood and agreed that nothing in this Agreement shall create a partnership, employment or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Franchisee. Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee's operation of the Franchised Business (excluding, however, liabilities caused by (i) Franchisee's improper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

XXII. MISCELLANEOUS

A. Nature of Agreement

This Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. This Agreement may not be modified or amended except by written instrument signed by each of the parties hereto, expressing such amendment or modification. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

B. Benefit

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns. This Agreement shall not be assigned by Franchisee without the prior written consent of Franchisor.

C. Construction

This Agreement was accepted by Franchisor in Texas. Except to the extent governed by the U.S. Trademark Act of 1946, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas; provided, however, that if any of the covenants contained in this Agreement would not be enforceable under the laws of Texas and the Franchised Business is located outside of Texas, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Texas law shall prevail in the event of any conflict of law, except as specifically provided otherwise by any applicable state franchise investment laws, rules or regulations. If any provision of this Agreement relating to termination, nonrenewal or assignment of the franchise, or choice of law, jurisdiction or venue is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing salient provision of such state's law is hereby made a part hereof.

D. Jurisdiction and Venue

Franchisee hereby irrevocably agrees that subject to Franchisor's sole and absolute election, any and all suits, actions or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Collin County, Texas. Franchisee hereby consents and agrees that the following courts shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement, and hereby submits to the jurisdiction of the following courts and irrevocably waives any defense Franchisee may have of lack of personal jurisdiction in any such lawsuits filed in these courts: (a) all courts included within the state court system of the State of Texas; and (b) all courts of the United States of America sitting within the State of Texas, including, without limitation, all United

States District Courts within the State of Texas. Franchisee hereby consents and agrees that venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and hereby irrevocably waives any right Franchisee may have to transfer or change the venue in any such lawsuits filed in these courts: (a) the state court of the county where Franchisor has its principal place of business. In the event any of these courts are abolished, Franchisee agrees that venue shall be proper in the state or federal court in Texas that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not so abolished. Any and all lawsuits filed by Franchisee against Franchisor (whether in breach of the arbitration provisions of this Agreement or not) relating to or arising out of this Agreement shall be required to be filed in one of these courts. Any and all lawsuits filed by Franchisor against Franchisee may be filed in any of these courts or in any court in which jurisdiction and venue are proper. In all lawsuits relating to or arising out of this Agreement, Franchisee consents and agrees that Franchisee may be served with process outside the State of Texas in the same manner of service that may be made within the State of Texas by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

E. Headings

The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

F. Notices

All payments shall be made to, and all notices, requests, demands and other communications hereunder shall be deemed to have been duly received by, the person to whom addressed when personally delivered or forty-eight (48) hours after deposit in the United States mail, postage prepaid, addressed:

in the case of Franchisor: **NexGen Fitness Franchising Corporation**
130 N Preston Rd Prosper, Suite 108 TX 75078
or to such other persons or address as Franchisor may from time to time furnish to Franchisee;

in the case of Franchisee: _____ at the address:
_____
_____

_____

G. Severability

In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement, such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it was separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and 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 such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

H. Survival of Covenants

All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise granted hereunder.

I. No Third-Party Beneficiaries

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity, not a party hereto.

J. Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be

deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	**FRANCHISEE:**
By: _____	**By:** _____
Title: _____	**Title:** _____
Date: _____	**Date:** _____
INDIVIDUAL FRANCHISEE:	**INDIVIDUAL FRANCHISEE:**
_____	_____
Signature	***Signature***
_____	_____
Print Name	**Print Name**
Date: _____	**Date:** _____

EXHIBIT 1. IDENTIFICATION OF FRANCHISEE

TO THE NEXGEN FITNESS FRANCHISE AGREEMENT

INDIVIDUAL FRANCHISEE

Name: _____ Date of

Birth: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

NON-INDIVIDUAL FRANCHISEE

Check One: ☐ Corporation ☐ Limited Liability Company ☐ Partnership

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Telephone: _____ EIN: _____

Date of Organization: _____ State of Organization: _____

Statutory/Registered Agent: _____

Address of Agent: _____

City: _____ State: _____ ZIP: _____

Officers ----------

President: _____ Vice President: _____

Treasurer: _____ Secretary: _____

Shareholders/Members/Partners

Name: _____ Percentage of Ownership: _____

Home Address: _____

City: _____ State: _____ ZIP: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City:_____ State:_____ ZIP: _____

Home Telephone:_____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City:_____ State:_____ ZIP: _____

Home Telephone:_____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City:_____ State:_____ ZIP: _____

Home Telephone:_____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address: _____

City:_____ State:_____ ZIP: _____

Home Telephone:_____ SSN: _____

The undersigned individual Franchisee, or if Franchisee is other than an individual, each of the Principals of Franchisee, hereby certify that the foregoing information is accurate and complete to the best of their knowledge and agree to notify Franchisor promptly of any change in any such information during the term of the Franchise Agreement to which this Exhibit 1 is attached.

_____	_____
Signature	Signature
_____	_____
Print Name	Print Name
_____	_____
Signature	Signature
_____	_____
Print Name	Print Name

EXHIBIT 2. SITE AND TERRITORY

TO THE NEXGEN FITNESS FRANCHISE AGREEMENT

1. The Site for the Franchised Business shall be:

2. The Territory referenced in the Franchise Agreement shall consist of the following geographical area in the State of _____:

_____

_____

3. Franchisor and Franchisee further agree that this Exhibit shall be attached to, incorporated in and made a part of said Franchise Agreement between Franchisor and Franchisee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	**FRANCHISEE:**
By:_____	**By:**_____
Title:_____	**Title:**_____
Date:_____	**Date:**_____
INDIVIDUAL FRANCHISEE:	**INDIVIDUAL FRANCHISEE:**
_____	_____
Signature	***Signature***
_____	_____
Print Name	**Print Name**
Date:_____	**Date:**_____

EXHIBIT 3. AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS

TO THE NEXGEN FITNESS FRANCHISE AGREEMENT

The undersigned depositor (DEPOSITOR) hereby authorizes NexGen Fitness Franchising Corporation (PAYEE) to initiate debit entries and/or credit correction entries to the DEPOSITOR's checking account designated below and authorizes the financial institution designated below (BANK) to debit such account pursuant to PAYEE's instructions.

_____

Name of Financial Institution Branch

_____

Address of Financial Institution City State ZIP Code

_____ _____

Account Number Bank Transit/Routing Number

This authority will remain in effect until BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR'S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR'S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR'S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: _____

By: _____ Date: _____

Title: _____

EXHIBIT 4. SITE SELECTION ADDENDUM

TO THE NEXGEN FITNESS FRANCHISE AGREEMENT

Concurrently herewith, NexGen Fitness Franchising Corporation (**Franchisor**) and _____ (**Franchisee**) have entered into a NexGen Fitness Franchised Business Franchise Agreement (the **Franchise Agreement**) and desire to supplement its terms, as set out in this Site Selection Addendum (the **Addendum**). The parties hereto, therefore, agree as follows:

1. Within 90 days after execution of the Franchise Agreement (the **Site Selection Period**), Franchisee shall acquire or lease, at Franchisee's expense, a location for the NexGen Fitness Franchised Business franchised under the Franchise Agreement (the **Franchised Business**) at a site approved by Franchisor as hereinafter provided. Such location shall be within the following area: _____ (the **Site Selection Territory**). The Site Selection Territory is described solely for the purpose of selecting a site for the Franchised Business.

2. Franchisor shall not establish, nor license another to establish; a NexGen Fitness Franchised Business within the Site Selection Territory until Franchisor approves of a location for the Franchised Business, or until the expiration of the Site Selection Period, whichever event occurs first.

3. Failure by Franchisee to acquire or lease a site for the Franchised Business within the Site Selection Period shall constitute a default of the Franchise Agreement and this Site Selection Addendum.

4. If Franchisee occupies the Site of the Franchised Business under a lease or sublease, Franchisee shall, prior to the execution thereof, submit such lease to Franchisor for its written approval. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation:

(a) A provision which restricts the use of the Site solely to the operation of the Franchised Business;

(b) The lessor will consent to Franchisee's use of such Marks and signage as Franchisor may prescribe for the Franchised Business;

(c) A provision that in the event Franchisee fails to timely pay any and all amounts due to Franchisor or lessor under the lease or sublease, Franchisor has the right to charge and collect from Franchisee, all resulting costs and expenses incurred by, and penalties imposed on, Franchisor;

(d) A provision which prohibits Franchisee from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease, without Franchisor's prior written consent;

(e) A provision giving Franchisor the right, but not the obligation, to enter the Site or make modifications necessary to protect the Marks or the System or to cure any default under the Franchise Agreement;

(f) A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest, with the right to sublease, upon termination or expiration of such lease or termination of the Franchise Agreement without any assessment of additional fees, penalties, or rent acceleration;

(g) A provision that the lessor will provide to Franchisor copies of any and all notices (including those related to default by Franchisee) given to Franchisee under the lease; and

(h) A provision that restricts the lease from being modified in a manner that could materially affect Franchisor's rights with respect to the lease, without Franchisor's prior written consent.

5. Within sixty (60) days after the execution of the Franchise Agreement, Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the **SAP**). Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Business. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed disapproved by Franchisor.

6. Franchisor shall furnish to Franchisee the following:

(a) For your Site you must retain a licensed architect;

(b) Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's requests for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a completed SAP for such site prepared by Franchisee pursuant to Section 5 above. If on-site evaluation is deemed necessary and appropriate by Franchisor, Franchisor shall, at no charge to Franchisee, conduct: (a) up to two (2) on-site evaluations, if the Franchised Business is the first NexGen Fitness Franchised Business to be developed by Franchisee, or (b) one (1) on-site evaluation, if Franchisee has opened a NexGen Fitness Franchised Business prior to this Franchised Business. For any additional on-site evaluation, Franchisee shall reimburse Franchisor for Franchisor's reasonable expenses, including, without limitation, the costs of travel, lodging, wages, and meals.

(c) After the location for the Franchised Business is approved by Franchisor and leased or acquired by Franchisee hereof, the location shall constitute the Site described in the Franchise Agreement. Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute a representation, or warranty of any kind, express or implied, as

to the suitability of the site for the Franchised Business or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with minimum acceptable criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and Site may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographics and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

7. This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and affirmed.

8. IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Site Selection Addendum on the dates set forth below.

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	**FRANCHISEE:**
By:_____	**By:**_____
Title:_____	**Title:**_____
Date:_____	**Date:**_____
INDIVIDUAL FRANCHISEE:	**INDIVIDUAL FRANCHISEE:**
_____	_____
Signature	***Signature***
_____	_____
Print Name	**Print Name**
Date:_____	**Date:**_____

EXHIBIT 5. RIDER TO FRANCHISE PREMISES LEASE AGREEMENT

TO THE NEXGEN FITNESS FRANCHISE AGREEMENT

THIS RIDER has been entered this day of , 20 . It is by and between ,("Landlord") and (jointly and severally "Tenant").

RECITALS

On or about , 20 , Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a NexGen Fitness franchise at the following location: (the "Franchise Premises").

On or about , 20 , Tenant and NexGen Fitness Franchising Corporation (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a NexGen Fitness franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. Landlord Reports and Disclosures to Franchisor. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.

2. Assignment to Franchisor. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title, and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.

3. Tenant's Default; Notice to Franchisor. Landlord will give written notice to franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant of the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within 15 business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

NexGen Fitness Franchising Corporation
130 N Preston Rd, Suite 108 Prosper TX 75078

4. Franchise Premises De-identification. Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor, and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

IN WITNESS, the parties have executed this Rider on the day and year first above written.

