FRANCHISE DISCLOSURE DOCUMENT

Smart Fit Franchising, LLC,
a Delaware limited liability company
111 Chesterfield Drive, #117
Cardiff, California 92007
Telephone: 888-814-8736
Email: franchise@smartfitmethod.com
www.smartfitmethod.com

A Smart Fit Method franchised business offers a unique health, wellness and fitness business providing personalized training programs using machines powered by artificial intelligence (AI), adapting to the body's unique, individualized resistance levels. With just three, 20-minute High-Intensity Interval Training (HIIT) workouts on four machines per week, clients can see a total-body transformation. By utilizing the AI machines under the Smart Fit Method proprietary training regimen, clients can get the most effective workout without the inflammation of traditional HIIT and cardio training.

The total investment necessary to begin the operation of a Smart Fit Method franchised business is $471,500 to $616,500. This includes $307,500 to $357,500 that must be paid to the franchisor.

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 Robert Darnbrough at 111 Chesterfield Drive, #117, Cardiff, California 92007; Phone: (760) 846-1481.

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.

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 (if any). You can find their names and contact information (if any) in Item 20 or EXHIBIT F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or EXHIBIT H includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Smart Fit Method business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Smart Fit Method franchisee?	Item 20 or EXHIBIT F and EXHIBIT G 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 will 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 will 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.

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in EXHIBIT E. Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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 California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Unregistered Trademark**. The primary trademark that you will use in your business is not yet registered. THE SMART FIT METHOD & Logo currently is pending with the United States Patent and Trademark Office ("USPTO"). On December 19, 2023, we received a notice of allowance for this trademark which provides a six month period (until June 19, 2024) to file a statement of use and/or request for extension of time. We intend to timely file such statement of use. On July 13, 2023 we filed an application with the USPTO for our logo alone. Also, on July 20, 2013, we filed an application with the USPTO for GLUTAIMAX™, which is the name of the glute machine we have developed in conjunction with one of our vendors.

   We are not pursuing registration of THE SMART FIT METHOD alone, but only in combination with the Logo. If the franchisor's right to use the name THE SMART FIT METHOD in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

4. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. You inability to make the payments may result in termination of your franchise and loss of your investment.

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

TABLE OF CONTENTS

EXHIBITS

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

The Franchisor.

To simplify the language in this disclosure document, "Smart Fit Franchising, LLC", "Smart Fit Method," "Smart Fit", "we," or "us" means Smart Fit Franchising, LLC, the franchisor. "You" means the business entity that buys the franchise and includes each partner, shareholder, member, or other owners of that entity. Smart Fit Franchising, LLC is a Delaware limited liability company, formed on June 7, 2022. Our principal office is located at 111 Chesterfield Drive, #117, Cardiff, California 92007. Our agents for service of process are listed in Exhibit E.

Predecessors, Parents, and Affiliates.

Our parent company is Smart Fit Method Inc., a Delaware corporation. We do not have and have not had any predecessors during the 10-year period immediately before the close of our most recent fiscal year.

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

We do not have any affiliates, parents, or predecessors who provide our franchisees products or services.

Smart Fit Cardiff, LLC has operated a Smart Fit Method business which is the same as the business offered in this disclosure document since July 1, 2021. Smart Fit Cardiff, LLC is wholly-owned by Smart Fit Method, Inc., which in turn is wholly-owned by Robert Darnbrough and Connor Darnbrough. Robert Darnbrough also was the co-owner of a Smart Fit Method location focused on research and development for the Smart Fit Method offerings in Kauai, Hawaii which operated from March 7, 2022 until the end of 2023.

Smart Fit Method, Inc. is in a continual process of research and development through analytics to further enhance the fitness programs we offer, and is constantly developing and assessing new programs and equipment (such as GLUTAIMAX™). We have a perpetual and exclusive license to such intellectual property.

Our Other Business Activities.

We do not offer franchises in any other line of business. We do not provide any products or services to our franchisees.

Our Business and the Franchise Offered.

We do business under the name Smart Fit Method and no other names. A Smart Fit Method franchised business (a "Franchised Business") offers a unique health, wellness and fitness business providing personalized training programs using machines powered by artificial intelligence (AI), adapting to the body's unique, individualized resistance levels. We offer the franchises under the form of a franchise agreement attached to this disclosure document (the "Franchise Agreement"). A Franchised Business can and should be operated with a total of four

(4) employees which include three (3) trainers and one (1) Operations Manager, who also will be a trainer.

As a Smart Fit Method franchisee, you will use specialized business formats and systems, called the "System," which we may modify, supplement, and update in our discretion. You will use certain services or trademarks and other commercial symbols referring to the Smart Fit Method brand, products, and services, which we call the "Marks." A Smart Fit Method Franchised Businesses must provide all and only Smart Fit Method products and services unless we consent in writing.

For each Franchised Business that you open, you must sign a then-current form of the Franchise Agreement. For each future location (if any), you may be required to sign a form of the franchise agreement that is different from the franchise agreement included in this disclosure document.

We may continue to develop new products and services for implementation in all Franchised Businesses, but we are not obligated to do so. If we do develop new products or services, we may require you to provide such products or services. If we do, we may require you to take additional training, purchase additional equipment, pay additional fees, sign additional agreements, or meet other requirements.

You have no obligation or right to open any additional Smart Fit Method Franchised Businesses.

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, your Smart Fit Method Franchised Business will be subject to and have to comply with local ordinances and other permit and licensure requirements for health, fitness and wellness businesses.

Many states and local municipalities have laws and regulations that apply specifically to membership contracts, operations, and licenses. Many states limit the length of time your Member contracts can be, require specific provisions be included in Member contracts, require Member contracts to look a certain way (such as format and font size), and require Members be granted certain termination rights.

Some state regulations may also require you to: (1) obtain a bond to protect pre-paid membership fees you collect; (2) staff the studio during all hours of operation; (3) staff the studio with one or more persons who are CPR-certified or who have other specialized training; (4) maintain an automated external defibrillator (AED) and other first aid items and equipment at the studio; and/or (5) charges sales tax on memberships. You should consider these laws and regulations, and investigate all laws affecting your Franchised Business, when evaluating your purchase of a franchise.

General Description of the Market and Competition.

The market for fitness, exercise, and physical training services is highly competitive. There is competition for management and other personnel for the Franchised Business and for commercial real estate sites suitable for a Smart Fit Franchised Business. You must expect to compete with fitness training businesses that are the same as or similar to the Franchised Business and other competing concepts. Competitors may be localy-owned or large regional or national chains. The fitness and exercise businiess is also affected by changes in consumer tastes, demographics, traffic patterns and economic conditions.

Prior Business Experience.

Smart Fit Cardiff, LLC our affiliate, has operated a business like the Smart Fit Method franchises offered in this disclosure document since July 1, 2021. Robert Darnbrough also was the co-owner of a Smart Fit Method location focused on research and development for the Smart Fit Method offerings in Kauai, Hawaii which operated from March 7, 2022 until the end of 2023. We have never operated the kind of business offered in this franchise disclosure document.

As of the date of this Franchise Disclosure Document we have a total of seven (7) franchised locations.

ITEM 2. BUSINESS EXPERIENCE

Robert Darnbrough, Co-Founder and Chief Executive Officer. Mr. Darnbrough, 54, is the co-founder and CEO of Smart Fit. He was a trainer at World's Gym when he was 16. Along with working at World's Gym, Rob also was a competitive cyclist. Rob developed one of Canada's largest and most successful estate planning and succession firms. After retiring at 44, Rob set his sights on his true passion of fitness. Rob developed The Smart Fit Method as an alternative way to stay fit while improving longevity. Rob is ARX, Vasper and CAROL certified.

Connor Darnbrough, Co-Founder and Chief Operating Officer. Mr. Darnbrough, 23, is Rob Darnbrough's son and has a background in competitive skiing and mountain biking. After acquiring an auto-immune disease from having MRSA nearly two dozen times from overtraning, Connor set out with his father to build The Smart Fit Method program and brand. Connor is a certified elite ISSA trainer, nutritionist, and has a certificate in neurolinguistic programming and has training in blood flow restriction. He is ARX, Vasper and CAROL certified.

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 Smart Fit Method Initial Franchise Fee is $50,000. 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 non-refundable. In our discretion we may provide discounts of up to 50% of the Initial Franchise Fee for any approved U.S. military veterans.

Document Preparation Fee: Concurrently with the Initial Franchise Fee and upon your execution of the Franchise Agreement, you will be obligated to pay a non-refundable document preparation fee of $2,000 that will be applied to our cost to prepare the Franchise Agreement and all ancillary documents.

Administrative Services Fee: At the time of your execution of the Franchise Agreement, you will be obligated to pay a non-refundable fee of $2,500 for the first month's services performed by Smart Fit including, but not limited to, email administration, intranet, website administration, accounting, bookkeeping and the use of certain software as required under the Franchise Agreement. As set forth below, this Administrative Service Fee will be payable for each month thereafter during the term of the Franchise Agreement.

Equipment Package: You must also pay us $250,000 to $300,000 for an "Equipment Package", which will vary based on manufacturer pricing and will be determined specifically at the time your Equipment Package is ordered. The Equipment Package includes all of the training equipment needed to start operating your location. $25,000 is due when you sign the Franchise Agreement, and the remainder of the Equipment Package cost is due at the time the order is placed. This order will be placed at your direction, provided that this must occur within forty-five (45) days of your execution of the Franchise Agreement to ensure timely delivery. These payments are non-refundable.

Marketing Spend: Commencing for the first full month after the execution of the Franchise Agreement, you are obligated to spend $4,000 per month on marketing. Unless otherwise agreed by Smart Fit Method, this marketing spend per month shall be allocated $1,500 for social media, $500 for physical mailers, $1,000 for other paid media and $1,000 on email campaigns.

Storage Fee: The Equipment Package will be delivered to you approximately 45 to 90 days after the date of shipment. If you are unable to take delivery of the Equipment Package you must pay Smart Fit Method a fee of $600 per month for the storage costs incurred in storing the Equipment Package until you take delivery. The Storage Fee will be prorated for any partial month.

Nutritional Supplements: No later than thirty (30) days prior to the opening of your Franchised Business, you must purchase for resale in your location an inventory of nutritional supplements and products designated by us in the amount of no less than $3,000. Such products and supplements will be determined by Smart Fit Method.

Other Initial Fees.

You are not required to pay us any other initial fees.

Discounts.

In our discretion, we may offer a 10% discount on the Initial Franchise Fee to honorably discharged U.S. military veterans as 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	Year 1 of Operations: 7% of Gross Revenues[1] After Year 1: The greater of $2,500 or 7% of Gross Revenues	The 3rd business day of each month commencing after the Opening Date	Royalty Fees are payable by electronic funds transfer (EFT).
Advertising Assessment	Year 1 of Operations: 1% of Gross Revenues After Year 1: The greater of (a) $125, and (b) 1% of Gross Revenues	The 3rd business day of each month commencing after the Opening Date	Advertisement Assessments are contributions to the Advertising Fund payable by electronic funds transfer (EFT). We may increase the Advertising Assessment based on annual changes in Consumer Price Index (CPI) not to exceed 3.5% annually
Marketing Spend	$4,000 per month	Commencing for the first full month after signing of the Franchise Agreement	The monthly Marketing Spend will include $1,500 in social media marketing, $500 on mailers, $1,000 on paid media and $1,000 on email campaigns
Back Office (Email Administration; Accounting;	Currently, $2,500 per month	Commencing on execution of the Franchise	Paid by electronic funds transfer (EFT). We reserve the right to increase the

Name of Fee	Amount	Due Date	Remarks
Intranet; Bookkeeping; Software Usage)		Agreement and on the 3rd business day of each month thereafter	Administration Fee by 10% each year
Late Fees	$100	Upon demand	A late fee must be paid on any payment to us that is more than 5 days late.
Interest	12% per annum or the maximum lawful rate	Upon demand	In addition to the Late Fee, interest is assessed on any payment to us that is more than 5 days late. The interest accrues from the date the payment was due.
Insurance[2]	If you fail to obtain coverage and we determine to obtain coverage on your Franchised Business, the amount of premium paid by Smart Fit Method, plus 20%	Upon demand	If you do not purchase insurance coverage as required, you must reimburse us this amount to secure insurance coverage.
Merchandise for Resale	Our cost, plus shipping and handling charges	On demand	We may provide to you at cost certain collateral merchandise for resale that identifies Smart Fit Method (e.g., caps, shirts, water bottles)
Supplements for Resale	Our cost, plus shipping and handling charges	On demand	You must at all times maintain an inventory of nutritional supplements and consumables sufficient to meet your customer demand.

Name of Fee	Amount	Due Date	Remarks
Additional Training[3]	$750 per day plus travel expenses for additional onsite support; new or replacement General Manager or Operations Manager require additional training	Upon your request or mandatory for new General Manager or Operations Manager	For training and support beyond the initial training, you must pay the current training fee.
Transfer Fee[4]	$10,000, plus our reasonable costs and expenses	10 days prior to the proposed transfer of franchise.	A transfer includes any sale of substantially all of the Franchisee's assets or a sale of more than 50% ownership (if any entity) or any of your ownership interest (if an individual)
Renewal Franchise Fee	$1,500	Upon execution of the Renewal Franchise Agreement	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 2%	The third (3rd) business day of each month	An Interim Franchise Fee applies if your Franchise Agreement expires, no renewal franchise agreement is signed, and you continue operation of the Franchised Business.
Relocation Fee	Variable	When applicable	If you relocate your franchise business, you must reimburse us for the cost and expense we incur in connection with your relocation.