("Landlord"):

By: _____

Title: _____

("Tenant"):

By: _____

Title: _____

EXHIBIT B. AREA DEVELOPMENT AGREEMENT

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

BETWEEN

NEXGEN FITNESS FRANCHISING CORPORATION

FRANCHISOR

AND

_____

DEVELOPER

_____

Location (Common Territory Name)

_____

DATED

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Exhibits

EXHIBIT 1. DEVELOPMENT AREA
EXHIBIT 2. DEVELOPMENT SCHEDULE

NEXGEN FITNESS FRANCHISING CORPORATION

AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into as of this _____day of _____, 20___ (the "Effective Date") by and between NexGen Fitness Franchising Corporation, a Texas Corporation ("Franchisor"), and _____, an individual/partnership/corporation/limited liability company _____ established/resident of the State of_____ and whose principal address is _____ ("Developer").

RECITALS

A. Franchisor has developed, and is in the process of further developing, a format and system consisting of uniform standards, methods, procedures and specifications for the operation of NexGen Fitness (the "System") identified by the service marks "NexGen Fitness" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used (collectively, the "Marks") in connection with, and relating to, the establishment and operation of a business offering and selling private personal, fitness services, and small group training Franchised Business(each, a "Franchised Business");

B. Franchisor and Developer desire to enter into an area development agreement under which Developer shall obtain the exclusive right to establish and operate a specified number of Franchised Businesses within a specified geographical area upon the terms and conditions contained in Franchisor's then-current standard franchise agreement (each, a "Franchise Agreement"); and

C. Developer and Franchisor have entered into that certain Franchise Agreement (the "Initial Franchise Agreement") dated _____ for the establishment and operation of the first Franchised Businesses to be developed under this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing promises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

I. GRANT OF DEVELOPMENT RIGHTS AND DEVELOPMENT AREA

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Developer the right, and Developer undertakes the obligation, to establish and operate in the area designated in Exhibit 1 of this Agreement (the "Development Area") the number of Franchised Businesses specified in the development schedule on Exhibit 2 (the "Development Schedule"). This Agreement does not grant Developer any right to use the Marks; rights to use the Marks are granted only by Franchise Agreements.

II. FEES

The total amount of the Development Fee is listed on Exhibit 2 (the **"Development Fee"**). The Development fee is due in full upon the signing of this Agreement. The Development Fee will not be refundable, notwithstanding anything to the contrary in this Agreement or any Franchise Agreement.

III. DEVELOPMENT SCHEDULE

Developer must enter into Franchise Agreements and open and operate NexGen Fitness Franchised Business in accordance with the deadlines set forth in the Development Schedule. By each **"Fee Deadline"** specified in the Development Schedule, Developer must have delivered to Franchisor an initial franchise fee and a signed copy of Franchisor's then-current standard form of Franchise Agreement for the number of NexGen Fitness Franchised Businesses specified on the Development Schedule. By each **"Opening Deadline"** specified in the Development Schedule, Developer must have the specified number of NexGen Fitness Franchised

Businesses open and operating. Developer must develop the NexGen Fitness Franchised Businesses only at sites that Franchisor has accepted in accordance with the terms of the applicable Franchise Agreement.

IV. DEVELOPMENT AREA

A. Exclusivity

While this Agreement is in effect, provided that Developer opens and operates NexGen Fitness Franchised Businesses in accordance with the Development Schedule, and the minimum number of Franchised Businesses that Developer has open and is operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, Franchisor will not operate, or license any person or entity other than Developer to operate a NexGen Fitness Franchised Business under the Marks and the System within the Development Area.

B. No Other Restrictions

Developer acknowledges that, except to the extent expressly provided herein, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

1. establish, and license others to establish, NexGen Fitness Franchised Businesses at any location outside of the Development Area;

2. establish, and license others to establish, businesses [other than a Competitive Business (as defined below)] under other systems using other proprietary marks at such locations, including within the Development Area, and on such terms and conditions as Franchisor deems appropriate;

3. purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to the NexGen Fitness Franchised Businesses (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Area, that does not use the Marks;

4. acquire (regardless of the form of transaction) any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Development Area;

5. sell the services and products authorized for Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of

distribution, such as joint marketing with partner companies, direct mail, catalog sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate; and

6. engage in any activities not expressly forbidden by this Agreement.

V. Competitive Business

For purposes of this Agreement, "**Competitive Business**" means any business that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), directly or indirectly, private personal, fitness services, and small group training or similar services as are customarily offered by a Franchised Businesses, or in which trade secrets or other confidential information could be used to the disadvantage of Franchisor or its other franchisees.

VI. Term

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule, unless this Agreement is terminated sooner as provided in this Agreement.

VII. Termination

C. Events of Default

Any one or more of the following constitutes an "**Event of Default**" hereunder:

1. Developer fails to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Development Schedule;

2. Developer fails to have opened and maintained in continuous operation the minimum number of NexGen Fitness Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;

3. A default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or

4. Developer breaches or otherwise fails to comply fully with any other provision contained in this Agreement herein or any other agreement between the Franchisor and/or its Affiliates.

D. Remedies

If any Event of Default occurs, Franchisor may declare this Agreement and any and all other rights granted to Developer under this Agreement to be immediately terminated and of no further force or effect, as follows:

1. Upon termination of an Event of Default listed herein, Franchisor's sole remedies under this Agreement will be retention of the Development Fee and termination of this Agreement. A failure to open and thereafter operate NexGen Fitness Franchised Businesses in accordance with the Development Schedule will not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement.

2. Upon termination of this Agreement for any other reason whatsoever, Franchisor shall be entitled to retain the Development Fee, and Developer will not be relieved of any of its obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. The right of termination granted by this Agreement is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity, or otherwise, including without limitation the right to injunctive relief, all of which are cumulative.

VIII. Assignment

A. By Franchisor

This Agreement is fully assignable by Franchisor and will inure to the benefit of any assignee or another legal successor to Franchisor's interest.

B. By Developer

This Agreement and the rights granted to Developer under this Agreement are personal to Developer and neither this Agreement, nor any of the rights granted to Developer hereunder nor any controlling equity interest in Developer, may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by Developer without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may terminate this Agreement without the opportunity to cure. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Developer or in this Franchise; provided, however, that prior to the transfer, Franchisor may, in its sole discretion, require that:

1. All of Developer's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchised Businesses under this Agreement shall have been satisfied.

2. Unless prohibited by the laws of the state in which Developer is located, Developer and, if Developer is other than an individual, Developer's owners, shall execute a general release in a form satisfactory to Franchisor, effective as of the date of transfer, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, shareholders, partners, members, agents and employees, in their corporate and individual capacities, including, without limitation, claims to arise under federal, state and local laws, rules and ordinances.

3. The transferee Developer shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the Developer's obligations under this Agreement prior to and after the date of the assumption.

4. The transferee developer shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital as required by this Agreement.

5. Any right of Developer to any payments from the transferee developer resulting from the transfer shall be subordinate to any claim or right of Franchisor against the transferee developer subsequent to the effective date of the transfer, and Developer and the transferee developer shall execute any and all instruments reasonably required by Franchisor to evidence such liability.

6. Either Developer or the transferee Developer shall pay Franchisor a transfer fee of $10,000. Transferee Developer will then be responsible to pay the subsequent "Development Fees" by the "Fee Deadline" in the Agreement, related to the remaining locations listed in the Development Agreement.

C. Franchisor's First Right of Refusal

If (i) Developer would like to accept a bona fide offer from a third party to purchase its interest in this Agreement, (ii) any of its legal or equitable owners (each, an "Owner"; who are all listed on Exhibit 2 hereto) desires to accept an offer from a third party to purchase all or a portion of their equity interests in Developer that would result in the transfer of control of Developer (as Franchisor determines), or (iii) if Developer or such Owners desire to sell such interests and have found a willing buyer of such interests; Developer or such Owners will (a) notify Franchisor in writing of such offer, (b) offer to sell the same interests to Franchisor upon the same terms and conditions, and (c) provide such information and documentation relating to such offer as Franchisor requires. Franchisor has the right, exercisable within 30 days after receipt of such offer, information, and documentation, to send written notice to Developer (or the applicable Owner(s)) that Franchisor intends to purchase the offered interests on the same economic terms and conditions offered by or to the third party or, at Franchisor's option, the cash equivalent thereof. If Franchisor elects to purchase

such interests, closing will occur within 90 days after the date of Franchisor's notice to the seller electing to purchase the interest. If Franchisor does not elect to purchase such interest within the 30-day period, Developer or such Owners may sell or transfer their offered interests to a third party; provided that such sale or transfer: (i) is made within 90 days after Franchisor gives notice of its election, (ii) is made at a price and on the same material terms as those offered to Franchisor, and (iii) is made in full compliance with all applicable requirements of this Agreement.

The right of first refusal set forth herein will not be applicable to assignments, transfers, or sales of Developer's interest in this Agreement or any equity interest in Developer, made to Developer or, if Developer is an Entity, any of its Owner's spouse or child or any other existing Owners, provided that the applicable requirements of each Franchise Agreement and this Agreement are complied with fully.

IX. Developer's Covenant Not to Compete

A. Covenants during Term of Franchise Agreement

Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development, and operation of the Franchised Business, procedures and techniques of the NexGen Fitness Method, and sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation:

1. divert or attempt to divert any business or client of the Franchised Business or of any other Developer of Franchisor 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 Marks and the System; or

2. employ or seek to employ any person who is at that time employed by Franchisor or any Developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

3. own, maintain, engage in, or have any interest in any business offering private personal, fitness services, and small group training, or any other products or services that are offered in the Franchised Business, unless otherwise consented to in writing by Franchisor.

B. Covenants after Termination of Franchise Agreement

Developer further covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, partnership or corporation:

1. for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, own, maintain, operate, engage in, or have any interest in any business offering private personal, fitness services, and small group training, or any other services that had been offered by the Franchised Business, within twenty-five (25) miles of any NexGen Fitness Franchised Business; or

2. for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly solicit or perform services for any person who was a client of the Franchised Business at any time during the term of this Agreement.

3. Developer and Franchisor agree that the covenants contained in this Section B shall survive the expiration, termination or cancellation of this Agreement.

C. Exclusion for Publicly Traded Company

Developer's Covenant not to Compete in this Section shall not apply to the beneficial ownership by Developer of less than five percent (5%) of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

D. Severability

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

E. Execution of Covenants by Key Personnel

At the request of Franchisor, Developer shall provide Franchisor with executed Restrictive Covenant Agreements, containing covenants similar in substance to those set forth in this Section (including covenants applicable upon the termination of a person's relationship with Developer), from each manager, officer, director, and Principal of Developer. With respect to

each person who becomes associated with Developer in one of the capacities enumerated above subsequent to the execution of this Agreement, Developer shall require and obtain such covenants from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Business prior to their execution of such a covenant. All covenants required by this Section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. The failure by Developer to obtain the execution of the covenants required by this Section and provide the same to Franchisor shall constitute a material breach of this Agreement.

X. Miscellaneous

A. Independent Contractor and Indemnification

It is understood and agreed that nothing in this Agreement shall create a partnership, employment or agency relationship between Franchisor and Developer, or authorize 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. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Developer. Franchisor shall not be liable to any third party for any act or omission of Developer in any of its operations hereunder (including, without limitation, any claim or action against Developer for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Developer. Developer shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Developer's operation of the Franchised Business (excluding, however, liabilities caused by (i) Developer's improper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them. DEVELOPER SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY DEVELOPER.

B. Nature of Agreement

This Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties. This Agreement may not be modified or amended except by written instrument signed by each of the parties hereto, expressing such amendment or modification. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or

remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

C. Benefit

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns. This Agreement shall not be assigned by Developer without the prior written consent of Franchisor.

D. Construction

This Agreement was accepted by Franchisor in Texas. Except to the extent governed by the U.S. Trademark Act of 1946, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas; provided, however, that if any of the covenants contained in this Agreement would not be enforceable under the laws of Texas and the Franchised Business is located outside of Texas, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Texas law shall prevail in the event of any conflict of law, except as specifically provided otherwise by any applicable state franchise investment laws, rules or regulations. If any provision of this Agreement relating to termination, nonrenewal or assignment of the franchise, or choice of law, jurisdiction or venue is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing salient provision of such state's law is hereby made a part hereof.

E. Jurisdiction and Venue

Developer hereby irrevocably agrees that subject to Franchisor's sole and absolute election, any and all suits, actions or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Collin County, Texas. Developer hereby consents and agrees that the following courts shall have personal jurisdiction over Developer in all lawsuits relating to or arising out of this Agreement, and hereby submits to the jurisdiction of the following courts and irrevocably waives any defense Developer may have of lack of personal jurisdiction in any such lawsuits filed in these courts: (a) all courts included within the state court system of the State of Texas; and (b) all courts of the United States of America sitting within the State of Texas, including, without limitation, all United States District Courts within the State of Texas. Developer hereby consents and agrees that venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and hereby irrevocably waives any right Developer may have to transfer or change the venue in any such lawsuits filed in these courts: (a) the state court of the county where Franchisor has its

principal place of business. In the event any of these courts are abolished, Developer agrees that venue shall be proper in the state or federal court in Texas that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not so abolished. Any and all lawsuits filed by Developer against Franchisor (whether in breach of the arbitration provisions of this Agreement or not) relating to or arising out of this Agreement shall be required to be filed in one of these courts. Any and all lawsuits filed by Franchisor against Developer may be filed in any of these courts or in any court in which jurisdiction and venue are proper. In all lawsuits relating to or arising out of this Agreement, Developer consents and agrees that Developer may be served with process outside the State of Texas in the same manner of service that may be made within the State of Texas by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Developer hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

F. Headings

The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

G. Notices

All payments shall be made to, and all notices, requests, demands and other communications hereunder shall be deemed to have been duly received by, the person to whom addressed when personally delivered or forty-eight (48) hours after deposit in the United States mail, postage prepaid, addressed:

In the case of Franchisor: NexGen Fitness Franchising Corporation 130 N Preston Rd, Suite 108 Prosper TX 75078 or to such other persons or address as Franchisor may from time

in the case of Developer: _____ at:

_____

_____

_____

H. Severability.

In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement, such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisor agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it was separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and 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 such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

I. Survival of Covenants

All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise granted hereunder.

J. No Third-Party Beneficiaries

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity, not a party hereto.

K. Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

XI. ENFORCEMENT

L. Mediation

If a dispute arises between the parties that cannot be settled through negotiation, the parties shall first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation or other dispute resolution procedure. The mediation proceedings shall take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Collin County, Texas).

A. Injunctive Relief

Franchisor shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (a) Developer's use of the Marks; (b) the obligations of Developer upon the termination or expiration of this Agreement; (c) Covenants of Developer; (d) any assignment or transfer of this Agreement or any ownership interest contrary to this Agreement; or (e) as necessary to prohibit any act or omission by Developer or its employees or agents: (i) that would constitute a violation of any applicable law, ordinance, or regulation: (ii) that is dishonest or misleading to Franchisor and/or Franchisor's other Developers; or (iii) that, in Franchisor's reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the Franchised Business, Franchisor, the System or the Marks.

B. Jury and Special Damages

DEVELOPER AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT INCLUDING REASONABLE ACCOUNTING AND/OR LEGAL FEES AS PROVIDED IN SECTION 22.C. DEVELOPER WAIVES AND DISCLAIMS ANY RIGHT TO

CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY DEVELOPER AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, DEVELOPER'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF DEVELOPER'S FRANCHISE FEE PAYMENTS.

DEVELOPER AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the Effective Date.

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	BUSINESS ORGANIZATION DEVELOPER:
By:	By:
Title:	Title:
Date:	Date:
Signature	Signature
Print Name	Print Name
Date:	Date:

EXHIBIT 1. **DEVELOPMENT AREA**

TO THE AREA DEVELOPMENT AGREEMENT

The Development Area is as follows:

_____

_____

[attach map if necessary]

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	BUSINESS ORGANIZATION DEVELOPER:
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

INDIVIDUAL DEVELOPER:	INDIVIDUAL DEVELOPER
_____	_____
Signature	*Signature*
_____	_____
Print Name	Print Name
Date: _____	Date: _____

EXHIBIT 2. **DEVELOPMENT SCHEDULE**

TO THE AREA DEVELOPMENT AGREEMENT

Fees The Development Fee is $29,900 per additional franchise, which shall be payable in full upon the signing of this Area Developer Agreement.

Development Schedule (Section 3). Developer agrees to establish and operate a total of _____ NexGen Fitness Franchised Business in accordance with the timetable set forth below.

The Minimum Number of NexGen Fitness Franchised Businesses required in Compliance by Each Opening Deadline	Deadline for Executing Franchise Agreement for Each Franchised Business

Ownership of Developer (Section 7.2(a)): If the Developer is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the Developer:

Name	Percentage Ownership
_____	_____%

_____ _____%

_____ _____%

_____ _____%

FRANCHISOR: NEXGEN FITNESS FRANCHISING CORPORATION	BUSINESS ORGANIZATION DEVELOPER:
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

INDIVIDUAL DEVELOPER:	INDIVIDUAL DEVELOPER
_____	_____
Signature	*Signature*
_____	_____
Print Name	Print Name
Date: _____	Date: _____

EXHIBIT C. PERSONAL GUARANTY

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

PERSONAL GUARANTY

IN CONSIDERATION for, and as an inducement for NexGen Fitness Franchising Corporation (**Franchisor**) to enter into a NexGen Fitness franchise agreement and any powers of attorney and other instruments dated concurrently herewith (collectively the **Franchise Documents**) between Franchisor and the business entity identified below (**Franchisee**), the undersigned (**Guarantors**) hereby jointly and severally guarantee to Franchisor, and to Franchisor's successors and assigns: (a) the timely payment of all Royalty Fees, late fees, interest charges, and all other fees and charges provided for under the Franchise Agreement; and (b) the timely performance of all of the provisions of the Franchise Documents for and during the term thereof (including all renewals thereof, if any). Guarantors further specifically agree to be individually bound by all covenants, obligations, and commitments of Franchisee contained in each of the Franchise Documents to the same extent as if each of the Guarantors had individually executed the same as Franchisee.

Guarantors understand and agree that any modification of the Franchise Documents, including any addendum thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Documents, including any addendum thereto, shall not in any way release Guarantors from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected or diminished. Notice to Guarantors of any such modification, waiver, extension or forbearance under the terms thereof is hereby waived.

Guarantors hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Documents, in whole or in part, that Franchisor or its assignees may make. Guarantors agree to pay all costs, including reasonable attorneys' fees, incurred by Franchisor to collect or otherwise enforce the terms of this Guaranty. This Guaranty has been delivered in the State of Texas and shall be construed and enforced in accordance with the laws thereof. Jurisdiction and venue in any action to enforce this Guaranty shall be in any state or federal court within the State of Texas in the judicial district where Franchisor has its principal place of business. Guarantors consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

GUARANTOR: _____
_____, Individually

GUARANTOR: _____
_____, Individually

FRANCHISEE:

_____

By: _____

Its: _____

Date: _____

EXHIBIT D. RESTRICTIVE COVENANT AGREEMENT

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

RESTRICTIVE COVENANT AGREEMENT

THIS AGREEMENT, by and between, _____ (**Franchisee**), a [corporation] [partnership] [limited liability company] organized under the laws of the State of _____, and _____ (**Covenantor**), an individual resident of the State of _____,

WITNESSETH:

WHEREAS, pursuant to that certain Franchise Agreement dated _____ (the **Franchise Agreement**), NexGen Fitness (**Franchisor**) granted Franchisee a franchise to operate a NexGen Fitness Franchised Business (the **Franchise**), using Franchisor's unique franchise system and Franchisor's trade name and service mark NexGen Fitness and other proprietary marks; and

WHEREAS, Covenantor is the owner (or spouse of the owner) of the Franchisee.

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the Marks (as hereinafter defined) and Franchisor's distinctive franchise system, including, without limitation, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, and procedures for the efficient operation of a NexGen Fitness Franchised Business, all of which Covenantor acknowledges to be confidential and proprietary information; and

WHEREAS, in connection with the operation of the Franchise, Covenantor will have access to such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchise to Franchisee, all shareholders, officers, partners, or members of Franchisee must execute the covenants contained herein;

NOW, THEREFORE, as additional consideration and inducement for granting the Franchise to Franchisee, Covenantor hereby agrees and covenants to Franchisee as follows:

1. Confidentiality. Covenantor acknowledges the proprietary and confidential nature of Franchisor's operations manual, which Franchisee has received on loan from Franchisor, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, client or referral lists, procedures for the efficient operation of a NexGen Fitness Franchised Business, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise system or Franchisee's Franchise in particular that may not be commonly known to the public or to Franchisor's or Franchisee's competitors and that Franchisor or Franchisee have identified or may identify as proprietary and confidential information (**Trade Secrets**). Covenantor shall use such Trade Secrets solely for Franchisee's benefit and shall not, during the term of the Franchise Agreement or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, entity or organization.

2. Proprietary Marks. Covenantor acknowledges Franchisor's right, title, and interest in and to the service mark NexGen Fitness, NexGen Fitness Systems, Franchisor's stylized design,

and certain other proprietary service marks, logos, symbols and trade names presently used by Franchisor or that Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the Marks). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Covenantor expressly covenants that he/she shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. Non-solicitation. Covenantor covenants that he/she shall not, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for the periods indicated below, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person, entity or organization:

(a) for a period of two (2) years, divert or attempt to divert any business or client of Franchisee's business, or of any other Franchisee of Franchisor, to any competitor or to Covenantor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that may be injurious or prejudicial to the goodwill associated with the Marks and Franchisor's franchise system; or

(b) for a period of two (2) years, employ or seek to employ any person who is at that time employed by Franchisee, Franchisor or any other Franchisee of Franchisor, or otherwise directly or indirectly attempt to induce such person to leave his or her employment.

4. Non-competition. Covenantor covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly, for him/herself or through, on behalf of, or in conjunction with any person, entity or organization, own, maintain, operate, engage in, or have any interest in, any business offering private personal, fitness services, and small group training or any other products or services that have been offered by the Franchised Business, within twenty-five (25) miles of any NexGen Fitness Franchised Business. This restriction shall not apply to the beneficial ownership by Covenantor of less than five percent (5%) of the outstanding equity securities of any corporation whose securities are registered under the Securities and Exchange Act of 1934.

5. Remedies. Covenantor acknowledges that his/her violation of any of the covenants contained in this Agreement would result in irreparable injury to Franchisor and Franchisee, for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor or Franchisee in obtaining, an injunction enjoining any conduct by Covenantor prohibited by the terms of this Agreement. This remedy shall be in addition to any and all other remedies that may be available to Franchisor or Franchisee.

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

7. Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

8. Construction. The parties agree that this Agreement shall be deemed to have been entered into in, and shall be governed by and construed in accordance with the laws of the State of Texas.

9. Jurisdiction. The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State of Texas in the judicial district in which Franchisor has its principal place of business, and hereby consent to the exercise of personal jurisdiction by any such court and waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

10. Legal Expenses. In the event a dispute arises under this Agreement, the prevailing party shall be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

11. Franchisor Third-Party Beneficiary. Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit Franchisor, who shall be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and shall further be entitled to all remedies provided in Section 5 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement or caused it to be executed by their duly authorized representative, as of the dates set forth below.