Name of Fee	Amount	Due Date	Remarks
Step-In Right Expenses[5]	Amounts will vary	As incurred	If you are absent, ill, or unable to operate the Franchised Business or fail to pay taxes or required amounts, or the Franchised Business is having a significant negative impact on the Smart Fit Method System, we may step-in, and you must reimburse us our costs and expenses.
Audit Fee	All costs of inspection and audit	Upon demand	You must reimburse us audit expenses if the audit is initiated due to your non-compliance with the terms herein or the Operations Manual or if an inspection reveals an understatement of 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[6]	Variable	Payable concurrently with your Royalty	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 must purchase insurance in the amounts and coverage set forth in the section below titled "Insurance." 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 Franchise 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.
[3] We provide a tuition-free initial Smart Fit Method training program which includes orientation to the Smart Fit Method system; customer service; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. The training lasts up to two (2) weeks or less depending on your existing experience level. We provide seven (7) days of free of cost onsite assistance upon opening. Upon your request, we will provide additional onsite assistance at our then current rate, which currently is $750 per day, plus travel expenses. We may provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement. We may require attendance at other additional training programs.
[4] Within sixty (60) days of your request to transfer, we will provide our approval or disapproval to your proposed transfer. We also have a right of first refusal to purchase your Franchised Business on the terms set forth in your proposed transfer notice (if it is a bona fide offer), other than certain transfers including (a) a transfer to your heirs upon your death, or (b) a transfer to individual who has guaranteed obligations under a Small Business Administration (SBA) loan.
[5] We may step in to operate your Business if we deem necessary to prevent an interruption or harm to Your Business or to the Smart Fit Method System. Reasons may include our determination that you: are incapable of operating the franchise; are absent or incapacitated because of illness or death; have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time. All revenue derived from our operation of Franchised Business will be credited to a separate account for your benefit, but we may pay from that account all expenses, debts, and liabilities that we incur during our operation of Franchised Business.

[6] The royalties or other fees you pay to us may be entirely or partially subject to state or local sales or use tax, depending upon the laws in your state. If we are required to pay these taxes in your state, you must add the tax to what you pay us.

All fees are non-refundable and uniformly imposed on all new franchisees. Some franchisees under future versions of our franchise agreement or by negotiated agreements 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	$50,000	Lump-sum via wire transfer	Upon Signing the Franchise Agreement	Us
Document Preparation Fee	$2,000	Lump-sum via wire transfer	Upon Signing the Franchise Agreement	Us
Equipment Package	$250,000 to $300,000 (subject to manufacturer pricing).	Wire transfer	$25,000 upon signing Franchise Agreement; remainder due when Equipment Package is ordered	Us
Administrative Services Fee	$2,500	Lump-sum via wire transfer	Upon signing the	Us

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
				Franchise Agreement	
Leasehold Improvements	$75,000 to	$100,000	As incurred	Before Beginning Operations	Lessor or Contractors
Real Estate/Rent[1]	$10,000 to	$40,000	As incurred	Before Beginning Operations	Lessor
Utility Deposits[2]	$1,000 to	$4,000	As incurred	Before Beginning Operations	Utilities
Furniture, Fixtures & Other Equipment[3]	$15,000 to	$25,000	As incurred	Before Beginning Operations	Suppliers
Insurance[4]	$500 to	$1,000	As incurred	Before Beginning Operations	Insurance Companies
Signage[5]	$2,500 to	$10,000	As incurred	Before Beginning Operations	Suppliers
Office Equipment & Supplies[6]	$1,000		As incurred	Before Beginning Operations	Suppliers

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Computer Equipment (Hardware, Software, etc.)[7]	$6,000 to	$7,000	As incurred	Before Beginning Operations	Suppliers
Pre-Opening Expenses[8]	$7,000 to	$10,000	As incurred	Before Beginning Operations	Us and/or Suppliers
Marketing Spend[9]	$4,000 per month		As incurred	Before Beginning operations	Vendors
Initial Training[10]	$0 to	$2,500	As incurred	Before Beginning Operations	Airlines, Hotels, other Suppliers
Licenses & Permits[11]	$1,000 to	$1,500	As incurred	Before Beginning Operations	Licensing Authorities
Legal & Accounting[12]	$4,000 to	$6,000	As incurred	Before Beginning Operations	Attorney, Accountant
Nutritional Supplements[13]	$3,000		As incurred	Before Beginning Operations	Vendors
Additional Funds – three months[14]	$40,000 to	$50,000	As incurred	As Necessary	Us, Vendors, Lessor, Etc.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
TOTAL	**$471,500 to $616,500**			

Notes

[1] The site for your Franchised Business is a studio, which is a 1,200 and 1,500 square feet standalone building or space, subject to our approval for a smaller or larger studio. The upper estimate is based on an assumption that you will have to pay a higher security deposit in addition to rent 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.

[2] 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.

[3] 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. This includes, without limitation, TVs, sound system, uniforms/apparel, water bottles, bar code scanners and marketing collateral. The cost of these items 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 our suppliers.

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

[5] This range includes the cost of all signage used in your Business, which shall be determined by Smart Fit Method. 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.

[6] 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.

[7] You must purchase the computer equipment, hardware, and software for operating the franchise that we determine. We do not know if the amounts you pay for the computer equipment may be refundable. 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.

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

[9] The $4,000 per month Marketing Spend shall be allocated $1,500 on social media, $500 on physical mailers, $1,000 on other paid media and $1,000 on email campaigns.

[10] The cost of initial training for you and your Franchised Business' Designated Manager, Operations Manager and up to three (3) trainers is included in the Initial Franchise Fee. The amount in the table above reflects your travel and stay expenses during the initial training.

[11] 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.

[12] 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.

[13] No later than thirty (30) days prior to the opening of your Franchised Business, you must purchase for resale in your location an inventory of nutritional supplements and products designated by us in the amount of no less than $3,000. Such products and supplements will be determined by Smart Fit Method.

[14] We require that you have a minimum amount of money available to cover operating expenses, including additional, merchandise, supplies, professional fees, and employees' salaries for three (3) months for working capital when you commence operation of the Franchised Business and at all times during the tenure of your Franchised Business operations. The predominant factors for calculating the 3-month estimate are amounts paid for employee wages, lease payment, utility payments and any other recurring monthly expenses. These expenses are typically non-refundable.

Additional Notes.

In compiling this chart, we relied on research and investigation regarding the operating history, knowledge and experience of similar Businesses and the startup operation of Smart Fit Method 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 non-refundable. Typically, amounts paid to third parties will not be refundable unless agreed.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases.

You must purchase the Equipment Package from us, which includes a designated number of ARX machines, Vasper compression technology, liquid cooling and interval training machines, a Fit3D body scanner machine, and other equipment designated by us. We do not mark-up the cost of the Equipment Package to you but we may receive special concessions or payments from manufacturers based on our purchase volume.

Specifications.

Every detail of Smart Fit Method Franchised Businesses is important, not only to your Franchised Business but also to other Smart Fit Method franchisees and us, 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 Smart Fit Method franchises. You agree to comply with Smart Fit Method uniform specifications, standards, operating procedures, and rules for the development and operation of your Smart Fit Method Franchised Businesses (collectively referred to as "System Standards"). System Standards are described in the Smart Fit Method Operations Manual and otherwise communicated to you. The Smart Fit Method System and Operations Manual are occasionally updated, supplemented, modified, and enhanced.

Current Specifications.

Below is a listing of Smart Fit Method specifications and System Standards for the identified categories.

Insurance.

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Franchised Business. These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A M Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage in the amount of $1,000,000, combined single limit per occurrence, $2,000,000 general aggregate, $2,000,000 product liability, $1,000,000 personal and advertising injury, $300,000 fire legal liability, $5,000 medical payment limits, or any greater amounts as your lessor may require, (ii) ”All Risks” coverage for the full cost of replacement of the premises and all other property in which we may have an interest with agreed amount endorsement for the premises naming us as a loss payee, (iii) an “umbrella” policy providing excess coverage with limits of not less than $3,000,000 which must be excess to the general liability coverage, (iv) business interruption insurance covering at least 12 months’ loss of profits and necessary continuing expenses for interruptions caused by any occurrence, (v) worker’s compensation insurance with employer liability limit of bodily injury by accident $1,000,000 each accident, by disease $1,000,000 policy limit, and by disease $1,000,000 each employee, (vi) professional liability insurance for errors and omissions of your professional staff in providing services to members and guests with not less than $3,000,000 limit of liability and including abuse and molestation with a minimum limit of $300,000, (vii) employment practices liability including third party coverage for not less than $500,000 aggregate, and (viii) any other insurance required by the landlord and the state or locality in which your Franchised Business is located.

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 Franchised 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.

The Site of the Franchise Business and Construction.

The site for a Smart Fit Method Franchised Business is a real property space (**“**Site”). We do not select the Site for your Smart Fit Method Franchised Business. We approve the Site for your Franchised Business.

You must locate a Site that satisfied our site selection requirements. This includes the geographic location of the Site. You must use our architectural and design plans for the construction of your Site and provide your instructions to your contractor (which may be designated by us) prior to the commencement of the build-out. You may not commence the build-out until our approval of the Site plans, which we will provide within ten (10) days of receiving your plans. If we do not believe your Site plans conform to the System Standards, we may prohibit the implementation of the plans. You may not use any plans until we have approved them in writing. You may not remodel or make any material changes to the location without our prior written approval.

Supplies, Fixture, Equipment, Inventory.

All the equipment, supplies, fixtures, inventory, and products for your Franchised Business must comply with Smart Fit Method Standards and specifications.

Advertising.

You shall use, display, and publish the Smart Fit Method Marks per System Specifications. All of your Smart Fit Method 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 Smart Fit Method 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 Smart Fit Method 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 Systems and Technology.

You may not install or permit to be installed any devices, software, mobile, internet, and other applications, or other programs not approved by us for use with the Computer Systems. We may, from time to time, develop or authorize others to develop proprietary software, mobile, internet, and other applications software programs for use in the Smart Fit Method System, which you may be required to purchase or license and use. You may be required to execute any license, sublicense, or maintenance agreement, install, and pay any applicable fees for maintenance, updates, upgrades, and support required by us or any other approved licensor or approved supplier of such proprietary software programs.

Employee Uniforms.

Your Smart Fit Method employees and staff may be required to wear uniforms that conform to Smart Fit Method specifications, which are contained in the Smart Fit Method Operations Manual.

Merchandise.

We will provide to you merchandise containing the Marks for your resale. This includes items such as caps, cups, water bottles and other identifying merchandise. We require you to purchase such items from a suppler designated by us, which may be us, in amounts necessary to meet customer demand.

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 as an approved supplier of any goods or services at our discretion.

We do not have any affiliates, parents, or predecessors who provide our franchisees products or services. We do not provide any products or services to our franchisees.

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 are not made available to franchisees. Franchisees may not contract with alternative suppliers for designated products or services.

Neither Smart Fit Method Inc. nor any of its affiliates derived any revenue from required purchases and leases to Smart Fit Method franchisees or suppliers in the calendar year 2023, nor is ther any arrangement whereby Smart Fit Method Inc. or any of its affiliates will derive any revenue from required purchases and leases to franchisees or suppliers in the calendar year 2023.

None of the Smart Fit Method Inc. officers, directors, or managers have an interest in any of the Smart Fit Method approved or designated vendors.

Currently, we have not negotiated any purchase arrangements with suppliers, including for prices or terms that benefit franchisees. We reserve the right to negotiate purchase arrangements in the future.

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

The required purchases and the lease for your Site referenced herein represent substantially all of the goods and services necessary to open and operate your Franchised Business (approximately 95%).

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 unless otherwise noted.

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
a. Site selection and acquisition/lease	Article II	Items 6 and 11
b. Pre-opening purchase/leases	Section V(B)	Item 8
c. Site development and other pre-opening requirements	Article V ADA Article III	Items 6, 7, and 11
d. Initial and ongoing training	Article VI	Item 11
e. Opening	Section V(E) and Section V(F) ADA Article III	Item 11
f. Fees	Article IV	Item 5
g. Compliance with standards and policies/Operations Manual	Article VII and Article XIV	Item 11
h. Trademarks and proprietary information	Article XIII ADA Article V	Items 13 and 14
i. Restrictions on products/services offered	Section VII(C)	Item 16
j. Warranty and customer service requirements	Section VIII(G)	Item 11

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
k. Territorial development and sales quotas	Not Applicable ADA Article III	Item 12
l. Ongoing product/service purchases	Article X, Article VII	Item 8
m. Maintenance, appearance, and remodeling requirements	Section V(H)	Item 11
n. Insurance	Article XII	Items 6 and 8
o. Advertising	Article IV	Items 6 and 11
p. Indemnification	Article XIII	Item 6
q. Owner's participation/ management/staffing	Section VIII(A)	Items 11 and 15
r. Records and reports	Article XI	Item 6
s. Inspections and audits	Section XI(B)	Item 17
t. Transfer	Article XVII	Item 17
u. Renewal	Section V	Item 17
v. Post-termination obligations	Article XIX	Item 17

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
w. Non-competition covenants	Article XI	Item 17
x. Dispute resolution	Article XIV	Item 17
y. Other:	Not Applicable	Not Applicable

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, DATA OWNERSHIP

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

Pre-Opening Obligations.

1. The site for a Smart Fit Method Franchised Business is a real property space (the "Site"). We do not select the site for your Smart Fit Method Franchised Business. We approve the Site for your Franchised Business. (Section VII of the Franchise Agreement).

2. For your Site, we review your design plans, and you must retain a licensed architect (Section VII of the Franchise Agreement).

3. We provide you with the standards, specifications, and a list of designated and approved suppliers for all décor, equipment, signs, fixtures, supplies, products, and other materials you will need to operate the Franchised Business. We do not deliver or install equipment for your site. We do not have any affiliates, parents, or predecessors who provide our franchisees products or services. We do not provide any products or services to our franchisees. (Section VII of the Franchise Agreement).

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

5. We provide final written approval prior to the opening of your Smart Fit Method Franchise Business. (Section VII of the Franchise Agreement).

6. We approve the General Manager and the Operations Manager of your Franchised Business. We do not select or hire your employees, although all employees must have NASM certification as personal trainers and have completed our training program described below. (Section VIII of the Franchise Agreement).

7. We provide you with an initial training program prior to opening your Site. (Section VI of the Franchise Agreement).

8. We loan or make available to you a copy of the Smart Fit Method Operations Manual, which is confidential and will remain our property. We may modify the Operations Manual from time to time. (Section VIII of the Franchise Agreement). The table of contents is listed in EXHIBIT I. The Operations Manual has approximately a total of 238 pages.

After the Franchised Business Opens.

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

2. For your Site, we review your design plans and you must retain a licensed architect for the site of your Franchised Business upon relocation or remodeling or updating upon relocation. (Section VIII of the Franchise Agreement).

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 VIII of the Franchise Agreement).

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

5. We provide continuing assistance in operating your Smart Fit Method Franchise Business (Section VI of the Franchise Agreement).

6. We loan or make available to you any updates and changes to the Smart Fit Method Operations Manual (Section VII of the Franchise Agreement).

7. We may review your Smart Fit Method advertising material (Section VIII of the Franchise Agreement).

8. We provide required pricing for the Franchised Business products and services. 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 VIII of the Franchise Agreement).

9. We approve any replacement General Manager or Operations Manager of your Franchised Business. We do not select or hire your employees. (Section VIII of the Franchise Agreement).

Typical Length of Time Before Opening.

We estimate 120 to 150 days from the time you sign the Franchise Agreement to the Opening Date. This period may be shorter or longer depending on the selection of the Site, the build-out required, the time to secure all necessary permits and licenses, the availability of qualified personnel, among other factors.

You must open your location within 150 days after signing the Franchise Agreement, unless we agree in writing to an extension (Franchise Agreement, Section VII).

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, except as provided below. We are not obligated to conduct local, regional, or national advertising except as provided below under "Franchisor Advertising Fund."

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 with written approval or disapproval in 10 days. You may not use your own advertising materials or other materials that bear the Marks unless you have received our prior written approval. We have the right to use and have ownership of any advertising materials developed by you.

Social Media.

You may not establish or maintain a domain name, an internet website, or webpage that relates to or advertises your Smart Fit Method Franchised Business or displays the Marks, as we reserve the exclusive right to control any websites or web pages concerning Smart Fit Method Franchise Businesses and the Marks. You may advertise and promote your Franchised Business via Social Media, which may be comprised of pages, communications, and content located on third-party platforms using the Proprietary Marks as specified by us (collectively, "Franchisee's Social Media"), provided that we are granted administrator access to your Social Media. All uses of the Social Media and communication channels and uses must be established in accordance and, at all times, be in compliance with the Operations Manual and System Standards. We will be the sole owner of all related intellectual property rights of all Social Media and other digital and media accounts and all content posted on Social Media.

Local Advertising.

You must expend sufficient monies and resources and conduct advertising and public relations within the local area to promote your Smart Fit Method Franchised Business. As set forth in Item 5 and Section 4.2(a) of the Franchise Agreement, you must spend $4,000 per month on such advertisement which must be allocated as follows (unless waived or agreed in writing by us): (1) $1,500 social media; (2) $500 physical mailers; (3) $1,000 other paid media; and (4) $1,000 email campaigns.

Franchisor Advertising Fund.

During the first year after opening your location, you are obligated to contribute 1% of Gross Revenues to the Smart Fit Method Advertising Fund each month commencing 30 days after the Opening Date. After the first year of operations, you are obligated to contribute the greater of $125 or 1% of Gross Revenues to the Advertising Fund. This amount may be increased by us upon 90 days' notice and on an annual basis based on changes in the CPI, not to exceed an increase of 3.5% per year. All contributions to the Smart Fit Method 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 Advertising Fund and for any costs that we incur for or on behalf of the Advertising Fund. We may loan the Advertising Fund additional funds if needed. For each of our company-owned locations, we will make contributions to the Advertising Fund on the same basis as assessments required of comparable franchises within the System. Franchisees that contribute to the fund may obtain a copy of the unaudited financial statements of the fund after April 30th of each year upon written request to us. Except as disclosed above, neither we nor any affiliate of ours will receive any payment from the fund. We do not use any Advertising Fund dollars for soliciting new franchise sales. (Section IV of the Franchise Agreement).

Upon approval of two-thirds (2/3rds) of the Smart Fit Method franchisees, we may impose an additional advertisement assessment that will be applicable to you.

The Advertising Fund did not collect any contributions in 2021. If, however, excess amounts remain in the Advertising Funds at the end of the year, the unused monies shall be retained by the Advertising Fund, and all expenditures in the following 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.

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 Smart Fit Method 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 and Technology Requirements.

You must purchase certain computer and technology equipment and license certain software for use in your Franchised Business. We will provide you with certain other software subscriptions necessary for the operation of your Franchised Business for a fee. (Section VIII of Franchise Agreement).

The equipment you must purchase includes (1) Wireless Access Point, (2) Dream Machine Pro, (3) two (2) iPad Air 4th Generation or newer (64GB), (4) Windows 11 laptop (Surface or equivalent) and (5) a cordless phone. You also must license the following subscriptions and you are responsible for the subscription fees:

QuickBooks Online
Synder (Connector for Stripe/QuickBooks)
Payroll Software approved by Smart Fit
Employee Time Tracking Software approved by Smart Fit
Equipment Package Subscriptions (Fit3D, ARX, Carol, BioCharger)
Adobe Illustrator

Smart Fit will provide you with licenses to certain software, including:

MS Office 365 E1 licenses for all employees (Outlook, Teams, SharePoint)
HubSpot CRM
JustCall (VOIP phone system)
SoundTrack Your Brand (corporate music license and music playlists)
Acuity Scheduling
Loom
Atlassian (Confluence and Jira)
1Password (1 license for facility)
Smart Fit Method Client App
Smart Fit Method Trainer App
OptiSigns

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, mobile, internet, and other applications, or other programs 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 the annual costs of any optional or required maintenance updating, upgrading, or support contracts for the cash register or computer systems to be $6,000 to $7,000 (Article VIII of the Franchise Agreement).

You will use your computer system to maintain information about your customers, prepare proposals and invoices, transmit payment for products or services, 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.

Data Ownership.

Significant data will be created by the operation of your Franchised Business. This includes data regarding the efficacy of the Smart Fit Method training program, individual data regarding the effects of the training program for specific and generalized demographics. All such data shall be accessible by us at all times, and all such data created by the operation of your Franchised Business is owned by us. You may not use or disclose any such data other than in connection with the operation of your Franchised Business without our express written permission (Section VIII of the Franchise Agreement).

Site Selection and Opening.

The Site of a Smart Fit Method Franchised Business (the "Site") is a 1,200 to 1,500 square foot standalone building or space within a commercial building; provided, that Smart Fit may in its discretion approve a Site that is smaller or larger. We do not select the Site. The Site is subject to our approval (Section VII of the Franchise Agreement).

We do not own or lease the premises or Site to franchises for the operation of the Franchised Business. To obtain our approval, you must provide all information and documents about the Site that we require. The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. The time limit for us to approve or disapprove your proposed site is 10 days after you submit all of our required documents and information. For your Site, we review your design plans and you must retain a licensed architect for the Site (Section VII of the Franchise Agreement). You are responsible for conforming the Site premises to local ordinances and building codes and obtaining any required permits for constructing, remodeling, or decorating the Site premises. We may but are not obligated to provide you with assistance to ensure that the Site conforms to local ordinances and building codes or obtain any required permits for construction or remodeling.

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 150 days after signing as required by the Franchise Agreement. Factors affecting this time period include how long it took to complete any modification of the Site, compliance with local ordinances and obtaining permits, obtaining and installing 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 the Site, we do not approve the Site, or you and us do not agree on the Site within 60 days from the signing of your Franchise Agreement, or you do not open your Franchised Business within 150 days of the signing of your Franchised Business, we may terminate your Franchise Agreement and retain all monies that you have paid us or our affiliates.

Training Program.

No later than thirty (30) days prior to the Opening Date, your General Manager and Operations Manager and up to three (3) trainers must have completed our initial training program to our satisfaction. This includes orientation to the Smart Fit Method system and equipment, the Smart Fit Method philosophy and methods, customer service, operational management, financial management, computer software use, advertising, and marketing and reporting procedures. We will provide 20 hours of training (which may be spread out over two weeks) for up to 8 people at our studio in Cardiff, California. We do not charge a fee for the initial training program, but you are responsible for paying your own costs including travel, lodging, meals and compensation of your attendees.

During the ownership of your Franchised Business, 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 $400 per attendee.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Overview Concept/Establishing the Business/History and features of our Brand	1	1	Cardiff, California
Day-to-Day Procedures/Scheduling and Technology	3	5	Cardiff, California
Equipment Usage and Maintenance	2	2	Cardiff, California
Shadow Training	0	10	Cardiff, California
Financial Reporting Functions	3	3	Cardiff, California
Payroll/Human Resources	2	1	Cardiff, California

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Marketing	2	.5	Cardiff, California
Ordering/Inventory	2	2	Cardiff, California
Administrative	2	1	Cardiff, California
Staffing/Scheduling	2	.5	Cardiff, California
Promotion and Marketing	1	1	Cardiff, California
Total	20 Hours	27 Hours	

Instructor for Initial Franchise Training are:

(1) Robert Darnbrough – Sales and General Manager Training
(2) Connor Darnbrough – Trainer Training
(3) Mina Thain – Operations Manager Training
(4) Pieter Janse Van Niewenhuizen – Technology and Computers

We may change, add to, or make substitutions for the subjects and instructors listed in the tables and above as necessary or appropriate. All instructors and substitute instructors will have a minimum of one year of experience in the Smart Fit Method System or the subject matter for which they provide training and instruction.

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.

You are encouraged to schedule your initial 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

Subject to the terms of the Franchise Agreement, you are granted a territory, which is a 5-mile radius from the Site, determined by driving distance radius ("Territory"). You may face competition from other locations owned by franchisees or the company outside your Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

Under the Franchise Agreement, you are granted the right to operate a Smart Fit Method Franchised Business. The site for a Smart Fit Method Franchised Business is a real property space (the "Site"). We approve the Site for your Franchised Business.

You may relocate the Site of your Franchised Business so long 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, the Site must be approved by us, we review your design plans and you must retain a licensed architect, and we provide building specifications for your real property space. As a relocation fee, you are obligated to reimburse for any cost and expense that we incur reviewing or approving your relocation.

If you are in compliance with the Franchise Agreement and subject to the limitations stated below, we promise and agree not to operate or authorize anyone else to operate a Smart Fit Method business in the Territory during the term of your Franchised Agreement.

We reserve the right to limit your Territory as follows:

During the term of your Franchise Agreement, you may not:

(a) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services similar to or in competition with Smart Fit Method without our express prior written consent outside the Territory.

(b) sell or franchise others to sell the services and products authorized for Smart Fit Method Franchised Businesses using the Smart Fit Method Marks or other trademarks, service marks, and commercial symbols through alternate channels of distribution; venues; 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.

(c) advertise, promote, market, or sell goods or services using the Smart Fit Method Marks over the internet, the World Wide Web, or any other electronic network.

For a two (2) year period after termination or expiration of your Franchise Agreement, you may not:

(a) either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venturer or otherwise), or engage in, any competing business selling goods or offering services similar to Smart Fit, within a radius of twenty-five (25) miles of (i) your Site or (ii) any other authorized location selling Smart Fit Method Products or Smart Fit Services, without our express prior written consent.

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.

Special Venues.

We or other franchisees or licensees may own, acquire, establish or operate businesses like the Smart Fit Method Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venues where there is a captive audience and where the primary purpose is other than patronizing a Smart Fit Method business (referred herein as a "Special Venue"), in the way of examples, but not an exhaustive list: malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within or outside of the Territory or Development Area.

ITEM 13. TRADEMARKS

Registration for THE SMART FIT METHOD & Logo is pending with the United States Patent and Trademark Office (the "Trademark Office") as of the date of this FDD. On December 19, 2023, we received a Notice of Allowance from the Trademark Office which provides a six month period (until June 19, 2024) to file a statement of use and/or request and extension of time. We intend to timely file such statement of use. The SMART FIT METHOD & Logo is as follows:

We also have two trademark applications pending for the Logo on its own and for GLUTAIMAX™, which is how we have branded our proprietary glute machine. The SMART FIT METHOD & Logo, the Logo and GLUTAIMAX™ are referred to herein as the "Smart Fit Method Marks" or the "Marks."

The Smart Fit Method Marks are owned by Smart Fit Method Inc., the parent company of Franchisor. We have a perpetual license agreement to use and franchise the Marks, which may only be terminated upon our dissolution. In such an event, you may lose your right to use the Smart Fit Method Marks.

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 Smart Fit Method Marks.

We are no longer pursuing our application to register THE SMART FIT METHOD trademark without the Logo. There are existing registered trademarks using combinations of "Smart" and "Fit" and we determined that to avoid any likelihood of confusion we would pursue registration on only our name and logo, shown above.

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

Your use of the Smart Fit Method Marks is limited to use in connection with the operation of your Smart Fit Method Franchised Business within the Territory as described in the Franchise Agreement and as set forth in the Smart Fit Method Operations Manual. You must promptly notify us of any use of the Smart Fit Method 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 Smart Fit Method Marks. We will control any litigation or proceeding. We are not required to defend the Smart Fit Method Marks. In the event we undertake the defense, prosecution, or settlement of any litigation relating to the Smart Fit Method Marks, you agree to assist as necessary to carry out such defense, prosecution, or settlement. We retain the right to modify or discontinue the Mark(s). You shall, upon demand by us, modify or discontinue the use of Smart Fit Method Mark(s), at your sole cost and expense, any Mark(s), as directed by us. We are not required to reimburse or compensate you for any modification or discontinuation of the Marks.

In the event that any party demonstrates to us a superior right to use any of the Smart Fit Method Marks, you shall, upon demand by us, discontinue use of such Smart Fit Method 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 Smart Fit Method Marks or any derivative or a colorable variation thereof: (i) as part of your corporate or other legal names; (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 a 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 therefore 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

There are no pending patent applications or registrations that are material to the franchise, although we intend to seek patent protection on some elements of the System. We do not own any patents material to the franchise. We do not own any copyright registration material to the franchise. We do have unregistered copyrights in the Smart Fit Method Operations 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 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 non-competition clauses in employment agreements. All shareholders, officers, directors, partners, and members of your 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.

If we require you to modify or discontinue using the subject matter covered by the patent or copyright, we are not required to reimburse or compensate you for the modification or discontinuation.

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

You must maintain a designated full-time Operations Manager, who also will serve as a trainer, of the franchised business who is approved by us, who devotes his/her full time and energy to the operation of the Franchised Business, and successfully complete the initial training program to our satisfaction. The Operations Manager must sign a confidentiality, non-solicitation, and non-competition agreement in a form that is satisfactory to us. The Operations 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 Smart Fit Method franchise territory for two years after the expiration or termination of your Franchise Agreement.

You are not required or obligated to participate personally in the direct operations of the Franchised Business; however, we strongly recommend that you do so. You and each shareholder, partner, member, and other equity owners of the franchise, and each individual shareholder, partner, member, and other equity owners of any shareholder, partner, member, and other equity owners that is itself a business entity, must personally guarantee all of the franchisee's obligations and performance under the Franchise Agreement.