FRANCHISEE:

Date: _____ By: _____

Its: _____

Date: _____ _____

COVENANTOR

EXHIBIT E. POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

The undersigned NexGen Fitness franchisee (**Assignor**) does hereby irrevocably constitute and appoint NexGen Fitness Franchising Corporation, a Texas limited liability company (**Assignee**), the true and lawful attorney-in-fact and agent for Assignor and in Assignor's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Assignee, may be necessary or advisable for the sole purpose of assigning to Assignee or Assignee's designee all of Assignor's right, title and interest in and to any and all telephone numbers of Assignor's NexGen Fitness Franchised Business and all related Yellow Pages, White Pages and other business listings, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services for Assignor, hereby granting unto Assignee full power and authority to do and perform any and all acts and things which, in the sole discretion of Assignee, are necessary or advisable to be done as fully to all intents and purposes as Assignor might or could itself do, hereby ratifying and confirming all that Assignee may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Assignor has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Assignee will be required to ascertain the authority of Assignee, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Assignee. Any person, firm or corporation dealing with Assignee shall be fully protected in acting and rely on a certificate of Assignee that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Assignor will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Assignor by Assignee will be deemed to include such a certificate on the part of Assignee, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated evenly herewith by and between Assignee and Assignor. Such termination, however, will not affect the validity of any act or deed that Assignee may have affected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas will govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

ASSIGNOR (Franchisee):

_____

[Name of Franchisee]

By:

_____

Its: _____

STATE OF _____, COUNTY OF _____, Ss.

Acknowledged and subscribed before me, a Notary Public in and for said County and State, this _____ day of _____.

NOTARY PUBLIC

EXHIBIT F. STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

STATE FRANCHISE REGULATORS

California
Department of Financial Protection and Innovation
One Sansome Street Suite 600
San Francisco, CA 941404-4428
1-866-275-2677

Connecticut
Securities & Business Investments Division
Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Florida
Dept. of Agriculture and Consumer Services
Division of Consumer Services
227 N. Burrough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Georgia
Governor's Office of Consumer Affairs
2 Martin Luther King Jr. Drive SE
356 West Tower
Atlanta, GA 30334-4600
(404) 651-8600

Hawaii
Dept. of Commerce & Consumer Affairs
Business Registration Division
1010 Richards Street
Honolulu, HI 96813
(808) 586-2021

Illinois
Office of the Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana
Indiana Securities Division
302 West Washington Street
Room E111
Indianapolis, IN 46204
(317) 232-6681

Kentucky
Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankfort, KY 40602-2000
(502) 573-2200

Louisiana
Office of the Attorney General
Consumer Protection Section
PO Box 94005
Baton Rouge, LA 70804-9005
(225) 326-6460

Maryland
Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan
Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, MI 48913
(517) 373-7117

Minnesota
Department of Commerce
Registration Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296-4026

Nebraska
Dept. of Banking & Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York
NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st FL
New York, NY 10005
212-416-8222

North Carolina
Department of the Secretary of State
Securities Division
300 N. Salisbury Street
Raleigh, NC 27603-5909
(919) 733-3924

North Dakota
North Dakota Securities Department
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island
Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 462-9587

South Carolina
Secretary of State
1205 Pendleton Street
525 Edger Brown Building
Columbia, SC 29201
(803) 734-1958

South Dakota
Dept. of Labor and Regulations
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-48233

Texas
Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(513) 475-1769

Utah
Department of Commerce
Division of Consumer Protection
160 East 300 South
P.O. Box 45804
Salt Lake City, UT 84145-0804
(801) 530-6601

Virginia
State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9276

Washington

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin
Department of Financial Institutions
Division of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608)266-1064

AGENTS FOR SERVICE OF PROCESS

California
Commissioner of Business Oversight
2101 Arena Boulevard
Sacramento, CA 95834

Hawaii
Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois
Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana
Administrative Office of the Secretary of State
201 State House
Indianapolis, IN 46204

Maryland
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

Minnesota
Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

New York
Secretary of State
99 Washington Avenue
Albany, NY 12231

North Dakota
Securities Commissioner
5th Floor, 600 East Boulevard
Bismarck, ND 58505-0510

Rhode Island
Dept. of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910

South Dakota
Division of Securities
Dept. of Labor and Regulations
124 S. Euclid Suite 104
Pierre, SD 57501

Virginia
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

Washington
Director of Dept. of Financial Institutions
Security Division
150 Israel Rd SW
Tumwater WA 98501

Wisconsin
Commissioner of Securities
101 East Wilson Street
Madison, WI 53703

EXHIBIT G. LIST OF FRANCHISEES

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

Franchisees as of December 31, ~~2022~~2023

State	City	Name	Address	Telephone
NY	Buffalo	NexGen Fitness Buffalo– LLC - Dan Gronkowski	50 Fountain Plaza #110, Buffalo, NY 14202	(716)-455-0555
OK	Edmond	KB Health Investments, LLC – Karsten Berg	4715 Kensal Rise Place Norman, Oklahoma 73072	405-726-0116
OK	Norman	GATB Fitness Norman, LLC-Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	405-360-0001
TX	Colleyville	NexGen Fitness Colleyville II– LLC - Angie Stroman	6000 Colleyville Blvd #140, Colleyville, TX 76034	(817) 677-0787
TX	Dallas	NexGen Fitness Preston Hollow– LLC - Justin Foreman	10759 Preston Rd #150, Dallas, TX 75230	(972) 382-9925
TX	Flower Mound	NexGen Fitness Flower Mound, LLC-Clint James	2450 Cross Timbers Rd #140, Flower Mound, TX 75028	(469) 930-4356
TX	Frisco	McHugh Health & Wellbeing, LLC-Ryan McHugh	3310 W. Main Street 400 Frisco, Texas 75033	214-494-4494

State	City	Name	Address	Telephone
TX	Plano	NexGen Fitness Plano West, LLC – Kate Spragins	1921 Preston Rd #2070, Plano, TX 75093	(972) 996-2388
TX	South Frisco	McHugh Health & Wellbeing, LLC-Ryan McHugh	3492 Legacy Drive, Frisco, TX 75034	214-494-4646
TX	Southlake	Woooooo!, LLC – Sam Selby/Matt Baker	721 E Southlake Blvd #100, Southlake, TX 76092	(817) 479-9929
NY	Williamsville	NexGen Fitness Buffalo II – Dan Gronkowski	5933 Main St Suite 104 Williamsville, NY 14221	(716) 929-5999
OK	Nichols Hills	Brandon Waller	7302 N Western Ave Oklahoma City, OK 73116	(405) 300-8858
MO	Springfield	J.Stiles Total Training, LLC-Jackie Stiles	2960 E Sunshine St. Springfield, MO 65804	(417) 547-7654
TX	McKinney Adriatica	DPG HARLO Investments, LLC-Mike Daugherty	6841 Virginia Parkway, Suite 102 McKinney, TX 75071	(214) 550-7799

State	City	Name	Address	Telephone
TX	McKinney South	NGF McKinney, LLC-David D'Amico	4701 South Custer Road McKinney, TX 75070	(214) 385-4284
TX	Richardson	NexGen Franchise Group, LLC	208 W. Campbell Rd. Richardson, TX 75080	(469) 862-3111
CA	Los Angeles	NexGen Fitness Los Angeles, LLC	13444 Ventura Blvd. Sherman Oaks, CA 91403	(323) 483-6656

State	City	Name	Address	Telephone
NY	Buffalo	NexGen Fitness Buffalo– LLC - Dan Gronkowski	50 Fountain Plaza #110, Buffalo, NY 14202	(716) 455-0555
OK	Edmond	GATB Fitness Edmond, LLC- Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	405-726-0116
OK	Norman	GATB Fitness Norman, LLC- Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	405-360-0001
OK	Tulsa	GATB Fitness I LLC-Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	918-216-9230
TX	Colleyville	NexGen Fitness Colleyville II– LLC - Angie Stroman	6000 Colleyville Blvd #140, Colleyville, TX 76034	(817) 677-0787
TX	Dallas	NexGen Fitness Preston Hollow– LLC - Justin Foreman	10759 Preston Rd #150, Dallas, TX 75230	(972) 382-9925
TX	Flower Mound	NexGen Fitness Flower Mound, LLC- Clint James	2450 Cross Timbers Rd #140, Flower Mound, TX 75028	(469) 930-4356
TX	Frisco	McHugh Health & Wellbeing, LLC-Ryan McHugh	3310 W. Main Street 400 Frisco, Texas 75033	214-494-4494
TX	Plano	Jason Dickerson– LLC - Jason Dickerson	1921 Preston Rd #2070, Plano, TX 75093	(972) 996-2388
TX	South Frisco	McHugh Health & Wellbeing, LLC- Ryan McHugh	3492 Legacy Drive, Frisco, TX 75034	214-494-4646
TX	Southlake	GATB Fitness Southlake– LLC - Brian Andrews	721 E Southlake Blvd #100, Southlake, TX 76092	(817) 479-9929

State	City	Name	Address	Telephone

Franchisees that signed Franchise Agreements Signed But Outlet Not Opened

Signed but not Opened				
AR	Bentonville	J.Stiles Total Training, LLC- Jackie Stiles	TBD	620-617-4619
MO	Springfield	J.Stiles Total Training, LLC- Jackie Stiles	TBD	620-617-4619
OK	Nichols Hills	Brandon Waller	7302 N Western Ave Oklahoma City, OK 73116	405-226-8882
Ok	TBD	Brian Hartsock	TBD	405-642-3724
Ok	TBD	Brian Hartsock	TBD	405-642-3724
TX	Little Elm	DPG HARLO Investments, LLC- Mike Daugherty	TBD	972-672-7984
TX	McKinney North	DPG HARLO Investments, LLC- Mike Daugherty	6841 Virginia Prkwy #102 McKinney, TX 75071	972-672-7984
TX	McKinney South	NGF McKinney, LLC- David D'Amico	4701 S Custer Rd #300 McKinney TX, 75070	214-385-4284

State	City	Name	Address	Telephone
AR~~AR~~	Bentonville ~~Bentonville~~	J.Stiles Total Training, LLC-Jackie Stiles ~~J.Stiles Total Training, LLC-Jackie Stiles~~	TBD~~TBD~~	620-617-4619 ~~620-617-4619~~
Ok~~MO~~	TBD ~~Springfield~~	Brian Hartsock ~~J.Stiles Total Training, LLC-Jackie Stiles~~	TBD ~~TBD~~	405-642-3724 ~~620-617-4619~~
Ok~~OK~~	TBD~~Nichols Hills~~	Brian Hartsock~~Brandon Waller~~	TBD~~7302 N Western Ave~~ ~~Oklahoma City, OK 73116~~	405-642-3724~~405-226-8882~~
TX~~Ok~~	Little Elm~~TBD~~	DPG HARLO Investments, LLC-Mike Daugherty ~~Brian Hartsock~~	TBD~~TBD~~	972-672-7984 ~~405-642-3724~~
TX~~Ok~~	Allen~~TBD~~	NexGen Allen, LLC ~~Brian Hartsock~~	1680 East Stacy Road, Ste. 100 Allen, TX 75002~~TBD~~	(469) 458-0466~~405-642-3724~~

State	City	Name	Address	Telephone
TXTX	Trophy ClubLittle Elm	Woooooo!, LLC DPG HARLO Investments, LLC-Mike Daugherty	TBDTBD	928-230-9507972-672-7984
TXTX	KellerMcKinney North	Woooooo!, LLC DPG HARLO Investments, LLC-Mike Daugherty	TBD6841 Virginia Prkwy #102 McKinney, TX 75071	928-230-8507972-672-7984
ARTX	Bentonville McKinney South	J.Stiles Total Training, LLC-Jackie Stiles NGF McKinney, LLC-David D'Amico	TBD4701 S Custer Rd #300 McKinney TX, 75070	620-617-4619 214-385-4284
Ok	TBD Allen	Brian Hartsock NexGen Allen, LLC	TBD 1680 East Stacy Road, Ste. 100 Allen, TX 75002	405-642-3724 (469) 458-0466
Ok	TBDTrophy Club	Brian HartsockWoooooo!, LLC	TBDTBD	405-642-3724928-230-9507
TX	Little ElmKeller	DPG HARLO Investments, LLC-Mike Daugherty Woooooo!, LLC	TBDTBD	972-672-7984928-230-8507