To prevent any interruption of the Franchised Business that may cause harm to the Franchised Business and to the Smart Fit Method system and lessen their value, we may step in to operate the Franchised Business when we deem necessary. Reasons may include our determination that you: are incapable of operating the franchise; are absent or incapacitated because of illness or death; have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time.

All Revenue derived from our operation of the Franchised Business will be for your account. We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the Franchised Business. We will keep account all Revenue generated by the operation of the Franchised Business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

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 Smart Fit Method Operations Manual or as designated in writing by us (the "Permitted Products and Services"). Without limit, we have the right to change, add and delete products or services to or from the Smart Fit Method Permitted Products and Services at any time. We may also designate any products or services as optional.

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. Length of the Franchise Term	Section V	10 years from the date that we signed the Franchise Agreement.
b. Renewal or extension of the term	Section V	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 5 years (the "Successor Franchise"), provided that at the end of each term you meet conditions listed including paying a Successor Fee.
c. Requirements for franchisee to renew or extend	Section V	Renew means upon the expiration of your Franchise Agreement you may sign an agreement with materially different terms and conditions from the original franchise agreement for an additional term of 5 years. The other agreement that you must sign to renew may have materially different terms and conditions from the original franchise agreement. In order to renew, we must be offering Smart Fit Method Franchises; you must give us written notice within 120 days 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 Smart Fit Method System, or the lessor of your Smart Fit Method Site, and have substantially complied with all of

Provision	Section in Franchise Agreement	Summary
		the terms and conditions of the Franchise Agreement; you have the right to remain in possession of your 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 Smart Fit Method Franchised Business to conform to the then-current Smart Fit Method trade dress, color schemes, and presentation of the Marks and Smart Fit Method Systems Standards; you must sign the then-current Smart Fit Method franchise agreement terms of which may differ from the terms of the Franchise Agreement; you must pay us a Successor Franchise Fee of $1,500; unless prohibited by the laws, you must sign a general release; and you must comply with then-current Smart Fit Method qualifications and training requirements.
d. Termination by franchisee	Section XIII	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, subject to state law.
e. Termination by franchisor without cause	Section XIII; Section 13.1	We cannot terminate your franchise without good cause.
f. Termination by franchisor with cause	Section XIII; Section 13.1	We can terminate only for cause, which means your failure to substantially comply with the Agreement, and in such case only after giving you the reasons cause exists and a 60 day opportunity to cure, except in the circumstances set forth below in Section 13.2.

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	Section XIII; Section 13.1	Any failure to substantially comply with the Agreement, except those failures described in Section 13.2, which shall not require Cause for termination.
h. “Cause” defined – non-curable defaults	Article XIII; Section 13.2	We may elect to terminate your Smart Fit Method Franchise Agreement immediatel if you: (a) admit your inability to pay your debts as they come due, or you or the business to which the Franchise relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or a substantial part of your assets assigned to or for the benefit of any creditor; (b) you abandon your Franchise, which means your cessation of operation for a period of 5 consecutive days without our prior written consent; (c) you make any material misrepresentations relating to the acquisition of your Franchyise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the franchise or its system of operations; (d) after curing any failure in accordance with Section 13.3, you engage in the same noncompliance; (e) you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, which or not cured; (f) your Franchised Business or your business premises are seized, taken over or foreclosed by a government official, creditor, lien holder or lessor, provided that a final judgment against you remains unsatisfied for thirty (30) days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by the Franchise Agreement or upon any property used in the Franchised Business, and it is not discharged within 5 days of such levy; (g) you are conficted of a felony, or any other criminal misconduct which is relevant to the operation of the Franchise; or (h) we make a reasonable determination that your

Provision	Section in Franchise Agreement	Summary
		continued operation of the Franchise will result in an imminent danger to public health or safety.
i. Franchisee's obligations on termination or nonrenewal	Article XV	You must immediately discontinue the use or display of the Marks, you may not operate or do business under the Marks or any other Smart Fit Method brand or any other name or in any manner that might tend to give the general public the impression that you are in any way associated or affiliated with us, which includes without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Smart Fit Method trade dress. You also must contact Yelp, other online review sites and other online directories and websites, and request the removal of all use of the trademarks in connection with the former Smart Fit Method Site and all use of former reviews from the period you were a Smart Fit Method franchisee. You must also remove at your expense all signs erected or used by you and bearing the Marks, or any word or mark indicating that you are associated or affiliated with Franchisor, erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by you the Marks and all words indicating that you are associated or affiliated with Franchisor, and permanently discontinue all advertising of yours that states or implies that you are associated or affiliated with Franchisor or the System. If you engage in any business thereafter, you must (a) use trade names, service marks or trademarks that are significantly different from those under which you had done business and must use sign formats that are significantly different in color and type face and take all necessary steps to ensure that your present and former employees, agents, officers, shareholders and partners observe the foregoing obligations, and (b) assign all interest and right to use all telephone numbers and all

Provision	Section in Franchise Agreement	Summary
		listings applicable to the Site in use at the time of such termination to us and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.
j. Assignment of contract by franchisor	Section XII	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 franchisee - defined	Section XII	A transfer includes any sale, assignment, transfer, conveyance, pledge, mortgage, or otherwise encumbrance of any interest therein or in Franchise or Franchisee's assets.
l. Franchisor approval of transfer by franchisee	Section XII	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for franchisor approval of transfer	Section XII	All outstanding obligations related to the Franchised Business must be paid; you must sign a general release; the transferee must sign a written assumption; the transferee must meet Smart Fit Method standards; the transferee must sign a then-current Smart Fit Method franchise agreement and such other ancillary agreements; the transferee must successfully complete Smart Fit Method initial training, and you or the transferee must pay a transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section XII	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 60 days after your

Provision	Section in Franchise Agreement	Summary
		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 60 days after our waiver of our right of first refusal or failure to consummate our purchase of your Franchised Business, you will be
o. Franchisor's option to purchase franchisee's business	Section XV	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 operation of your Franchised Business, at the depreciated book value.
p. Death or disability of franchisee	Section XII	Must transfer to an approved 3rd party within 6 months subject to all conditions except the transfer fee.
q. Non-competition covenants during the term of the franchise	Section XI	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights.
r. Non-competition covenants after the franchise is terminated or expires	Section XI	No involvement in a competing business for 2 years in or within 25 miles of any Smart Fit Method location, subject to state law. No solicitation of any person who is or has been employed by the Franchisor to leave his or her employment.
s. Modification of the agreement	Section XVI	The Agreement may not be modified or amended except by a written instrument signed by each of the parties hereto, expressing such amendment or modification.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	Section XVI	The Agreement, together with the exhibits, and this Franchise Disclosure Document, constitute the entire Agreement between the parties hereto and supersedes any prior agreements between such parties. Any representations or promises outside of the Agreement and the FDD may not be enforceable. Notwithstanding the foregoing, nothing in Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. Only the terms of the Franchise Agreement are binding (subject to applicable state law.)
u. Dispute resolution by arbitration or mediation	Article XIV	Any claim or controversy arising out of or related to this Agreement must be settled by mandatory and binding arbitration before JAMS, Inc. in San Diego County, California.
v. Choice of forum	Section XIV	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 San Diego County, California (subject to applicable state law).
w. Choice of law	Section XVI	The state of California (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.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised 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 a 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 [name, address, and telephone number], the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

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

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	0	0
	2022	0	4	+4
	2023	4	7	+3
Company-Owned	2021	0	0	0
	2022	0	1	+1
	2023	1	1	0
TOTAL OUTLETS	**2021**	**0**	**0**	**0**
	2022	**0**	**5**	**+5**
	2023	**5**	**8**	**+3**

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

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	1
TOTAL	**2021**	**0**
	2022	**0**
	2023	**1**

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2021	0	0	0	0	0	0	0
	2022	0	4	0	0	0	0	4
	2023	4	2	0	0	0	0	6
Illinois	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
TOTAL	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**4**	**0**	**0**	**0**	**0**	**0**
	2023	**4**	**3**	**0**	**0**	**0**	**0**	**7**

* 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 F.

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

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

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

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Texas	0	3	0
Utah	0	3	0
California	1	1	0
Other	0	0	0
TOTAL	**0**	**7**	**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 Smart Fit Method franchisees is attached to this disclosure document as EXHIBIT G. A list of the names, last known home addresses, and telephone numbers of every Smart Fit Method franchise which 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 G. 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 Smart Fit Method 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

EXHIBIT H to this Disclosure Document contains our audited balance sheet and opinion as of December 31, 2023. WE HAVE NOT BEEN IN BUSINESS FOR THREE FISCAL YEARS OR MORE, AND THEREFORE WE CANNOT INCLUDE ALL FINANCIAL STATEMENTS REQUIRED FOR SEASONED FRANCHISORS.

Our fiscal year end is December 31 of each year.

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 PERSONAL GUARANTY
EXHIBIT C RESTRICTIVE COVENANT AGREEMENT
EXHIBIT D POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

ITEM 23. RECEIPT

The Receipt page is attached to the last page of this disclosure document. You must sign the receipt to acknowledge your receipt of this disclosure document.

EXHIBIT A. FRANCHISE AGREEMENT

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

SMART FIT METHOD

FRANCHISE AGREEMENT

TABLE OF CONTENTS

ATTACHMENTS:

Addendum A - California Addendum

Attachment A - California State Specific Amendment

Franchise Agreement

This Franchise Agreement ("Agreement") is made and entered into as of [*], 2024 (the "Effective Date"), by and among Smart Fit Franchising, LLC, a Delaware limited liability company, doing business as Smart Fit Method ("Smart Fit", "Franchisor", "we" or "us"), and [*] ("you" or "your"), and (if you are not a sole proprietorship) each person owning 20% or more of your entity, who will sign and be a party to this Agreement (in such context, "Principal Equity Owner"), with reference to the following facts:

RECITALS

You desire to be franchised and licensed by us to use our "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Site" (as defined in Article I below and identified in Exhibit 1 attached).

We are willing to grant you a "Franchise" (as defined in Section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" and "Abandon" means cessation of operation of the Franchised Business for a period of five (5) consecutive business days, without our prior written consent. A repeated pattern of inactivity at your Site for periods of less than five (5) consecutive business days may result in your Franchised Business being deemed Abandoned if in our judgment such inactivity adversely impacts the Franchised Business. However, your Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond your control, provided that you give us notice of any such closure within five (5) business days after the initial occurrence of the event resulting in such inactivity, and we acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that you re-establish the Franchised Business and be fully operational within ninety (90) days after the initial occurrence of the event resulting in such inactivity or such longer period as we may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Confidential Operations Manual. The term "Confidential Operations Manual" means the manual or manuals (regardless of title) containing processes, policies and procedures to be adhered to by you in performing under this Agreement, including all amendments and supplements thereto provided to you from time to time.

Control. The term "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Consumer Price Index or CPI. The term "Consumer Price Index" or "CPI" means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Effective Date. The term "Effective Date" has the meaning set forth in the first paragraph of this Agreement.

EFT. The term "EFT" means electronic funds transfer or such other automatic payment mechanism that Franchisor may designate directly from your account into our operating account.

Franchised Business. The term "Franchised Business" means the operation of a "Smart Fit Method" (as defined in this Article I) fitness and wellness location and the sale of goods and services at the Site that we authorize in the Confidential Operations Manual pursuant to the "System" (as defined in this Article I) and other business methods and procedures set forth by us for the operation and marketing of an Site within the "Territory" (as defined in this Article I).

General Manager. The term "General Manager" means the individual (may be a Principal Equity Owner) who has been designated by you as the person responsible for overseeing the Franchised Business including finances, advertising and marketing and who has successfully completed "Initial Training" (as defined in this Article I).

Gross Revenues. The term "Gross Revenues" means the total selling price of all services except those specifically identified by us as not being included in Gross Revenues, and products and all income of every other kind and nature related to the Site, including, without limitation, income from the sale of products and services over the Internet, whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following: (a) sums representing sales taxes collected directly from Members, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Site, and any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Site, provided that such taxes are actually transmitted to the appropriate taxing authority; (b) tips or gratuities paid directly by Members to employees or paid to you and then turned over to such employees in lieu of direct tips or gratuities; (c) returns to shippers or manufacturers; and (d) proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at your Site or having any material effect upon the ongoing operation of the Site required under this Agreement. We may, from time to time, authorize certain other items to be excluded from Gross Revenues. Any such permission may be revoked or withdrawn at any time in writing by us at our discretion. The following are included within the definition of "Gross Revenues" described except as noted below: (i) the full value of products or services specifically identified by us as being excluded from Gross Revenues, furnished to your employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Revenues during the month in which the products or services were furnished for the purpose of determining the amount of Gross Revenues upon which the royalty fee is due; (ii) all proceeds from the sale of coupons, gift cards, gift certificates or vouchers, including amounts paid directly to you by third party marketing companies (e.g., Groupon) for similar payment devices; provided, that at the time such coupons, gift cards, gift certificates or vouchers are redeemed the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will not be included in Gross Revenues. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift card, gift certificate or voucher is sold, or if such coupons, gift cards, gift certificates or vouchers are distributed free of charge, the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will be included in Gross Revenues.

Initial Training. The term "Initial Training" means training in the System provided by us, as described in and required by Section 6.1 hereof.

Marks. The term "Marks" means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which we now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business.

Opening Date. The term "Opening Date" means the day you open your Site, furnished, inventoried and equipped in accordance with our requirements, and you begin operating the Franchised Business at your Site.

Operations Manager. The term "Operations Manager" means the individual (may be a Principal Equity Owner) who also qualifies as a trainer that has been designated by you as the person responsible for the day-to-day operation of the Site, and who has successfully completed "Initial Training" (as defined in this Article I).

Proprietary Information. The term "Proprietary Information" means all non-public information, knowledge, know-how and technologies that we designate as confidential, proprietary or trade secrets, including the Confidential Operations Manual, processes, procedures, business formats, business systems, financial information, marketing strategies and programs, operational techniques, service concepts, artwork, e-mail, electronic media, graphics, layouts, slogans, names, titles, text, bulletins, instruction sheets, or supplements thereto, and any proprietary equipment, recordings and media, forms, advertising matter, the Marks, devices, insignias and designs. Proprietary Information shall also include all data and personal information of members and clients from each Site, which shall exclusively be owned by us.

Site. The term "Site" means a Smart Fit Method location that Franchisor has consented to which is exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Smart Fit Method. The term "Smart Fit Method" means the systems, methods and procedures for the operation of a business offering the Smart Fit Method Services and Smart Fit Method Products.

Smart Fit Method Products. The term "Smart Fit Method Products" means retail products including but not limited to supplements, drinks and related products and accessories supplied by designated vendors and approved suppliers for resale by you at your Site in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by us).

Smart Fit Method Services. The term "Smart Fit Method Services" means the System and the Smart Fit Method proprietary method for providing personalized training programs using machines powered by artificial intelligence (AI), adapting to the body's unique, individualized resistance levels.

System. The term "System" means comprehensive training, marketing and operational systems prescribed by us to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to Smart Fit Method, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (v) related materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that we make available to you. In our sole discretion, we may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term "Territory" means the designated and agreed area surrounding your Site as set forth in Exhibit 1 attached hereto.

Trade Dress. The term "Trade Dress" means the unique and distinctive layout, design and color schemes relating to the Site, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to Smart Fit Method Products.

Training Equipment. The term "Training Equipment" means the equipment we designate you must purchase for your Site, which includes a designated number of ARX machines, Vasper compression technology, liquid cooling and interval training machines, a Fit3D body scanner machine, and other equipment designated by us.

Transfer. The term "Transfer" means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Our Business.

We are engaged in the administration, development, operation and licensing of businesses that operate Sites offering the Franchised Business, using the Marks, operational techniques, service concepts, training programs and proprietary information owned or authorized to be used by and identified with Smart Fit Method and our affiliated companies. Our activities in general, and the System (including proprietary products and services; logos; equipment and operations; designs and layouts for the Sites; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and our business reputation.

2.2 The Franchise System.

As a result of our expenditure of time, skill, effort and money, we have developed and supervise the franchise System under the Marks operated in accordance with the provisions of this Agreement and our Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By our respective signatures below, we hereby grant to you, and you hereby accept, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at your Site within your Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term unless sooner terminated. So long as you comply with this Agreement, we will not authorize another Smart Fit Method franchisee to operate, or operate ourselves, a Smart Fit Method Site in your Territory.

(b) You acknowledge that we may have granted and may in the future operate or grant other licenses and franchises outside the Territory. YOU MAY NOT USE OUR MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE SITE WITHOUT THE EXPRESS PRIOR WRITTEN PERMISSION OF OUR PRESIDENT OR OTHER EXECUTIVE OFFICER, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords you any right, title or interest in or to the Marks, System, data derived from the operation of the Sites, marketing and operational techniques, service concepts, proprietary information or goodwill of ours, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS YOU ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT YOUR SITE AND NOWHERE ELSE UNLESS WE SPECIFICALLY ALLOW YOU TO OFFER SMART FIT METHOD PRODUCTS AND SERVICES ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO SMART FIT.**

(b) We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems.

3.3 Promotion and Development of Your Site.

You must diligently and effectively promote, market and engage in the Franchised Business at your Site and devote and focus a substantial portion of your professional attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) You understand and agree that you are licensed hereby only for the operation of your Franchised Business at and from your Site and only within your Territory (unless we specifically agree otherwise on a case by case basis).

(b) You may not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement, without the express written consent of Franchisor.

3.5 Electronic Execution and Copies.

(a) An executed copy of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by fax, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this and the following section as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) You acknowledge and agree that we may create an electronic record of any or all agreements, correspondence or other communication between us or involving third parties, and those we may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. You agree that, notwithstanding any statute, regulation or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee; Financial Stability.

(a) If you are an entity, you must provide us at the Effective Date with a copy of your entity's organizational document and by-laws, shareholders' agreement, operating agreement or other agreement between the equity owners.

(b) If you are an entity, any person or entity that at any time after the Effective Date becomes a Principal Equity Owner of your entity will automatically acquire all the obligations of a Principal Equity Owner under this Agreement at the time such person or entity becomes a Principal Equity Owner. Before approving and entering into any transaction that would make any person or entity a Principal Equity Owner, you must notify such person about the content of this Section 3.6(b).

(c) If you are an entity, you must place the following legend on all certificates evidencing an equity interest: "THE TRANSFER OF THE EQUITY INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT BETWEEN THIS ENTITY AND SMART FIT FRANCHISING, LLC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT

AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY."

(d) Prior to execution of this Agreement, you will provide to Franchisor in a form acceptable to Franchisor proof of funds sufficient to satisfy the obligations of you set forth in Section 4.2 herein.

(e) During the Term of this Agreement, you will at all times maintain operating cash equal to three (3) months of expenses required to operate your Site, which shall be subject to audit by Franchisor at any time pursuant to Section 8.7. Such reserves shall include costs for employee wages, lease payments, utility payments and any other recurring monthly expenses for your operation of the Site.

IV. PAYMENTS BY YOU

4.1 Fees Upon Execution of this Agreement; Purchase Requirements; Royalty.

(a) Initial Franchise Fee. The "Initial Franchise Fee" for a franchised Site under this Agreement is $50,000. The Initial Franchise Fee is due and payable in full by wire transfer to our bank account, when you sign this Agreement. We have a program under which we may in our discretion discount the initial franchise fee by up to 50% for certain approved U.S. military veterans. If you do not secure and execute a lease on your Site within sixty (60) days after the Effective Date (see Section 7.2 below), we may cancel this Agreement. If we cancel this Agreement for that reason, the Initial Franchise Fee is not refundable.

(b) Document Preparation Fee. Concurrently with the Initial Franchise Fee and your execution of this Agreement, you will pay a document preparation fee of $2,000 that will be applied to our cost to prepare this Franchise Agreement and all ancillary documents. **This document preparation fee is non-refundable.**

(c) Equipment Package; Storage Fee. On the Effective Date, you also must pay to Franchisor by wire transfer the sum of $25,000 (plus applicable taxes) for an "Equipment Package," which includes the Training Equipment. Subject to manufacturer pricing, we estimate the total cost of the Equipment Package to be $250,000 to $300,000. The balance of the payment for the Equipment Package is due when the order for your Equipment Package is made. Franchisor will make such order on your behalf upon your instruction, provided that the Equipment Package order must occur no later than forty-five (45) days after execution of this Agreement. The Equipment Package fee includes shipping and other delivery costs, but does not include taxes or other duties you may be required to pay. **The Equipment Package Fee is not refundable.** In the event you cannot take delivery of the Equipment Package at your Site, we will accept delivery of the Equipment Package on your behalf upon your instruction. We charge a fee of $600 per month for storage, prorated for any partial month. You assume all risk of loss and damage to the Equipment Package upon delivery to our designated facilities, and you have no right to seek recover from us in the event the Equipment Package is lost our damaged at our facilities.

(d) Administration Services Fee. Commencing on the date you sign this Agreement (concurrently with the Initial Franchise Fee, by wire transfer to our bank account) and for each month thereafter during the Term of this Agreement, you must pay a monthly service fee of $2,500 by EFT for the services provided by Franchisor to you in connection with this Agreement including (but not limited to) email administration, intranet, website administration, accounting, bookkeeping and the use of certain software as required under this Agreement ("Administration Services"). Franchisor reserves the right to amend, alter or discontinue any of the Administration Services from time to time with or without prior notice to you. Franchisor reserves the right to increase the Administrative Services Fee on January 1 of each year by up to 10% in its discretion.

(e) Nutritional Supplements. No later than thirty (30) days prior to the Opening Date, you must also purchase from us for resale in your Site an inventory of nutritional supplements in the amount of no less than $3,000, the amount and variety of which we will determine. **This payment is non-refundable.** You must also continue to purchase from Franchisor, its affiliates or other suppliers designated by Franchisor, at cost (plus shipping and handling charges) nutritional supplements for resale in your Site and maintain the amount of inventory we require, which shall be reasonable at all times in the discretion of Franchisor.

(f) Royalty. During the first year after the Opening Date, you must pay us a continuing monthly "Royalty" equal to 7% of the Gross Revenues you receive during each monthly period, and thereafter you must pay us a continuing monthly "Royalty" equal to the greater of (a) $2,500, or (b) of 7% of the Gross Revenues you receive during each monthly period ("Royalty Payment"). The first Royalty Payment is due and payable on the third (3rd) business day of the month after the Opening Date. Subsequent Royalty Payments are due during the Term of this Agreement on the third (3rd) business day of each month following the month in which the first Royalty Payment was due. The minimum royalty described in subsection (a) hereof is subject to adjustment based on changes in the CPI since the Effective Date. All royalties must be paid by EFT.

4.2 Marketing, Advertising and Promotion; Advertising Fund; Grand Opening Advertising.

(a) Your Marketing Spend. Commencing for the first full month after execution of this Agreement, you shall spend a minimum of $4,000 per month for marketing of the Franchised Business (the "Marketing Spend"). The Marketing Spend shall, unless otherwise approved by Smart Fit in writing, be allocated as follows: (1) $1,500 on social media; (2) $500 on physical mailers; (3) $1,000 on other paid media; and (4) $1,000 on email campaigns.

(b) Advertising Fund. During the first year after the Opening Date, you will pay a monthly "Marketing and Promotion Fee" of 1% of Gross Revenues you receive each month, payable by EFT together with payment of the Royalty Payment and the Administration Service Fees no later than the third (3rd) business day of each month (for the preceding month). Beginning on the second (2nd) year of your operations, you will pay a "Marketing and Promotion Fee" of the greater of $125 or 1% of Gross Revenues you receive during each month. This amount shall be paid by EFT, together with payment of the Royalty Payment and the Administration Service Fees no later than the third (3rd) business day of each month (for the preceding month). Effective upon ninety (90) days prior written notice and on an annual basis we may increase the Marketing and Promotion Fee based on annual changes in the CPI in an amount not to exceed 3.5% per year. With respect to regional or system-wide advertising, including without limitation advertising done as a result of Marketing and Promotion Fee contributions, we determine the cost, form of media, content, forma production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

(c) [Intentionally Omitted].

(d) Additional Assessments. On a regional or system-wide basis, we may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds (2/3rds) of all affected Smart Fit Method franchised Sites agree to such additional assessment by affirmative vote.

(e) Merchandise. We may provide to you at cost certain collateral merchandise for resale or gifting to members and prospective members that identifies Smart Fit Method (e.g., caps, bottles, and shirts).

4.3 Electronic Funds Transfer.

We may require payment of the Royalty and Marketing and Promotion Fees by electronic funds transfer ("EFT") or such other automatic payment mechanism that Franchisor may designate directly from your account into our operating account. If we do so, you must execute or re-execute and deliver to us bank-required pre-authorized check forms and other instruments or drafts to enable us to draw directly from your bank account your Royalty and Marketing and Promotion Fees and other sums payable under the terms of this Agreement. You must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from your operating account) and must maintain such minimum balance in such account as we may reasonably specify from time to time. You must not alter or close such account except upon our prior written approval. Any failure of yours to implement such EFT system in strict accordance with our instructions will constitute a material default of this Agreement.

4.4 Fees Fully Earned; No Setoff on Payments.

All payments made by you to us pursuant to this Article IV are fully earned and non-refundable when paid. All payments to be made by you to us will made be without setoff, deduction, defense, counterclaim or claims in recoupment.

4.5 Late Fee; Interest on Delinquent Payments.

(a) Any payment of Royalty and Marketing and Promotion Fees not received by us on its due date will be a material breach of this Agreement and will be subject to a late charge of $100 per violation (the "Late Fee").

(b) In addition to the Late Fee, all delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 12%, and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

(c) You and we agree that the late charge is a reasonable and good faith estimate by you and us of such costs because (i) as a result of any such late payment, we will incur certain costs and expenses including, without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount; and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

4.6 No Accord or Satisfaction.

If you pay, or we otherwise receive, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due us. We may accept any check or payment in any amount without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

V. INITIAL TERM AND RENEWAL TERMS.

5.1 Initial Term.

The initial term of this Agreement (applicable solely to the Franchised Business licensed hereunder) commences on the Effective Date and expires on the 10th anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement (the "Initial Term").

5.2 Renewal Terms.

(a) Upon written notice delivered to us not less than one hundred twenty (120) days before the end of the existing term hereof, you may renew the rights granted under this Agreement for additional five (5) year terms commencing on the expiration date of the previous term (a "Renewal Term" and, together with the Initial Term, the "Term"), subject to the provisions of Sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, you must (i) then be solvent (which means that you are able to pay your debts as and when promised by you and that you have assets that are greater than your debts), (ii) have not Abandoned the Franchise, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the Smart Fit Method brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to us during the initial term.

(c) Notwithstanding Section 5.2(a) above, we are not obligated to renew your rights granted under this Agreement for any Renewal Term if one or more of the following applies or occurs:

(i) Termination of this Agreement would be permitted pursuant to Sections 13.1 or 13.2 hereof;

(ii) You and we agree not to renew the Franchise;

(iii) We withdraw from providing Smart Fit Method Services in the geographic market served by you, provided that:

(A) Upon expiration of the Franchise, we agree not to seek to enforce any covenant of the non-renewed franchisee not to compete with us or our franchisees; and

(B) The failure to renew is not for the purpose of converting the business conducted by you pursuant to this Agreement to operation by our employees or agents for our own account.

(iv) At the time of renewal, you or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our reasonable judgment, to have a materially adverse effect on the Marks, the System, or the goodwill associated with the Marks or System;

(v) We and you fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which we are then customarily granting renewal Franchises, or if we are not then granting a significant number of renewal Franchises, the terms and conditions on which we are then customarily granting original franchise agreements. We may give you written notice of a date which is at least thirty (30) days from the date of such notice, on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by you. Such notice, when given not less than one hundred twenty (120) days before the end of the Franchise term, may state that in the event of failure of such acceptance by you, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing your Franchise rights, duties and obligations hereunder, not later than sixty (60) days before the end of the Term that is expiring, you must sign either (i) our then-current standard Franchise Agreement modified by addendum to remove provisions that only apply to a new franchisee, such as initial franchise fee and initial training requirements ("Renewal Franchise Agreement") or (ii) an addendum to this Agreement extending its term for an additional five year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE THEN-CURRENT RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT, EXCEPT THE FEES PAYABLE TO US AND THE BOUNDARIES OF THE FRANCHISED TERRITORY IN THE RENEWAL FRANCHISE AGREEMENT WILL NOT VARY FROM THE TERMS OF THIS AGREEMENT WITHOUT YOUR CONSENT.** The then-current Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, you must have satisfied all monetary obligations owed by you to us and to our affiliates and all other material obligations under this Agreement, and we may examine your books and records to verify compliance with this requirement any time during normal business hours within sixty (60) days of your renewal date.