State	City	Name	Address	Telephone

EXHIBIT H. LIST OF FRANCHISEES THAT LEFT THE SYSTEM

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

Franchisees, who left the system during the most recently completed fiscal year or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

State	City	Name	Address	Telephone
OK~~None~~	Tulsa	GATB Fitness I LLC-Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	918-216-9230
OK	Edmond	GATB Fitness Edmond, LLC-Nate Ellis	4715 Kensal Rise Place Norman, Oklahoma 73072	405-726-0116
TX	Southlake	GATB Fitness Southlake– LLC - Brian Andrews	721 E Southlake Blvd #100, Southlake, TX 76092	(817) 479-9929
TX	Plano	Jason Dickerson–LLC - Jason Dickerson	1921 Preston Rd #2070, Plano, TX 75093	(972) 996-2388

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

EXHIBIT I. FINANCIAL STATEMENTS

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

NEXGEN FITNESS FRANCHISING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

V|H VELEZ• HARDY
CPAs and Advisors

NEXGEN FITNESS FRANCHISING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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V|H VELEZ • HARDY
CPAs and Advisors

Independent Auditor's Report

To the Stockholder of
NexGen Fitness Franchising Corporation

Opinion
We have audited the accompanying financial statements of NexGen Fitness Franchising Corporation (a Texas Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of loss, stockholder's deficit, and cash flows for the years then ended, 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 the NexGen Fitness Franchising Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended are 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 NexGen Fitness Franchising Corporation 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 NexGen Fitness Franchising Corporation'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 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 NexGen Fitness Franchising Corporation'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 NexGen Fitness Franchising Corporation'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.

Velez & Hardy

April 22, 2024
Las Vegas, Nevada

NEXGEN FITNESS FRANCHISING CORPORATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash	$ 144,166	$ 347,698
Accounts receivable	1,757	-
Prepaid expense	13,889	20,556
Current maturities of deferred contract costs	16,187	10,675
Due from stockholder	749,439	185,298
Total current assets	925,438	564,227
Other Assets:		
Restricted cash	18,411	11,199
Deferred tax asset	136,237	85,507
Deferred contract costs, net of current	112,678	75,618
Total other assets	267,326	172,324
Total Assets	$ 1,192,764	$ 736,551
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current Liabilities:		
Accrued expenses	$ 150,334	$ 18,208
Accrued interest	4,750	19,834
Current maturities of deferred franchise fees	119,619	53,026
Current maturities of long-term debt	2,909	-
Due to related parties	149,012	108,472
Total current liabilities	426,624	199,540
Long-Term Liabilities:		
Deferred franchise fees, net of current	950,103	377,685
Long-term debt, net of current	405,791	408,700
Total long-term liabilities	1,355,894	786,385
Total Liabilities	1,782,518	985,925
Stockholder's Deficit:		
Common stock, no par value; 1,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	1,000	1,000
Accumulated deficit	(590,754)	(250,374)
Total Stockholder's Deficit	(589,754)	(249,374)
Total Liabilities and Stockholder's Deficit	$ 1,192,764	$ 736,551

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenue	$ 388,025	$ 308,432
Operating Expenses:		
Advertising	35,758	17,707
Insurance	8,235	-
Office expense and other	99,649	53,374
Outside services	78,900	97,829
Professional fees	17,913	13,071
Royalty expense	71,970	36,854
Salaries, wages and related	345,496	178,146
Travel and meals	71,043	7,016
Total operating expenses	728,964	403,997
Operating Loss	(340,939)	(95,565)
Other Income (Expense):		
Other Income	115	3,906
Interest Expense	(15,911)	(14,933)
Total other income (expense)	(15,796)	(11,027)
Net Loss Before Taxes	(356,735)	(106,592)
Provision for Income Tax Benefit	50,730	23,205
Net Loss	$ (306,005)	$ (83,387)

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF STOCKHOLDER'S DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Deficit
Balance, December 31, 2021	1,000	$ -	$ 1,000	$ (166,987)	$ (165,987)
Net loss	-	-	-	(83,387)	(83,387)
Balance, December 31, 2022	1,000	-	1,000	(250,374)	(249,374)
Net loss	-	-	-	(306,005)	(306,005)
Distributions	-	-	-	(34,375)	(34,375)
Balance, December 31, 2023	1,000	$ -	$ 1,000	$ (590,754)	$ (589,754)

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Net loss	$ (306,005)	$ (83,387)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Accrued interest	(15,084)	14,933
Deferred income tax benefit	(50,730)	(23,205)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,757)	-
Prepaid expense	6,667	6,666
Deferred contract costs	(42,572)	1,695
Increase (decrease) in:		
Accrued expenses	132,126	(18,475)
Deferred franchise fees	639,011	(41,255)
Due from related parties	40,540	31,996
Net cash provided by (used in) operating activities	402,196	(111,032)
Cash Flows From Financing Activities:		
Proceeds from debt borrowings	-	125,700
Stockholder loans	(564,141)	(65,837)
Dividend distributions	(34,375)	-
Net cash provided by (used in) financing activities	(598,516)	59,863
Net Change in Cash	(196,320)	(51,169)
Cash, Beginning of Year	358,897	410,066
Cash, End of Year	$ 162,577	$ 358,897
Stockholder's Deficit:		
Cash paid for interest	$ 30,995	$ -

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF THE BUSINESS

The Company was incorporated on February 7, 2019, and is based in Prosper, Texas. The principal activity of the Company is to sell franchises that operate a business offering private personal fitness services and small group training under the name "NexGen Fitness".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of NexGen Fitness Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The collectability of the balance due from stockholder and the ability of the Company to utilize the deferred tax asset are considered to be significant estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

For purposes of the balance sheets and the statements of cash flows, restricted cash consists of amounts contributed by franchisees which have been restricted for the preparation of marketing materials and the implementation of advertising programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash (Continued)

The following table provides a reconciliation of cash and restricted cash within the balance sheets that sum to the totals of the same amounts presented in the statements of cash flows.

	2023	2022
Cash	$ 144,166	$ 347,698
Restricted cash	18,411	11,199
Total cash and restricted cash presented in the statements of cash flows	$ 162,577	$ 358,897

Accounts Receivable

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements. Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable. Management didn't consider an allowance for doubtful accounts necessary for the years ended December 31, 2023 or 2022.

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial contracts franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's deferred franchise fees are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2023	2022	2021
Deferred franchise fees	$ 1,069,722	$ 430,711	$ 471,966
Less: current maturities	(119,619)	(53,026)	(53,536)
	$ 950,103	$ 377,685	$ 418,430

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

As of December 31, the Company expects to recognize deferred franchise fees as revenue over the remaining term of the associated franchise agreements as follows:

2024	$ 119,619
2025	119,619
2026	119,619
2027	119,619
2028	119,619
Thereafter	471,627
	$ 1,069,722

Continuing fees are recognized monthly, as they were earned.

Receipts and expenditures related to brand building activities, such as marketing and advertising, which benefit the brand of the franchisees, operate under are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed, and reflected on the statements of loss under the caption "revenue". Expenses incurred to provide brand building services are presented on the statement of loss under the caption "advertising".

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's deferred contract costs assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

	2023	2022	2021
Deferred contract costs	$ 128,865	$ 86,293	$ 87,988
Less: current maturities	(16,187)	(10,675)	(9,777)
	$ 112,678	$ 75,618	$ 78,211

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

While franchise fee income is recognized over time, all other revenues of the Company are recognized at a point in time. As of December 31, the timing and recognition of revenue was as follows:

	2023	2022
Services transferred at a point in time	$ 285,306	$ 222,277
Services transferred over time	102,719	86,155
	$ 388,025	$ 308,432

Various economic factors such as supply and demand, laws and policies, and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income. A valuation allowance is recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2023, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2020.

Advertising

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was $35,758 and $17,707, respectively.

NOTE 3 – RELATED PARTIES

As of December 31, the Company had the following balances due (to) from various entities related through common ownership to assist with operations:

	2023	2022
Due from NexGen Fitness Prosper, LLC	$ 22,496	$ 78,148
Due from Bryan Whatley, LLC	1,395	-
Due from NexGen Nutrition, LLC	15,595	-
Due to NexGen Fitness Corporation	(188,498)	(186,620)
	$ (149,012)	$ (108,472)

As of December 31, 2023 and 2022, the Company had stockholder loans receivable with outstanding balances of $765,380 and $185,298, respectively.

NOTE 4 – INCOME TAXES

For the year ended December 31, the provision for income taxes consisted of the following components:

	2023	2022
Current tax expense	$ -	$ -
Deferred tax benefit	50,730	23,205
	$ 50,730	$ 23,205

As of December 31, the accompanying balance sheets included the following amounts of deferred tax assets:

	2023	2022
Deferred tax asset	$ 136,237	$ 85,507

The deferred tax asset above reflects the Company's indefinite benefits from its Net Operating Loss (NOL), which management expects to offset against future taxable income.

NOTE 5 – LONG-TERM DEBT

In June 2020, the Company was granted a loan from a financial institution in the aggregate amount of $64,000, pursuant to Section 7(b) of the Small Business Act. The loan was subsequently amended in October 2021 and January 2022 for loan amounts of $283,000 and $408,700, respectively. The loan matures in 2050 and bears interest at a fixed rate of 3.75%, payable monthly commencing in January 2023. The loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company.

	2023	2022
	$ 408,700	$ 408,700
Less: current maturities	(2,909)	-
	$ 405,791	$ -

As of December 31, long-term debt matures as follows:

2024	$ 2,909
2025	8,779
2026	9,283
2027	9,637
2028	10,004
Thereafter	368,088
	$ 408,700

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 22, 2024, the date which the financial statements were available to be issued.