(f) Before or not later than ninety (90) days after your execution of a Renewal Franchise Agreement for an additional term, you must make such physical modifications to your Site as are reasonably necessary so that they are substantially consistent with the then current System, and so that they can accommodate new Smart Fit Method Products and Smart Fit Services, if any. You must also bring your Site and equipment, materials and supplies into compliance with the standards then applicable to new Franchises.

(g) When you sign the Renewal Franchise Agreement, you must pay Franchisor a "Renewal Fee" of $1,500. This Renewal Fee is subject to adjustment based on changes in the CPI since the Effective Date.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At our option, to be exercised in our sole and absolute discretion, if the renewal procedures described in Section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, we may extend this Agreement on a month-to-month basis by notifying you we are doing so. Said month-to-month extension will continue until we give you at least a 30-day notice that the Franchise rights must be formally renewed in accordance with Section 5.2 or the Agreement will expire and be terminated.

(b) If applicable law requires us to give a longer period of notice to you than herein provided prior to the expiration of the initial term or any successor term, we will give such additional required notice. If we do not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until you have received such required additional notice.

(c) During the period of any month-to-month extension the Royalty Payment shall increase by two percent (2%).

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is of paramount importance that (i) you, your General Manager, Operations Manager, and your key employees understand the Franchised Business and the System and (ii) your General Manager, Operations Manager and other key employees have been trained how to operate the Franchised Business. Accordingly, we will provide to your General Manager, Operations Manager and three (3) employees an initial training program, an orientation to the System and instruction on how to operate the Franchised Business (the "Initial Training"). Unless there are extenuating circumstances that in our reasonable determination justify a delay, your required trainees must attend the next Initial Training that we offer. Your required trainees must complete Initial Training at least thirty (30) days prior to the Opening Date. You may not open and operate your Franchised Business until your General Manager, Operations Manager and up to three (3) trainers have satisfactorily completed Initial Training. You acknowledge and agree that Franchisor will solely determine whether or not your General Manager, Operations Manager and trainers satisfactorily complete Initial Training. Your Operations Manager must also serve as a trainer at your Site.

(b) The failure of your General Manager and Operations Manager to complete Initial Training to our satisfaction will be grounds for termination of this Agreement; provided, however, that before this Agreement is so terminated, your General Manager or Operations Manager who fails to successfully complete Initial Training will be offered the opportunity to retake Initial

Training or you may send one replacement, approved by us, to the next available Initial Training program.

(c) We will determine the contents and manner of conducting the Initial Training program in our discretion, however, the training course will be structured to provide practical training in the implementation and operation of the Franchised Business and may include such topics as Smart Fit Method training styles, methods and standards, education related to methods and machinery, as well as customer service techniques, preparation of reports, use of the Smart Fit Method app, marketing and customer service techniques, reports and equipment maintenance.

(d) There is no separate fee payable to us for the Initial Training program provided to your initial General Manager, Operations Manager and three (3) employees. You must pay us a fee of $1,500 for every other attendee of Initial Training.

(e) All costs and expenses (including travel, hotel and meal) of your attendees of Initial Training will be your sole responsibility. All persons attending Initial Training on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

6.2 Training and Assistance after Opening.

(a) After you open your Franchised Business, we will provide you with up to seven (7) days of onsite assistance at no cost as well as access to the Smart Fit Method website, which may include access to a password protected digital copy of the Confidential Operations Manual.

(b) After the Opening Date, we will provide you with telephone and e-mail assistance at your request or otherwise as we deem necessary to instruct in all phases of the operation of the Franchised Business. Our field representatives may visit your Site and Territory from time to time, but the frequency and duration of any such visits by our representatives is in our sole discretion. In addition, we will be available on an ongoing basis at our national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business.

(c) After the Opening Date, and upon reasonable notice, we may require attendance of your designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in Section 6.3 below) that are deemed by us to be relevant or appropriate to the operation of your Franchised Business. You specifically agree that only persons trained by us or under our supervision will have overall responsibility for the operation of the Site and Franchised Business, and that you will send your Operations Manager to us for additional training if we request this. All costs and expenses (including travel, hotel and meal) of your attendees at any post-opening training, conferences or meetings will be your sole responsibility. All persons attending post-opening training, conferences or meetings on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

(d) If you request additional training after the Opening Date, including staff training, trainer training, coaching, and business mentoring, we will come to your Site to provide the requested training at a fee of $750 per day, plus travel and accommodations (if necessary).

(e) In addition to updates to the Confidential Operations Manual, we may provide you with additional materials relating to the Franchised Business. We may also from time to time make available to you for purchase other materials relevant to the System and the Franchised Business.

(f) In the event of a Transfer of your Franchised Business (which must be done in full compliance with Section 12.2 of this Agreement), the transferee must be trained by us as a condition of our consent to such Transfer. The transferred Franchised Business may not be opened or re-opened by the transferee until we accept the transferee in writing as being qualified to operate the Franchised Business and we have otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.

Not more often than once each year, we may conduct a system-wide meeting or series of regional meetings to discuss Smart Fit Method business activities or other matters relating to the Franchised Business. Attendance of the General Manager and the Operations Manager at these meetings will be mandatory (and is highly recommended for all of your Principal Equity Owners). We may limit the number of your attendees at these meetings. You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by us.

6.4 Proprietary Materials.

At Initial Training and other training programs and conferences, we may provide you with confidential and proprietary information ("Proprietary Information"), as well as training materials, training curricula and related materials for your use in the training of your staff. All of these items are and will remain our property. You must not yourself nor allow your employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing Proprietary Information and related materials without our express prior written consent.

VII. OPENING OF SITE AND FRANCHISED BUSINESS

7.1 Your Site.

The Franchised Business may only be operated from your Site. Your Site must be a 1,200 to 1,500 square foot standalone building or space within a commercial building; provided that Franchisor may agree to a smaller or larger Site in its sole discretion upon your request. If your Site has not been identified when you sign this Agreement, but the general location of the Territory is identified, the exact location of your Site will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined and approved in writing by Franchisor.

7.2 Building Out Your Site.

(a) Premises acceptable to Franchisor from which your Site will be operated must be located and secured by you and reviewed and consented to by Franchisor within sixty (60) days after the Effective Date. If you have not secured a lease for your Site and obtained Franchisor's approval by this time, Franchisor may cancel your Franchise Agreement. In such event, all initial fees paid to us including the Initial Franchise Fee are non-refundable. Upon submission of approval for a Site, Franchisor will provide its approval or disapproval within ten (10) days. Unless otherwise indicated in writing by Franchisor, you must build out your Site (and commence operation of the Franchised Business there) within one hundred fifty (150) days after the Effective Date, using architects, project managers, contractors, subcontractors, architectural plans and key equipment suppliers designated by Franchisor (or one of our affiliated companies) or otherwise reasonably acceptable to Franchisor. You must commence operation of the Franchised Business at your Site as soon as practicable after your receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If you have located and secured suitable premises for your Site, but you have not commenced operation of the Franchised Business within one hundred fifty (150) days after the Effective Date, Franchisor may terminate this Agreement effective on written notice, and if Franchisor does so, you will not be entitled to receive any refund of your Initial Franchise Fee.

(b) Franchisor will assist you in the site selection process and we reserve the sole right of final review and consent to any location of the Site. Franchisor uses available demographic information to help you evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, visibility, population density, competition, zoning, parking, accessibility and other related, relevant circumstances. Our final review and consent to the location of your Site is not a guarantee that a Smart Fit Method business can be successfully operated there or anywhere else.

(c) Franchisor will provide you with a sample prototype layout for your Site. At your sole expense, you must employ architects, designers, engineers or others designated or approved by Franchisor to complete, adapt, modify or substitute the sample plans and specifications for the Site. The architect must submit a complete set of final plans and specifications to Franchisor before commencing construction of the Site. Franchisor will review these plans and specifications promptly and accept them as stated, or provide you with our comments on the plans and specifications. Franchisor has complete and uncontested control over all design including designating architect, contractors, and other third parties and you may not choose your own contractors, architects or third party designers. And, you may not commence construction of the Site until Franchisor consents in writing to the final plans, specifications and contractors to be used in constructing the Site. Franchisor will consult with you, to the extent Franchisor deems necessary, on the construction and equipping of the Site, but it is and will remain your sole responsibility to diligently construct, equip and otherwise make ready, and then open the Site. You are responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

(d) You must use licensed general contractors, designers, vendors and architects approved by Franchisor before performing construction work at your Site. Franchisor expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors, or any other persons or entities which Franchisor may refer to you. Franchisor will not be responsible for delays in the construction, equipping or decoration of the Site or for any loss resulting from the Site design or construction since Franchisor has no control over the landlord or developer and numerous construction or related problems which could occur, and consequent delay in the opening of your Site. Franchisor must approve in writing any and all changes in the Site plans prior to construction of the Site or the implementation of such changes.

(e) Franchisor must have access to your Site while work is in progress. We may make video records of construction in process and may require such reasonable alterations to or modifications in the construction of the Site as we deem necessary. Your failure to promptly commence the design, construction, inventorying, equipping and opening of the Site with due diligence will be grounds for the termination of this Agreement. And if you do not complete the build out of the Site in a reasonable time, Franchisor can complete the build out, all expenses of which will then be paid or reimbursed by you. Before the Opening Date and prior to final inspections by any governmental agency, representatives of Franchisor will complete a final "walk through" inspection of the Site and issue a written consent to open. Any deficiencies noted by Franchisor as a result of this inspection must be corrected by you prior to the date that is one hundred fifty (150) days after the Effective Date, or this Agreement may be terminated without any liability to Franchisor.

(f) Unless otherwise agreed to in writing by you and Franchisor, although Franchisor will assist you with site selection, you have the sole responsibility for locating and obtaining suitable premises for your Site. You and your landlord may be required by Franchisor to execute a rider to your lease, or other agreement or written understanding that (i) grants Franchisor an option to assume your position as lessee under the lease for the Site premises if you are in material default of either the lease for the Site premises (including an obligation of the landlord to notify Franchisor if you are in such default) or this Agreement, and (ii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the Site in the event this Agreement is terminated or expires without being renewed.

(g) Franchisor has the right to regularly inspect your Site and any other site where you conduct the Franchised Business.

7.3 Initial Inventory.

No later than thirty (30) days prior to the Opening Date, you must order for resale at your Site an inventory of nutritional products and supplements designated by Franchisor and from vendors designated by Franchisor in an amount of not less than $3,000. Thereafter, you must buy such items only from the vendors designated by Franchisor or suppliers approved by Franchisor.

7.4 Marketing and Advertising Boundaries.

You may not directly promote, advertise or otherwise market your Site outside the boundaries of the Territory or other advertising boundary that we designate, except with the express permission of the franchisee in whose territory the advertising is conducted. The marketing and advertising boundaries are determined by us and may be changed by us or overlap with the territories of other Smart Fit Method franchised Sites as market conditions or type of media warrant, all in our sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in our sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 <u>Operational Requirements.</u>

(a) At all times you must be, or employ, an Operations Manager who will devote his or her entire time during normal business hours, as defined in the Confidential Operations Manual, to the management of the Franchised Business, including staffing, customer service and inventory. The Operations Manager must ensure that you fulfill your obligations to your customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours. Any replacement Operations Manager must be approved by us, and must be capable, trained and certified to act as a trainer.

(b) Your General Manager may be one of your owners, and shall have overall responsibility to manage the Franchised Business. The General Manager may engage in any other non-competitive business requiring his or her active participation. Any replacement General Manager must be approved by us.

(c) You must only operate the Franchised Business at your Site, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to you by us in writing. You may only provide Smart Fit Method Products to customers who in your reasonable judgment are capable of receiving or using them. You may not engage in the sale or delivery of Smart Fit Method Products or Smart Fit Method Services outside of your Site except for marketing events a reasonable distance from your Site as we may authorize in the Confidential Operations Manual or otherwise in writing. You must use the standard signs and formats that we prescribe in operating the Site and conducting the Franchised Business. We may (i) recommend (but not set) retail prices for Smart Fit Method Products and (ii) restrict your advertising of prices that are inconsistent with these recommended prices.

(d) Your Franchised Business must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply in the event of natural or man-made disasters or public emergencies.

(e) You must promptly satisfy as and when due any bona fide indebtedness that you incur in operating your Franchised Business.

(f) You must notify us in writing within ten (10) days after you receive actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect your operations in the Territory or your ability to meet your obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Site or in the Territory that has caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or us or our affiliates, you must immediately inform our designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by us for this purpose. You must cooperate fully with us with respect to our response to an incident described in this section 8.1(f).

(h) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

(i) Other than as set forth in and approved by the Confidential Operations Manual, you may not engage in any co-branding in the Site or in connection with the Franchised Business except with our prior written consent. We are not required to approve any co-branding chain or arrangement except in our discretion, and only if we recognize that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not us) that is featured or incorporated within your Site or the Franchised Business you operate in your Territory or is adjacent to your Site and operated in a manner which is likely to cause the public to perceive it to be related to the Site and Franchised Business licensed and franchised to you hereunder.

8.2 Confidential Operations Manual.

(a) You must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to you. You may have access to a digital copy of the Confidential Operations Manual through our website. You may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Training or afterwards. We have the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on our website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Smart Fit Method franchisees. As modified by us from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by us from time to time, will not alter your fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that you may have printed and maintain, the master copy of the Confidential Operations Manual that we maintain at our headquarters and available on our website will be the controlling version and will supersede all prior versions.

(c) If you lose printed portions of, or allow unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to you by us, you may be required to pay us a fine of $5,000 (this amount may be adjusted by changes in the CPI since the Effective Date) within thirty (30) days after our demand for payment, and you will be deemed to be in violation of this Agreement and all other agreements you have with Franchisor and our affiliated entities.

(d) Upon the expiration or termination of this Agreement for any reason whatsoever, you must immediately return to us any printed portions of the Confidential Operations Manual then in your possession. Except as specifically permitted by us, at no time may you, or your employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except your authorized employees and agents when required in the operation of the Franchised Business. You must also permanently erase anything relating to our trade secrets or other proprietary information from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

8.3 <u>Standards of Operation.</u>

You agree that we, you and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at your Site and elsewhere in your Territory. Therefore, you agree to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as we may otherwise direct in writing. In order that we may establish and maintain an effective network of franchisees, you specifically agree that you must not display the Marks except in the manner we authorize.

8.4 <u>Technology System; Ownership of Data.</u>

(a) You must purchase, use and maintain an integrated business computer (including all related hardware and software) and other technology as specified in the Confidential Operations Manual or otherwise by Franchisor in writing for use in connection with the Site (the "Technology System"). The Technology System must be connected at all times to a dedicated digital subscriber line ("DSL") or other high-speed communications medium specified by Franchisor, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, accessing the Internet in the manner designated by Franchisor in the Confidential Operations Manual or otherwise by Franchisor in writing for maintaining the Technology System. You must obtain and maintain an annual maintenance agreement with the manufacturer or distributor of the Technology System. The Technology System must be electronically linked to Franchisor. We may electronically access the Technology System on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, to retrieve such transaction information including sales, sales mix, usage and other operations data as Franchisor deems appropriate. You must ensure that only adequately trained employees, in our discretion, are allowed to conduct transactions using the Technology System. Within a reasonable time upon our request, you must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to access Smart Fit Products via such procedure, as specified by us. We may require you to update, upgrade or replace the Technology System, including hardware and/or software, from time to time upon written notice, provided that you will not be required to replace the Technology System any more frequently than once every three (3) years.

(b) Franchisor requires you to maintain an e-mail account and connect the Technology System at all times to a dedicated broadband connection, DSL or other high-speed communications medium specified by Franchisor, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by Franchisor in the Confidential Operations Manual or otherwise by Franchisor in writing. You must obtain all software and hardware, including digital still and video cameras, as Franchisor may specify to enable you to provide ample security against viruses, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit digital photos and streaming video or other multimedia signals and information to and from the Site, and you must, from time to time, upon our request transmit digital photos and real time video and audio signals of the Site to Franchisor, and in the form and manner prescribed by us. You must purchase any upgrades, enhancements or replacements to the Technology System and/or hardware and software as we may from time to time require by thirty (30) days written notice. We may access the Technology System on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, to retrieve files and data stored therein relating to the Site and the Franchised Business.

(c) Franchisor or equipment providers may designate that certain computer software must be used in the operation of the Technology System ("Designated Software"). If so, you must license or sublicense such Designated Software from us or our designee and enter into a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees either to us or the software owner. You may also be required to purchase any upgrades, enhancements or replacements to the Designated Software. You must incorporate any required modifications or additions within thirty (30) days after receiving written notice from Franchisor, unless a longer time period is stated in the notice.

(d) You may not install, and must prohibit others from installing, unauthorized software on the Technology System. You must take all commercially reasonable measures to insure no malicious code, malware or other unauthorized code or software is installed on, or transmitted by, the Technology System. You must from time to time communicate to us all passwords, access keys and other security devices or systems necessary to permit us to access the Technology System and obtain the data we are permitted to obtain under this Agreement, including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business. The Technology System must also be configured and enabled to send daily and weekly sales reports to the email address provided by us.

(e) All information on the Technology System, including but not limited to customer data and contact information, is our property and you consent to our using this information in any way we see fit, including to market other products and services not constituting Smart Fit Method Products and Smart Fit Services directly to other persons.

(f) You understand that all data derived from the operation of a Smart Fit Method business, including but not limited to profiles, training plans, physical data and all information related to a customer's use of the System, is a valuable property right of Franchisor and that Franchisor shall own all data derived from the operation of your Franchised Business, as well as any copyright, trade secret, or any other intellectual property right related to the data, and shall have the exclusive right to sell, trade, loan, copy, disclose, distribute, transfer, or otherwise make available the data to others. You may not use or disclose any customer data as described herein except as necessary to provide Smart Fit Services and/or Smart Fit Products.

(g) We may disclose information relating to your operation of the Franchised Business, including, but not limited to, Gross Revenues, customer counts, and other related data, to future prospective franchisees.

8.5 Maintenance, Upgrades and Refurbishments to the Site.

(a) Franchisor requires that you maintain, and from time to time refurbish, the Site to conform to the then-current building design, Trade Dress, and color schemes then applicable for a Site. Such maintenance and refurbishment may require expenditures by you on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Sites or to accommodate new Smart Fit Method Products. In this regard, the following requirements are applicable:

(i) You must maintain all equipment used at the Site on an as-needed basis. And you must immediately and completely resolve to our satisfaction any maintenance deficiencies we identify.

(ii) You must make any and all upgrades to equipment and any technology used in your Site that we may require.

(iii) We may periodically require you to update the Trade Dress used at your Site. Such updates will be contained in the Confidential Operations Manual or otherwise provided to you in writing. Such updates may require you to install new color schemes, logos, signage or other visual elements. We anticipate that such Trade Dress updates will be required no more frequently than once every three (3) years.

(iv) The cost to upgrade equipment and update Trade Dress required in this Section 8.5(a) will not exceed $50,000 in any twelve (12) consecutive months without your consent.

(b) Franchisor will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that Franchisor must make a good faith determination that your Site is substantially inconsistent with prevailing System-wide standards (including the Trade Dress, safety issues regarding customers and employees, the overall condition of the Site, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell Smart Fit Method Products and Smart Fit Services) and that, as a result of its appearance or condition, your Site is either (i) not adequately positioned to promote and sell Smart Fit Method Products and Smart Fit Services as then required or (ii) damaging the integrity of the Smart Fit Method image, brand and/or Marks.

8.6 Relocation of Your Site.

(a) If you desire to relocate your Site, you may do so provided that not less than ninety (90) days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), you make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within twenty (20) business days after receiving your request, Franchisor will either approve or disapprove in writing such closure or relocation in our reasonable discretion. In the event of disapproval of a proposed relocation, you may request an alternative proposed new location pursuant to the provisions of this Section 8.6.

(c) You and the landlord may be required to execute a rider to your lease for the new location for the Site (or other agreement or written understanding) (i) granting us an option to assume your position as lessee under the lease for the relocated Site premises if you are in material default of either (A) the lease for the relocated Site premises (including an obligation of the landlord to notify us if you are in such default) or (B) this Agreement, and (ii) requiring the landlord to fully cooperate with us in completing de-identification of the relocated Site if this Agreement is terminated or expires without being renewed and we do not exercise our option to assume the lease for the relocated Site premises.

(d) In connection with any request for relocation, you are obligated to reimburse to Franchisor all of its costs and expenses incurred in connection with responding to such request.

8.7 <u>Record Keeping and Reporting Requirements.</u>

(a) Not later than ten (10) business days after we request them, you must submit to us financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by us in writing.

(b) Within ninety (90) days after the end of each of your fiscal years (or any permitted extension for filing same), you must submit to us a copy of the Schedule C or equivalent portion of your federal tax return relating to the Site and your operation of the Franchised Business. On the Effective Date (and any time thereafter that this date changes), you must notify us of your fiscal year end date.

(c) All financial or statistical information you provide to us must be accurate and correct in all material respects.

(d) We have the right to use any financial or statistical information that you provide us, as we deem appropriate. We will not identify you, your Site or your Territory as the source of the information, and will not disclose any of this information except (i) with your written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) We or our designated agents have the right, at all reasonable times, to examine, copy and audit the books, records and applicable portions of your tax returns that relate to the Site and your operation of the Franchised Business, including an audit of your current operating cash. We agree to maintain the contents of the Schedules C (or equivalent portion) of your tax returns in strict confidence and will not disclose them to any third party without your express written consent. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an annual percentage rate of 18% (or the highest rate of interest allowed by your state's law if this is less than 18%). If an examination or audit discloses an underpayment or understatement of any amount due us by three percent (3)% or more, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, or it takes our auditors an unreasonable amount of time (more than eight (8) hours) to assemble your records for audit, you must reimburse us for the cost of having your books examined or audited (this remedy will be in addition to any other rights or remedies we have under this Agreement or otherwise, including our right to terminate this Agreement).

(f) You must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five (5) years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. We will designate or approve the suppliers of signs and display materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, you agree to post and maintain, at the Site, entirely at your expense, any minimum signage recommended by us. Any signage containing the Marks will be designed by a vendor designated by Franchisor, or manufactured by a vendor designated or approved by Franchisor.

(c) You must buy interior and exterior signs, other materials containing the Marks, and apparel containing the Marks only from suppliers approved by Franchisor.

8.9 Telephone Numbers.

At your sole expense, you must list the telephone number for your Site in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this Agreement, for any reason, you must transfer the telephone numbers for your Site to us or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance.

(a) You must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, automobile insurance, and other insurance that is legally required for you to operate your business (i.e., workers' compensation insurance) or that is reasonably prudent for your type of business. Policy coverage limitations and other terms relating to insurance will be set forth in the Operations Manual. Any policies of insurance that you maintain must contain a separate endorsement naming us (and our other affiliated companies identified by us in writing), and their respective shareholders, members, managers, directors, officers, employees, and agents as additional insureds to the full extent of coverage provided under the insurance policies. Your insurance coverage will be primary as respects us and other affiliated companies we identify in writing, and our respective shareholders, members, managers, directors, officers, employees, and agents. Any insurance or self-insurance maintained by us and other affiliated companies we identify in writing, and our respective shareholders, members, managers, directors, officers, employees, and agents will be excess of your insurance and will not contribute with it. You must provide us a copy of the policy and endorsement upon issuance and upon each and every renewal. You hereby grant us a waiver of any right of subrogation which any insurer of yours may acquire against us by virtue of payment of any loss under such insurance. This provision applies regardless of whether or not we received a waiver of subrogation endorsement from the insurer. Insurance is to be placed with insurers with a current AM. Best's rating of no less than A:IX or better and authorized to do business in the state where your Site is located, unless otherwise approved in writing by us.

(b) You must promptly notify us of any and all claims against you or us under said policies of insurance and deliver to us certificates evidencing that such insurance is in full force and effect within thirty (30) days after the Opening Date and each succeeding anniversary of the Opening Date. Such insurance certificate must contain a statement that the certificate cannot be canceled without thirty (30) days prior written notice to you and to us. You must notify us in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

(c) Your failure (for any reason) to procure and maintain the insurance coverage required under this Agreement will be deemed a material breach of this Agreement. If Franchisor determines in its sole discretion to secure coverage on your Franchised Business, you must reimburse Franchisor promptly on demand for the premiums on the insurance policies plus 20%.

8.11 Review and Inspection.

(a) Franchisor has the right to send representatives at reasonable intervals at any time during normal business hours, to your Site or other offices to review and inspect your operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of your compliance with the provisions of this Agreement and the Confidential Operations Manual.

(b) You must permit our representatives to access your Site and any other facility from which you sell Smart Fit Method Products or Smart Fit Services at any time during normal business hours to conduct reviews and inspections. You must cooperate with such reviews and inspections by rendering such assistance as our representatives may reasonably request and upon notice from us or our representatives, immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws; Settlement of Disputes Regarding the Marks.

(a) You must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon you or upon your business or property. You represent and warrant that you will obtain and at all times maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Site is situated.

(b) You must immediately notify us of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving you, or any entity affiliated with you, or any agent, employee, owner, director or partner of yours, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

(c) You must promptly notify us of any use of the 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 Marks. We will control any litigation or proceeding. We are not required to defend the Marks. In the event we undertake the defense, prosecution, or settlement of any litigation relating to the Marks, you agree to assist as necessary to carry out such defense, prosecution, or settlement. We retain the right to modify or discontinue the Mark(s).

8.13 <u>Web Site and Internet Marketing.</u>

(a) During the term of this Agreement, you will use the Smart Fit Method website and any other Internet or social media only as specifically authorized by us in Section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing to market the Franchised Business conducted at your Site. You may not (i) establish an independent website or social networking media Site dedicated to marketing the Franchised Business, or (ii) register an Internet domain or social networking media Site name using any of the Marks.

(b) In the future, we may design and build a micro website for you (if we do so, you may be responsible for reimbursing us our out-of-pocket expenses to do so) and integrate your micro website into our master website.

(c) Any alternative distribution methods and programs you would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to the prior written approval of Smart Fit, which approval will be in our sole discretion.

8.14 <u>Intranet.</u>

(a) We may, at our option, establish and maintain an "Intranet" through which Smart Fit Method franchisees may communicate with each other, and through which we and you may communicate with each other and through which we may disseminate the Confidential Operations Manual, updates thereto and other confidential information. We will have discretion and control over all aspects of the Intranet, including the content and functionality thereof. We will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to you.

(b) You may use the Intranet, but only if you are in strict compliance with the standards and specifications, protocols and restrictions that we may establish from time to time regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that endorse or encourage default of any Smart Fit Method franchise agreement, or other agreement with us or our affiliates, (iii) confidential treatment of materials that we transmit via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (v) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (vi) a privacy policy governing our access to and use of electronic communications that franchisees post to the Intranet. You acknowledge that, as administrator of the Intranet, we can technically access and view any communication that any person posts on the Intranet. You further acknowledge that the Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert.

(c) You must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet that allows us to send messages to and receive messages from you, subject to the standards and specifications.

8.15 Franchise Advisory Council.

We may, at our option, establish a franchise advisory council (the "FAC"), which will be composed of franchisees of the System. The FAC will, among other functions requested by us, serve as a representative committee for franchisees of the System and facilitate and coordinate the sharing of information and ideas between franchisees of the System and us. If appointed or elected to do so, you (or your designee) must, at your own expense. participate as a member of the FAC. We reserve the right to set reasonable standards for appointment or election to the FAC and you acknowledge that if we establish the FAC, you may be required to pay a fee or otherwise contribute to the FAC, as the FAC leadership or we may require. You acknowledge that the role of the FAC is advisory only, and we are not obligated to implement the FAC's recommendations. Neither you nor your designee will have the right to be appointed, elected, and if appointed or elected, to continue to serve on the FAC if you are in material default of this Agreement, or are not current in your financial obligations to us, and your landlord (if any), suppliers and vendors.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) We hereby grant you the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with your operation of the Franchised Business in the Territory. Neither you nor any Principal Equity Owner nor any employee, agent, or representative thereof may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks and other trademarks and service marks approved for use by us in connection with the Franchised Business. Neither you nor any Principal Equity Owner nor any employee, agent, or representative thereof may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. **You may only use the Marks on the Internet or other electronic media in the manner and as**

specifically authorized by us in the Confidential Operations Manual or otherwise in writing. You agree to be responsible for and supervise all of your employees and agents in order to insure the proper use of the Marks in compliance with this Agreement.