~~THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

NexGen Fitness Franchising Corporation
Balance Sheet
As of June 30, 2023

	Total
ASSETS	
Current Assets	
Bank Accounts	
Franchising 1381	11,568.48
National Marketing Fund Bank Account	16,592.44
Total Bank Accounts	$ 28,160.92
Other Current Assets	
cp deferred contract cost	10,675.00
deferred tax asset	85,506.76
due from Corporate	-209,575.70
Due from Nutrition	13,779.30
due from Prosper loc	67,683.95
due from Shareholder	488,474.42
due from South	465.00
Prepaid Expenses	20,555.56
Total Other Current Assets	$ 477,564.29
Total Current Assets	$ 505,725.21
Other Assets	
ltp deferred contract cost	75,618.00
Total Other Assets	$ 75,618.00
TOTAL ASSETS	$ 581,343.21
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Credit Card	43,383.42
Total Credit Cards	$ 43,383.42
Other Current Liabilities	
accrued contract expense	9,197.14
accrued interest - EIDL loan	4,901.00
accrued payroll	3,791.48
Deferred Franchise Fees	97,430.00
Total Other Current Liabilities	$ 115,319.62
Total Current Liabilities	$ 158,703.04
Long-Term Liabilities	
Deferred Franchise Fees LT	265,155.00
Note Payable - EIDL	402,697.00
Total Long-Term Liabilities	$ 667,852.00
Total Liabilities	$ 826,555.04
Equity	
addition paid-in capital	1,000.00
Retained Earnings	-235,936.17
Net Income	-10,275.66
Total Equity	-$ 245,211.83
TOTAL LIABILITIES AND EQUITY	$ 581,343.21

NexGen Fitness Franchising Corporation
Profit and Loss by Location
January - June, 2023

	Franchising
Income	
Franchise Fee Income	118,536.00
National Marketing Fund Income	7,242.07
Rebate Income	28,512.01
royalty income	100,351.39
Technology Fee Income	-1,177.34
Total Income	**$ 253,464.13**
Gross Profit	**$ 253,464.13**
Expenses	
Advertising	15,680.00
Auto expense	6,077.47
contract labor	19,237.29
employee benefits	1,236.61
Legal & Professional Fees	3,508.00
Meals and Entertainment	4,789.32
Office Expenses	17,047.58
Payroll	88,827.01
Payroll taxes	9,256.61
Rent or Lease	6,317.50
royalty	43,910.67
Supplies	4,607.33
Travel	43,329.26
Total Expenses	**$ 263,824.65**
Net Operating Income	**-$ 10,360.52**
Other Income	
Other Income	84.86
Total Other Income	**$ 84.86**
Net Other Income	**$ 84.86**
Net Income	**-$ 10,275.66**

NexGen Fitness Franchising Corporation
Statement of Cash Flows
January - June, 2023

		Total
OPERATING ACTIVITIES		
Net Income		-10,275.66
Adjustments to reconcile Net Income to Net Cash provided by operations:		
due from Corporate		22,955.87
Due from Nutrition		-13,779.30
due from Prosper loc		10,463.85
due from Shareholder		-303,176.88
due from South		-465.00
Credit Card		38,164.57
Deferred Franchise Fees		-68,126.00
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	-$	**313,962.89**
Net cash provided by operating activities	-$	**324,238.55**
FINANCING ACTIVITIES		
Note Payable - EIDL		-6,003.00
Net cash provided by financing activities	-$	**6,003.00**
Net cash increase for period	-$	**330,241.55**
Cash at beginning of period		358,402.47
Cash at end of period	$	**28,160.92**

NEXGEN FITNESS FRANCHISING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

V|H VELEZ • HARDY
CPAs and Advisors

NEXGEN FITNESS FRANCHISING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Stockholders of
NexGen Fitness Franchising Corporation

Opinion

We have audited the accompanying financial statements of NexGen Fitness Franchising Corporation (a Texas Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, stockholders' equity, and cash flows for the years then ended, 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 the NexGen Fitness Franchising Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended are 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 NexGen Fitness Franchising Corporation 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 NexGen Fitness Franchising Corporation'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 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 NexGen Fitness Franchising Corporation'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 NexGen Fitness Franchising Corporation'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.

Velez & Hardy

June 7, 2023
Las Vegas, Nevada

NEXGEN FITNESS FRANCHISING CORPORATION
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	$ 347,698	$ 405,607
Prepaid expense	20,556	27,222
Current maturities of deferred contract costs	10,675	9,777
Due from stockholder	185,298	119,461
Total current assets	564,227	562,067
Other Assets:		
Restricted Cash	11,199	4,459
Deferred tax asset	85,507	62,302
Deferred contract costs, net of current	75,618	78,211
Total other assets	172,324	144,972
Total Assets	$ 736,551	$ 707,039
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accrued expenses	$ 18,208	$ 36,683
Accrued interest	19,834	4,901
Current maturities of deferred franchise fees	53,026	53,536
Due to related parties	108,472	76,476
Total current liabilities	199,540	171,596
Long-Term Liabilities:		
Deferred franchise fees, net of current	377,685	418,430
Long-term debt	408,700	283,000
Total long-term liabilities	786,385	701,430
Total Liabilities	985,925	873,026
Stockholders' Equity (Deficit):		
Common stock, no par value; 1,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	1,000	1,000
Accumulated deficit	(250,374)	(166,987)
Total Stockholders' Deficit	(249,374)	(165,987)
Total Liabilities and Stockholders' Deficit	$ 736,551	$ 707,039

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue	$ 308,432	$ 161,464
Operating Expenses:		
Advertising	17,707	35,334
Office expense and other	53,374	79,546
Outside services	97,829	22,985
Professional fees	13,071	13,783
Royalty expense	36,854	30,331
Salaries, wages and related	178,146	175,488
Travel and meals	7,016	69,658
Total operating expenses	403,997	427,125
Operating Loss	(95,565)	(265,661)
Other Income (Expense):		
Other Income	3,906	-
Interest Expense	(14,933)	(3,792)
Total other income (expense)	(11,027)	(3,792)
Net Loss Before Taxes	(106,592)	(269,453)
Provision for Income Tax Benefit	23,205	62,302
Net Loss	$ (83,387)	$ (207,151)

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance, December 31, 2020	1,000	$ -	$ 1,000	$ 40,164	$ 41,164
Net loss	-	-	-	(207,151)	(207,151)
Balance, December 31, 2021	1,000	-	1,000	(166,987)	(165,987)
Net loss	-	-	-	(83,387)	(83,387)
Balance, December 31, 2022	1,000	$ -	$ 1,000	$ (250,374)	$ (249,374)

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Net income (loss)	$ (83,387)	$ (207,151)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Accrued interest	14,933	3,792
Deferred income tax (benefit) expense	(23,205)	(62,302)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expense	6,666	(27,222)
Deferred contract costs	1,695	(87,988)
Due from (to) related parties	31,996	115,623
Increase (decrease) in:		
Accrued expenses	(18,475)	36,683
Income taxes payable	-	(14,701)
Deferred franchise fees	(41,255)	321,916
Net cash (used in) provided by operating activities	(111,032)	78,650
Cash Flows From Financing Activities:		
Proceeds from debt borrowings	125,700	218,900
Stockholder loans	(65,837)	(81,322)
Net cash provided by financing activities	59,863	137,578
Net Change in Cash	(51,169)	216,228
Cash, Beginning of Year	410,066	193,838
Cash, End of Year	$ 358,897	$ 410,066

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF THE BUSINESS

The Company was incorporated on February 7, 2019, and is based in Prosper, Texas. The principal activity of the Company is to sell franchises that operate a business offering private personal fitness services and small group training under the name "NexGen Fitness".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of NexGen Fitness Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements. Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's deferred franchise fees are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2022	2021
Deferred franchise fees	$ 430,711	$ 471,966
Less: current maturities	(53,026)	(53,536)
	$ 377,685	$ 418,430

As of December 31, the Company expects to recognize deferred franchise fees as revenue over the remaining term of the associated franchise agreements as follows:

2023	$ 53,026
2024	53,026
2025	53,026
2026	53,026
2027	53,026
Thereafter	165,581
	$ 430,711

Continuing fees are recognized monthly, as they were earned.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Company's deferred contract costs assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

	2022	2021
Deferred contract costs	$ 86,293	$ 87,988
Less: current maturities	(10,675)	(9,777)
	$ 75,618	$ 78,211

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income. A valuation allowance is recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2021, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2019.

Advertising

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was $17,707 and $35,334, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Stockholder's equity was unchanged due to these reclassifications.

NOTE 3 – CASH AND RESTRICTED CASH

For purposes of the balance sheets and the statements of cash flows, restricted cash consists of amounts contributed by franchisees which have been restricted for the preparation of marketing materials and the implementation of advertising programs. The following table provides a reconciliation of cash and restricted cash within the balance sheets that sum to the totals of the same amounts presented in the statements of cash flows.

	2022	2021
Cash	$ 347,698	$ 405,607
Restricted cash	11,199	4,459
Total cash and restricted cash presented in the statements of cash flows	$ 358,897	$ 410,066

NOTE 4 – RELATED PARTIES

From time to time, the Company loans and receives loans to and from parties related through common ownership. The nature of these loans is typically to assist with operations. Related party loans are due on demand and bear no interest.

NexGen Fitness Corporation is an entity related to the Company through common ownership. As of December 31, 2022 and 2021 the Company had an outstanding loan balance due to this entity of $186,619 and $105,336, respectively.

NexGen Fitness Prosper, LLC is an entity related to the Company through common ownership. As of December 31, 2022 and 2021, the Company has an outstanding loan receivable from this entity of $78,148 and $28,860, respectively.

As of December 31, 2022 and 2021, the Company had stockholder loans receivable with outstanding balances of $185,298 and $119,461, respectively.

NOTE 5 – INCOME TAXES

For the year ended December 31, the provision for income taxes consisted of the following components:

	2022	2021
Current tax expense	$ -	$ -
Deferred tax benefit	23,205	62,302
	$ 23,205	$ 62,302

NOTE 5 – INCOME TAXES (CONTINUED)

As of December 31, the accompanying balance sheets included the following amounts of deferred tax assets:

	2022	2021
Deferred tax asset	$ 85,507	$ 62,302

NOTE 6 – LONG-TERM DEBT

	2022	2021
In June 2020, the Company was granted a loan from a financial institution in the aggregate amount of $64,000, pursuant to Section 7(b) of the Small Business Act. The loan was subsequently amended in October 2021 and January 2022 for loan amounts of $283,000 and $408,700, respectively. The loan matures in 2050 and bears interest at a fixed rate of 3.75%, payable monthly commencing in January 2023. The loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company.	$ 408,700	$ 283,000

As of December 31, long-term debt matures as follows:

2023	$ -
2024	-
2025	5,468
2026	9,045
2027	9,390
Thereafter	384,797
	$ 408,700

NOTE 7 – REVENUE

For the years ended December 31, revenue sources were as follows:

	2022	2021
Royalties	$ 143,281	$ 111,649
Initial franchise fees	86,155	32,744
Rebate income	44,139	9,300
Marketing fees	31,176	5,078
Other	3,681	2,693
	$ 308,432	$ 161,464

As of December 31, the timing and recognition of revenue was as follows:

	2022	2021
Services transferred at a point in time	$ 222,277	$ 128,720
Services transferred over time	86,155	32,744
	$ 308,432	$ 161,464

Various economic factors such as supply and demand, laws and policies, and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

NOTE 8 – RESTATEMENT

The Company discovered that previously issued financial statements included certain errors. It was determined that these errors were inadvertent and unintentional.

The following table sets forth the previously reported and restated amounts of selected items within the balance sheet as of December 31, 2022:

Selected data from the balance sheet as of December 31, 2021:	As Previously Reported	As Restated	Increase (Decrease)
Prepaid expense	$ -	$ 27,222	$ 27,222
Accumulated deficit	(194,209)	(166,987)	27,222

NOTE 8 – RESTATEMENT (CONTINUED)

The following table sets forth the previously reported and restated amounts of selected items within the statement of loss for the year ended December 31, 2021.

Selected data from the statement of loss for the year ended December 31, 2021:	As Previously Reported	As Restated	Increase (Decrease)
Professional fees	$ 41,005	$ 13,783	$ (27,222)
Net loss before taxes	(296,675)	(269,453)	27,222
Net loss	(234,373)	(207,151)	27,222

The following table sets forth the previously reported and restated amounts of selected items within the statement of stockholders' deficit for the year ended December 31, 2021.

Selected data from the statement of stockholders' deficit for the year ended December 31, 2021:	As Previously Reported	As Restated	Increase (Decrease)
Accumulated deficit	$ (194,209)	$ (166,987)	$ 27,222
Stockholders' deficit	(193,209)	(165,987)	27,222

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2023, the date which the financial statements were available to be issued.

NEXGEN FITNESS FRANCHISING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

ELLSWORTH • STOUT
CPAs and Consultants

ELLSWORTH • STOUT
CPAs and Consultants

Independent Auditor's Report

To the Stockholders of
NexGen Fitness Franchising Corporation

Opinion
We have audited the accompanying financial statements of NexGen Fitness Franchising Corporation (a Texas Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, stockholders' equity, and cash flows for the years then ended, 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 the NexGen Fitness Franchising Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended are 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 NexGen Fitness Franchising Corporation 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 NexGen Fitness Franchising Corporation'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 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.

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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 NexGen Fitness Franchising Corporation'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 NexGen Fitness Franchising Corporation'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.

Ellsworth & Stout, LLC

April 12, 2022
Las Vegas, Nevada

NEXGEN FITNESS FRANCHISING CORPORATION
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash	$ 410,066	$ 193,838
Current maturities of deferred contract costs	9,777	-
Due from related parties, net	-	39,147
Due from stockholder	119,461	38,139
Total current assets	539,304	271,124
Other Assets:		
Deferred tax asset	62,302	-
Deferred contract costs, net of current	78,211	-
Total other assets	140,513	-
Total Assets	$ 679,817	$ 271,124
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accrued expenses	$ 36,683	$ -
Income taxes payable	-	14,701
Accrued interest	4,901	1,109
Current maturities of deferred franchise fees	53,536	18,070
Due to related parties	76,476	-
Total current liabilities	171,596	33,880
Long-Term Liabilities:		
Deferred franchise fees, net of current	418,430	131,980
Long-term debt	283,000	64,100
Total long-term liabilities	701,430	196,080
Total Liabilities	873,026	229,960
Stockholders' Equity (Deficit):		
Common stock, no par value; 1,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	1,000	1,000
Retained earnings (accumulated deficit)	(194,209)	40,164
Total Stockholders' Equity (Deficit)	(193,209)	41,164
Total Liabilities and Stockholders' Equity (Deficit)	$ 679,817	$ 271,124

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenue	$ 161,464	$ 86,640
Operating Expenses:		
Advertising	35,334	-
Office expense and other	79,546	-
Outside services	22,985	276
Professional fees	41,005	3,450
Royalty expense	30,331	12,565
Salaries, wages and related	175,488	-
Travel and meals	69,658	-
Total operating expenses	454,347	16,291
Operating Income (Loss)	(292,883)	70,349
Other Income (Expense):		
Other income	-	1,000
Interest expense	(3,792)	(1,346)
Total other income (expense)	(3,792)	(346)
Net Income (Loss) Before Taxes	(296,675)	70,003
Provision for Income Tax Benefit (Expense)	62,302	(14,701)
Net Income (Loss)	$ (234,373)	$ 55,302

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance, December 31, 2019	1,000	$ -	$ 1,000	$ 98,082	$ 99,082
Net income	-	-	-	55,302	55,302
Adoption of accounting standards	-	-	-	(113,220)	(113,220)
Balance, December 31, 2020	1,000	-	1,000	40,164	41,164
Net loss	-	-	-	(234,373)	(234,373)
Balance, December 31, 2021	1,000	$ -	$ 1,000	$ (194,209)	$ (193,209)

See accompanying notes to the financial statements.

NEXGEN FITNESS FRANCHISING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 20201 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	$ (234,373)	$ 55,302
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Accrued interest	3,792	1,109
Deferred income tax (benefit) expense	(62,302)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Deferred contract costs	(87,988)	-
Due from (to) related parties	115,623	(39,147)
Increase (decrease) in:		
Accrued expenses	36,683	(22,900)
Income taxes payable	(14,701)	(18,109)
Deferred franchise fees	321,916	36,830
Net cash provided by operating activities	78,650	13,085
Cash Flows From Financing Activities:		
Proceeds from debt borrowings	218,900	64,100
Stockholder loans	(81,322)	4,853
Net cash provided by financing activities	137,578	68,953
Net Change in Cash	216,228	82,038
Cash, Beginning of Year	193,838	111,800
Cash, End of Year	$ 410,066	$ 193,838
Supplemental Cash Flow Information:		
Cash paid for interest	$ -	$ 237

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of NexGen Fitness Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Business

The Company was incorporated on February 7, 2019, and is based in Prosper, Texas. The principal activity of the Company is to sell franchises that operate a business offering private personal fitness services and small group training under the name "NexGen Fitness".

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements. Accounts receivable balances were not impacted by the adoption of Topic 606 (as defined in the revenue recognition policy).

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements. Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

From 2014 through 2018, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2020 using the modified retrospective method. Below is a discussion of how the Company's revenues are earned, accounting policies pertaining to revenue recognition prior to the adoption of Topic 606 ("Legacy GAAP"), accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures. Refer to Note 7 for information regarding the cumulative effect adjustment recorded to accumulated deficit as of the beginning of the year ended December 31, 2020 to reflect the adoption of Topic 606. Also included in Note 7 is disclosure of the amount by which each balance sheet and income statement line item was impacted in the current reporting period as compared to Legacy GAAP.

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Under Legacy GAAP, initial franchise fees were recognized as revenue upon completion of initial training. Upon the adoption of Topic 606, the Company has determined that the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, upon the adoption of Topic 606, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2021	2020
Deferred franchise fees	$ 471,966	$ 150,050
Less: current maturities	(53,536)	(18,070)
	$ 418,430	$ 131,980

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2022	$ 53,536
2023	53,536
2024	53,536
2025	53,536
2026	53,536
Thereafter	204,286
	$ 471,966

Under Legacy GAAP, continuing fees were recognized monthly, as they were earned. The timing and amount of revenue recognized related to continuing fees was not impacted by the adoption of Topic 606.

Additionally, the Company incurs incremental costs in the course of obtaining franchise agreements. Under Legacy GAAP, these costs were expensed as incurred. Due to the adoption of Topic 606, the Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. Costs for these incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

	2021	2020
Deferred contract costs	$ 87,988	$ -
Less: current maturities	(9,777)	-
	$ 78,211	$ -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income. A valuation allowance is recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2021, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2019.

Advertising

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2021 and 2020 was $35,334 and $0, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Stockholder's equity was unchanged due to these reclassifications.

NOTE 2 – RELATED PARTIES

From time to time, the Company loans and receives loans to and from parties related through common ownership. The nature of these loans is typically to assist with operations. Related party loans are due on demand and bear no interest.

NexGen Fitness Corporation is an entity related to the Company through common ownership. As of December 31, 2021 and 2020, the Company has an outstanding loan receivable from this entity of $0 and $39,594, respectively. As of December 31, 2021 and 2020 the Company had an outstanding loan balance due to this entity of $105,336 and $0, respectively.

NOTE 2 – RELATED PARTIES (CONTINUED)

NexGen Fitness Prosper, LLC is an entity related to the Company through common ownership. As of December 31, 2021 and 2020, the Company has an outstanding loan receivable from this entity of $28,860 and $33,553, respectively.

Bryan Whatley, LLC is an entity related to the Company through common ownership. As of December 31, 2021 and 2020, the Company had an outstanding loan balance due to this entity of $0 and $34,000, respectively.

As of December 31, 2021 and 2020, the Company had stockholder loans receivable with outstanding balances of $119,461 and $38,139, respectively.

NOTE 3 – INCOME TAXES

For the year ended December 31, the provision for income taxes consisted of the following components:

	2021	2020
Current tax expense	$ -	$ (14,701)
Deferred tax benefit	62,302	-
	$ 62,302	$ (14,701)

As of December 31, the accompanying balance sheets included the following amounts of deferred tax assets:

	2021	2020
Deferred tax asset	$ 62,302	$ -

NOTE 4 – LONG-TERM DEBT

	2021	2020
In June 2020, the Company was granted a loan from a financial institution in the aggregate amount of $64,000, pursuant to Section 7(b) of the Small Business Act. The loan was subsequently amended in October 2021 for a loan amount of $283,000. The loan matures in June 2050 and bears interest at a fixed rate of 3.75%, payable monthly commencing in January 2023. The loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company.	$ 283,000	$ 64,100

As of December 31, long-term debt matures as follows:

2022	$ -
2023	-
2024	-
2025	4,827
2026	7,063
Thereafter	271,110
	$ 283,000

NOTE 5 – REVENUE

For the years ended December 31, revenue sources were as follows:

	2021	2020
Initial franchise fees	$ 32,744	$ 18,070
Royalties	111,649	68,570
Other	17,071	-
	$ 161,464	$ 86,640

NOTE 5 – REVENUE (CONTINUED)

As of December 31, the timing and recognition of revenue was as follows:

	2021	2020
Services transferred at a point in time	$ 128,720	$ 68,570
Services transferred over time	32,744	18,070
	$ 161,464	$ 86,640

Various economic factors such as supply and demand, laws and policies, and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Management is currently responding to the existing effects of the global pandemic and planning for the potential future effects that the pandemic may have on the Company's operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Company's future financial statements.

NOTE 7 – ITEMS AFFECTING COMPARABILITY OF NET INCOME AND CASH FLOWS

As discussed in Note 1, the Company adopted Topic 606 at the beginning of the year ended December 31, 2020, using the modified retrospective method. Topic 606 was applied to all contracts with customers as of January 1, 2020 and the cumulative effect of this transition was recorded as an adjustment to retained earnings as of this date. As a result, the following adjustments were made to the balance sheet as of January 1, 2020:

BALANCE SHEET

	As Reported 12/31/19	Adjustments	Adoption of Topic 606 1/1/20
ASSETS			
Current Assets:			
Cash	$ 111,800	$ -	$ 111,800
Due from stockholder	42,992	-	42,992
Total Assets	$ 154,792	$ -	$ 154,792
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities:			
Accounts payable	$ 22,900	$ -	$ 22,900
Income tax payable	32,810	-	32,810
Current maturities of deferred franchise fees	-	18,070	18,070
Total current liabilities	55,710	18,070	73,780
Long-Term Liabilities:			
Deferred franchise fees, net of current	-	95,150	95,150
Total Liabilities	55,710	113,220	168,930
Stockholders' Equity (Deficit):			
Common stock, no par value; 1,000 shares authorized, issued and outstanding	-	-	-
Additional paid-in capital	1,000	-	1,000
Retained earnings (accumulated deficit)	98,082	(113,220)	(15,138)
Total Stockholders' Equity (Deficit)	99,082	(113,220)	(14,138)
Total Liabilities and Stockholders' Equity (Deficit)	$ 154,792	$ -	$ 154,792

The Company recorded an increase in the deferred franchise fees liabilities of $113,220 as part of the cumulative adjustment related to unamortized initial franchise fees, with a corresponding adjustment in the same amount to retained earnings.

NOTE 7 – ITEMS AFFECTING COMPARABILITY OF NET INCOME AND CASH FLOWS (CONTINUED)

The following tables reflect the impact of Topic 606 on the Company's balance sheet as of December 31, 2020 and on the Company's statement of income for the year ended December 31, 2020:

BALANCE SHEET

	As Reported 12/31/20	Impact	Balances under Legacy GAAP 12/31/20
ASSETS			
Current Assets:			
Cash	$ 193,838	$ -	$ 193,838
Accounts receivable, net	33,553	-	33,553
Due from related parties, net	5,594	-	5,594
Due from stockholder	38,139	-	38,139
Total Assets	$ 271,124	$ -	$ 271,124
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Income tax payable	$ 14,701	$ -	$ 14,701
Current maturities of deferred franchise fees	18,070	(18,070)	-
Total current liabilities	32,771	(18,070)	14,701
Long-Term Liabilities:			
Deferred franchise fees, net of current	131,980	(131,980)	-
Long-term debt, net of current maturities	65,209	-	65,209
Total long-term liabilities	197,189	(131,980)	65,209
Total Liabilities	229,960	(150,050)	79,910
Stockholders' Equity:			
Common stock, no par value; 1,000 shares authorized, issued and outstanding	-	-	-
Additional paid-in capital	1,000	-	1,000
Retained earnings	40,164	150,050	190,214
Total Stockholders' Equity	41,164	150,050	191,214
Total Liabilities and Stockholders' Equity	$ 271,124	$ -	$ 271,124

The significant impact resulting from the adoption of Topic 606 on the Company's balance sheet as of December 31, 2020, is consistent with those recorded as of January 1, 2020, as described previously.

NOTE 7 – ITEMS AFFECTING COMPARABILITY OF NET INCOME AND CASH FLOWS (CONTINUED)

STATEMENT OF INCOME

	Year ended 12/31/21		
	As Reported	Impact	Balances under Legacy GAAP
Revenue	$ 86,640	$ 36,830	$ 123,470
Operating Expenses:			
Professional fees	16,291	-	16,291
Operating Income	70,349	36,830	107,179
Other Income (Expense):			
Other income	1,000	-	1,000
Interest expense	(1,346)	-	(1,346)
Total other income (expense)	(346)	-	(346)
Net Income before Taxes	70,003	36,830	106,833
Provision for Income Tax Benefit (Expense)	(14,701)	-	(14,701)
Net Income	$ 55,302	$ 36,830	$ 92,132

Upon the adoption of Topic 606, the timing and amount of revenue recognized from initial franchise fees and costs recognized from incremental contract costs changed from upfront recognition under Legacy GAAP to recognition over the term of the franchise agreement to which the fees and costs relate.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 12, 2022, the date which the financial statements were available to be issued.

EXHIBIT J. TABLES OF CONTENTS OF FRANCHISE OPERATIONS MANUAL

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

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EXHIBIT K. STATE SPECIFIC ADDENDUMS

TO THE NEXGEN FITNESS FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA STATE ADDENDUM DISCLOSURES:

1. Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

2. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.

3. The franchisor, any person or franchise broker in Item 2 of the UFOC is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

4. California Business and Professions Code 20000 through 20043 provides rights to the franchise concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

6. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

7. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

9. The franchise agreement requires the application of the laws of Texas. This provision may not be enforceable under California law.

10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

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

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with California Law:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
NEXGEN FITNESS FRANCHISING CORPORATION

By:_____
Its:_____

Date:_____

FRANCHISEE**:**

By:_____
Its:_____

Date:_____

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Hawaii Franchise Investment Law:

The following list reflects the status of our franchise registrations in the states which have franchise registration laws:

- This registration is effective in the states of Florida, Indiana, Kentucky, Nebraska, Texas, and Virginia.

- There are no states which have refused, by order or otherwise, to register these franchises.

- There are no states which have revoked or suspended the right to offer these franchises.

The release required as a condition of renewal, assignment, and transfer will not apply to any liability arising under the Hawaii Franchise Investment Law.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Hawaii Franchise Investment Law:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.,* the Franchise Agreement is amended as follows:

(a) The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination, and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

(b) A general release required as a condition of the renewal, assignment, or transfer of the Franchise Agreement or the franchise granted thereunder shall not apply to any claim or liability arising under the Hawaii Franchise Investment Law.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:	FRANCHISEE**:**
NEXGEN FITNESS FRANCHISING CORPORATION	
By:_____	By:_____
Its:_____	Its:_____
Date:_____	Date:_____

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.

Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.

Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

The Choice of Forum stated in Item 17v is modified to state that

> *All claims must be brought in Collin County, Texas, or in the County in the state of Illinois where your franchise is located.*

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS

The Franchise Agreement to which this addendum is attached, which may have been entered into by and between the below undersigned parties incident to the execution of the Franchise Agreement (collectively referred to as the "Franchise Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Termination and nonrenewal of the Franchise Agreement must comply with 815 ILCS 705/20.

2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.

3. Any provision in the Franchise Agreement and Franchise Related Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

4. The representations in Section 18.14 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Illinois Franchise Disclosure Act.

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement, Related Franchise Agreements, or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement and Related Franchise Agreements in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

FRANCHISOR: FRANCHISEE**:**

NEXGEN FITNESS FRANCHISING CORPORATION

By:_____ By:_____

Its:_____ Its:_____

Date:_____ Date:_____

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INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

THE STATE OF INDIANA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE WHICH RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101.

A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

The franchise agreement does not expressly give you the right to terminate, but Indiana law may give you the right to terminate if we commit a substantial breach of the franchise agreement.

Any provision in the franchise agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.

4. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
NEXGEN FITNESS FRANCHISING CORPORATION

By:_____
Its:_____

Date:_____

FRANCHISEE**:**

By:_____
Its:_____

Date:_____

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

ITEM 5

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

ITEM 17

The general release required as a condition of renewal, assignment, or transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

You may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Maryland Franchise Registration and Disclosure Law:

1. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Maryland Franchise Regulation and Disclosure Law.

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

4. The representations contained in section XXIII(A) of the Franchise Agreement do not act as a release, estoppel, or waiver of any liability arising under the Minnesota Franchise Law.

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:	FRANCHISEE**:**
NEXGEN FITNESS FRANCHISING CORPORATION	
By:_____	By:_____
Its:_____	Its:_____
Date:_____	Date:_____

FOR RESIDENTS OF THE STATE OF MICHIGAN

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

1. A prohibition on the right of a franchisee to join an association of franchisees.

2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchise, after entering into a franchise agreement, from settling any and all claims.

3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for a 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.

4. 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 another commercial symbol in the same area subsequent to the expiration of the franchise or the franchise does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

5. 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.

6. 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.

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for a 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:

8.

(a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

(d) 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.

9. 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 paragraph 3 above.

10. 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.

11. 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 the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Minnesota Franchise Law:

The Minnesota Department of Commerce requires that the franchisor indemnifies Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.

Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes.

Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.

THE STATE OF MINNESOTA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4 AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED. LIQUIDATED DAMAGE PROVISIONS ARE VOID UNDER MINNESOTA LAW.

Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the requirement that all litigation must take place in California shall not in any way abrogate or reduce any rights of the franchise as provided for in Minnesota Statutes, Chapter 80C.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Minnesota Franchise Law:

1. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Minnesota Franchise Law.

2. Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.

3. The final two paragraphs of provision XXI(B) is hereby deleted.

4. Section XXIII(D) does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of Minnesota.

5. The representations contained in section XXIII(A) of the Franchise Agreement do not act as a release, estoppel, or waiver of any liability arising under the Minnesota Franchise Law.

6. Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchise Agreement does not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes, Chapter 80C. These statutes prohibit Franchisor from requiring litigation to be conducted outside Minnesota or abrogating or reducing any of Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

7. With respect to franchises governed by Minnesota law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

8. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
NEXGEN FITNESS FRANCHISING CORPORATION

By:_____
Its:_____

Date:_____

FRANCHISEE**:**

By:_____
Its:_____

Date:_____

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR 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.

2. 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.

3. 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 proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law**":

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

6. 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.

7. 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 FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the North Dakota Franchise Investment Law:

Covenants restricting or prohibiting your right to compete after the termination or expiration of your franchise agreement are generally considered unenforceable in the State of North Dakota.

The release required as a condition of renewal and/or assignment/transfer will not apply to any liability arising under the North Dakota Franchise Investment Law.

Any provision of the franchise agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

Any mediation, if necessary, will take place at the American Arbitration Association office nearest your business Site.

Any provision of the franchise agreement requiring you to waive the right to a trial by jury is void.

Any provision of the franchise agreement requiring you to waive exemplary or punitive damages is void.

Any provision of the franchise agreement requiring you to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the North Dakota Franchise Investment Law:

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the North Dakota Franchise Investment Law.

2. Any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

3. Section 15.1 is amended by the addition of the following sentence:

   "Covenants not to compete such as the one described above are generally considered unenforceable in the State of North Dakota."

4. The final two paragraphs of provision XXI(B) is hereby deleted.

5. Section XXIII(D) does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of North Dakota.

6. The parties are signing this addendum simultaneously with the Franchise Agreement to which it is attached.

NEXGEN FITNESS FRANCHISING CORPORATION	BUSINESS ORGANIZATION FRANCHISEE:
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

INDIVIDUAL FRANCHISEE:	INDIVIDUAL FRANCHISEE:
_____	_____
Signature	*Signature*
Date: _____	Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Rhode Island Franchise Investment Act:

A condition, stipulation or provision requiring a franchise to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this act or a rule or order under this act is void.

A provision is 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.

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Rhode Island Franchise Investment Act.

1. A general release requiring as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Act.

2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

FRANCHISOR:	FRANCHISEE**:**
NEXGEN FITNESS FRANCHISING CORPORATION	
By:_____	By:_____
Its:_____	Its:_____
Date:_____	Date:_____

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Washington Franchise Investment Protection Act:

The State of Washington has a statute, R.C.W. 19.100.180, which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 R.C.W., shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectible to the extent that they reflect the Franchisor's reasonably estimated or actual costs in effecting a transfer.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Washington Franchise Investment Protection Act:

1. The State of Washington has a statute, RCW 19.100.180, that 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 that may supersede the franchise agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.

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

4. Transfer fees are collectible to the extent that they reflect the Franchisor's reasonably estimated or actual costs in effecting a transfer.

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
NEXGEN FITNESS FRANCHISING CORPORATION

By:_____
Its:_____

Date:_____

FRANCHISEE**:**

By:_____
Its:_____

Date:_____

WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW. THE STATE OF WISCONSIN MAY ALSO HAVE COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE RELATIONSHIP IN RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS WHICH RESTRICT THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND STATE AND FEDERAL COURT DECISIONS. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATED THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

We may revoke our approval of any previously approved supplier at any time if the quality of the product or the supplier's financial condition or ability to satisfy your requirements do not continue to meet our satisfaction.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Wisconsin Fair Dealership Law:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats., supersedes any inconsistent provisions of the Franchise Agreement.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:	FRANCHISEE:
NEXGEN FITNESS FRANCHISING CORPORATION	
By:_____	By:_____
Its:_____	Its:_____
Date:_____	Date:_____

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. The effective date, which this Franchise Disclosure Document was registered or an exemption from registration, is listed in the right column in the table below. If no date is listed, a filing for registration or exemption has not been filed and/or the filing has not been declared effective.

State Effective Dates

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

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

State	Effective Date
California	~~July 20, 2023~~
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	~~November 15, 2023~~
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.

Item 23. RECEIPT

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

If NexGen Fitness Franchising Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

[New York, Oklahoma and Rhode Island require that NexGen Fitness Franchising Corporation gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Iowa requires that NexGen Fitness Franchising Corporation gives you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan and Oregon require that NexGen Fitness Franchising Corporation gives you this disclosure document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If NexGen Fitness Franchising Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit H.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Bryan Whatley, President and Paula Whatley, CFO at 130 N Preston Rd, Suite 108 Prosper TX 75078, Texas, 844-4NEXGEN (844-463-9436), and: _____.

Issuance Date: ~~June 22, 2023~~

Our registered agents authorized to receive service of process for us are listed in Exhibit H.

I have received a disclosure document dated ~~June 22, 2023~~. This disclosure document included the following Exhibits:

EXHIBIT A.	**FRANCHISE AGREEMENT**	**EXHIBIT G.**	**LIST OF FRANCHISEES**
EXHIBIT B.	**AREA DEVELOPMENT AGREEMENT**	**EXHIBIT H.**	**LIST OF FRANCHISEES THAT LEFT THE SYSTEM**
EXHIBIT C.	**PERSONAL GUARANTY**	**EXHIBIT I.**	**FINANCIAL STATEMENTS**
EXHIBIT D.	**RESTRICTIVE COVENANT AGREEMENT**	**EXHIBIT J.**	**TABLES OF CONTENTS OF FRANCHISE OPERATIONS MANUAL**
EXHIBIT E.	**POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER**	**EXHIBIT K.**	**STATE SPECIFIC ADDENDUMS**
EXHIBIT F.	**STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS**		

Date	Signature	Print Name
Date	Signature	Print Name

KEEP THIS COPY FOR YOUR RECORDS

Item 23. RECEIPT

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

If NexGen Fitness Franchising Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

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Date	Signature	Print Name
Date	Signature	Print Name

RETURN TO: NexGen Fitness Franchising Corporation at 130 N Preston Rd, Suite 108 Prosper TX 75078