(b) You acknowledge and agree your use of the Marks is a temporary authorized use under this Agreement and that we retain all ownership interests in the Marks and all ownership of the goodwill generated by the Marks. You acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our written consent is an infringement of Smart Fit Method and our exclusive rights, titles and interest in and to the Marks. You agree that as between you and us, all rights to use the Marks within the System are our exclusive property. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of your franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and our other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between you and us, remains vested solely in us, and the use thereof is only co-extensive with the term of this Agreement.

(c) You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

(d) **You hereby grant us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Smart Fit Method Products, any Smart Fit Method Site and the System, without compensation. You also agree (i) to have any affected employee of yours who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual authorizing us to also use his or her name, image and likeness for the purposes described in this Section 9.1(d), without compensation, and (ii) to provide us with a copy of such signed release. The terms of this Section 9.1(d) survive termination or expiration of this Agreement**.

Principal Equity Owners' Initials: _____ _____ _____ _____

(e) You acknowledge that we prescribe uniform standards respecting the nature and quality of Smart Fit Method Products and Smart Fit Method Services provided by you in connection with which the Marks are used. Nothing herein gives you any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and you agree that all of your use of the Marks under this Agreement inures to our benefit and the benefit of the Owner of the Marks.

(f) You and all Principal Equity Owners agree that all materials associated with Franchisor, Smart Fit Method Products, Smart Fit Method Services or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by you, your employees, agents and subcontractors and any other party with whom you may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, you hereby and irrevocably assign to us all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, you agree on behalf of yourself, your employees, your agents, your subcontractors and any other party with whom you may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard.

(g) If necessary, you agree to join with us and share the expenses in any application to enter you as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, we may immediately apply to cancel your status as a registered or permitted user and you hereby consent to the cancellation and agree to join in any cancellation petition. You will bear the expense of any cancellation petition.

9.2 <u>Your Business Name.</u>

(a) You may not use any of the Marks in the name of any business entity you form for the purpose of owning and operating the Site and the Franchised Business. For example, you may not use the name "Smart Fit Method La Jolla, LLC", although you may use the name "SFM La Jolla, LLC."

(b) In connection with your operation of the Site, you agree that at all times and in all advertising, promotions, signs and other display materials, and at the Site and other authorized business sites, in all of your business dealings related thereto and to the general public, you will identify the Franchised Business solely under a trade name containing the Mark "Smart Fit Method" and authorized by us ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on your letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as we may direct.

(c) You must file and keep current a fictitious business name statement, assumed name certificate or similar document with respect to your Business Name in the county or other designated jurisdiction in which you are conducting business and at such other places as may be required by law. Before you commence engaging in the Franchised Business under the Marks, you must supply evidence satisfactory to us that you have complied with relevant laws regarding the use of fictitious or assumed names.

(d) On expiration or sooner termination of this Agreement, we may, if you do not do so, execute in your name and on your behalf any and all documents necessary, in our judgment, to end and cause a discontinuance of the use by you of the Marks and Business Name registrations and we are hereby irrevocably appointed and designated as your attorney-in-fact to do so.

(e) You further agree that you will not identify yourself as (i) us, (ii) a subsidiary, parent, division, shareholder, partner, joint venturer, agent or employee of ours or the Owner of the Marks or (iii) any of our other franchisees.

(f) If you are an entity and not an individual proprietor, you cannot use any of the Marks in your entity's legal name.

9.3 Trade Secrets and Proprietary Information.

(a) You acknowledge that the material and information now and hereafter provided or revealed to you pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and you expressly agree to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. We expressly reserve all rights with respect to the Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manual. We will disclose to you certain trade secrets as reasonably needed for the operation by you of your Franchised Business by loaning to you, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the trade secrets, through training and assistance provided to you hereunder, and by and through the performance of our other obligations under this Agreement.

(b) You acknowledge that we are the sole owner of all Proprietary Information and our trade secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that our trade secrets are not generally known to our industry or the public at large and are not known to you except by reason of such disclosure. You further acknowledge that you will acquire no interest in the Proprietary Information and trade secrets disclosed to you, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, you acknowledge that the use or duplication of our trade secrets except as expressly permitted by this Agreement constitutes an unfair method of competition and that we will suffer irreparable injury thereby.

(c) You agree that you will not do or permit any act or thing to be done in derogation of any of our rights in connection with the Marks, either during the term of this Agreement or thereafter, and that you will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, you and your employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

9.4 Modification of Marks and Trade Dress.

We may add to, substitute or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. You must accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within thirty (30) days of receiving notification, commence to implement such changes and use your best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If you receive notice or otherwise become aware of any claim, suit or demand against you by any party other than us, the Owner of the Marks or any of our affiliates on account of any alleged infringement, unfair competition or similar matter arising from your use of the

Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, you must promptly notify us of any such claim, suit, demand or misuse. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any such claim, suit or demand and take steps to stop misuse at our cost and expense, using attorneys selected by us or the Owner of the Marks, and you agree to cooperate fully in such matters.

(b) We will indemnify you and hold you harmless from and against any and all judgments resulting from any claim, suit or demand arising from your authorized and proper use of the Marks in accordance with the terms of this Agreement. We have the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks being used by you or constitutes a misuse of the Marks, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) Smart Fit will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in Section 4.3 hereof and collected from all of its franchisees less a 15% administrative fee. None of the Marketing and Promotion Fees will be deemed to be held subject to any type of trust arrangement. No interest on unexpended Marketing and Promotion Fees will be imputed for your benefit or payable to you. If requested by you in writing not later than March 31 of any calendar year, we will provide you not later than May 31 of that year with a statement of receipts and expenditures of the aggregate Marketing and Promotion Fees relating to the preceding calendar year, certified to be correct by an officer of Smart Fit.

(b) Smart Fit is obligated to spend the Marketing and Promotion Fees collected from you and all other Smart Fit Method franchisees (less our 15% administrative fee) in amounts determined in its sole discretion on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of Smart Fit Method Products, the Marks and other aspects of the Smart Fit Method brand, creative and production costs, and for other purposes deemed appropriate by us to enhance and promote the general recognition of Smart Fit Method franchises.

(c) Smart Fit may also spend Marketing and Promotion Fees collected from you and all other Smart Fit Method franchisees for Smart Fit-approved initiatives, which may include branding and marketing studies, initiatives and research; test marketing new products or concepts; the development of marketing strategies, tools, initiatives, and materials; public relations; market research; annual conferences (excluding the expenses of our principals and employees to travel to such conferences); and occasional selective regional and local advertising.

10.2 Advertising Content and Costs.

With respect to local, regional or system-wide advertising, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In Term Dealing.

(a) You acknowledge that you will receive valuable specialized training and access to our trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, you agree that you will not during the Term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services similar to Smart Fit Method Products or the Franchised Business, without our express prior written consent.

(b) It is the intention of both you and Smart Fit that you maximize the Franchised Business within the Territory, and any action of yours that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither you nor any Principal Equity Owner may, either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or (iii) solicit without our prior consent any person who is at that time employed by us or any related entity to leave his or her employment.

11.2 Post Termination Non-Competition Covenants.

For a period of two (2) years after termination of this Agreement or its expiration without renewal pursuant to Section 5.2 of this Agreement, you agree that neither you nor any Principal Equity Owner will (either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venturer or otherwise), or engage in, any competing business selling goods or offering services similar to Smart Fit Method Products or the Franchised Business, within a radius of twenty-five (25) miles of (i) your Site or (ii) any other authorized location selling Smart Fit Method Products or Smart Fit Services, without our express prior written consent. In all events, at all times following termination or expiration of this Agreement, you must refrain from any use, direct or indirect. of any of our proprietary information.

11.3 General Provisions Regarding Non-Competition Covenants.

(a) You acknowledge that the restrictions contained in this Article XI are reasonable and necessary in order to protect our legitimate interests! and in the event of violation of any of these restrictions, we are entitled to recover damages including! without limitation, Royalties, Marketing and Promotion Fees and other fees that would have been payable if such business were included in the Franchised Business and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which we are entitled at law or in equity.

(b) This Article XI applies to your General Manager and other Principal Equity Owners, and each of your other managers, directors, officers, general partners and affiliates.

(c) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and also agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Us.

We have the right to Transfer this Agreement and all of our rights and privileges hereunder to any other person, firm or corporation ("Our Assignee"); provided that, in respect to any Transfer ("Assignment by Us") resulting in the subsequent performance by our Assignee of the functions of franchisor hereunder: (i) at the time of Assignment by Us, Our Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Our Assignee will expressly assume and agree to perform such obligations. In the event of such Assignment by Us, we will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by You.

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of you and the Principal Equity Owners and the trust and confidence we repose in you and them. Therefore, neither your interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in you (if you are an entity), nor all or substantially all of the assets of the Franchised Business, nor a controlling or non-controlling interest in the Franchised Business may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by You"), without our prior written consent (which shall not unreasonably be withheld) and, except for any transfer of a non-controlling interest, subject to our right of first refusal provided for in Section 12.3 hereof. Our consent to a specific Assignment by You is not cumulative and will not apply to any subsequent assignments, in respect of each of which you must comply with this Section 12.2.

(b) Prior to any Assignment by You, you must notify us of your intent to sell, transfer or assign the Franchise, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice shall be in writing, delivered to us in accordance with Section 16.1 hereof and include all of the following:

(i) The proposed transferee's name and address;

(ii) A copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) The proposed transferee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally utilized by us when interviewing prospective new franchisees, if those forms are readily made available to you. If the forms are not readily available you must request that we deliver the forms to you by business courier in accordance with Section 16.1 hereof within fifteen (15) calendar days. As soon as practicable after the receipt of the proposed transferee's application, we will notify, in writing, you and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If our then-existing standards for the approval of new or renewing franchisees are not readily available to you when you notify us of your intent to sell, transfer, or assign the Franchise, all or substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, we will communicate the standards to you within fifteen (15) calendar days.

(c) Within sixty (60) days after the receipt of all of the necessary information and documentation required pursuant to Section 12.2(b) above, we will notify you of the approval or disapproval of the proposed Assignment by You. The notice will be in writing and delivered to you by business courier in accordance with Section 16.1 hereof. Should we elect not to exercise our right of first refusal, or should such right of first refusal be inapplicable, as herein provided, our consent to the proposed Assignment by You will be deemed approved, unless disapproved by us in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, we will include in the notice of disapproval a statement setting forth the reasons for the disapproval. We may impose, among other things, the following conditions precedent to our consent to any such Assignment by You (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) The assignee of yours ("Your Assignee") must complete our application for a franchise, and in connection therewith, you and Your Assignee must fully disclose in writing all of the terms and conditions of the Assignment by You;

(ii) Your Assignee and the principal equity owners of Your Assignee demonstrate they have the skills, qualifications and economic resources necessary, in our sole judgment, to conduct the business contemplated by this Agreement;

(iii) Your Assignee and each principal equity owner of Your Assignee expressly assumes in writing for our benefit all of your obligations under this Agreement;

(iv) Your Assignee executes the then current form of Franchise Agreement being used by us for the remainder of the term of this Agreement or, in our sole discretion, for the initial term of the then current form of Franchise Agreement (unless we have a reasonable basis not to allow this, you may elect to have Your Assignee assume this Agreement for the remainder of its term);

(v) You must have complied fully as of the date of any such Assignment by You with all of your material obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(vi) Your Assignee agrees that our Initial Training program described in Section 6.1 hereof and any other training or orientation programs then required by us will be satisfactorily completed by necessary personnel within thirty (30) days after the execution by Your Assignee of a Franchise Agreement, provided, however, that Your Assignee must agree to pay for all of his, her or its expenses incurred in connection therewith, including any fee we charge for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than ten (10) days before the transfer, you must pay us a non-refundable "Transfer Fee" of $10,000, plus our reasonable costs and expenses related to such transfer. The Transfer Fee is subject to adjustment in our discretion based on corresponding changes in the CPI since the Effective Date.

(d) You do not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with our consent, which will not be unreasonably withheld, you may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor sub-franchise or otherwise transfer, or attempt to sub-franchise or otherwise transfer the Franchised Business, or to transfer or sub-franchise a portion but not all of your rights hereunder without our express prior written consent, which may be withheld for any reason in our sole discretion.

(e) Any attempt by you to assign or any purported Assignment by You in violation of this Section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in our sole discretion any or all other agreements between you and us, or between you and our affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon our consent to any Assignment by You, you must bring all accounts with us current and, together with Smart Fit, execute a mutual release.

12.3 Right of First Refusal.

(a) Except for a transfer (i) to your heirs, personal representatives or conservators in the case of death or legal incapacity as provided in Section 12.6 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration (SBA) loan, your right to transfer your entire interest in the Franchise granted by this Agreement under Section 12.2 hereof is subject to our right of first refusal, which will be exercised in accordance with the terms of this Section 12.3. Notwithstanding the foregoing and as a matter of clarity, any transfer described in subsections (i) and (ii), above, shall be subject to the consent to assignment and other conditions set forth in Section 12.2.

(b) You must deliver to us a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by You, and (ii) all available information concerning your Assignee including a detailed summary of how the proposed assignee meets our qualifications for a new Smart Fit Method franchisee, and any other related information requested by us. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with our right of first refusal.

(c) Within fifteen (15) days after our receipt of such notice (or if we request additional information, within ten (10) days after receipt of such additional information), we may either (i) consent or withhold our consent to such Assignment by You, in accordance with Section 12.2 hereof, or (ii) at our option, accept the Assignment by You ourselves or on behalf of our nominee upon the terms and conditions specified in the notice.

(d) If we elect not to exercise our right of first refusal and consent to the Assignment by You, or if we exercise our right of first refusal and fail to close on the acquisition within sixty (60) days thereafter (unless any delay is caused by you), you will for a period of sixty (60) days, and subject to the provisions of Section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by us), or if said 60-day period expires, we will again have such right of first refusal with respect thereto and you will again be required to comply with Section 12.3(b) above. Detailed terms of assignment must be delivered to us no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

You or a Principal Equity Owner, if a natural person, may with our consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in your franchised entity to such person's spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to us, the performance of the transferee's obligations under this Agreement. No transfer under this Section 12.4 will be subject to our right of first refusal set forth in Section 12.3 hereof. However, you must comply with Sections 12.2(c)(i) through (vi) and (to the extent applicable) Section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three (3) business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three (3) business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

You or a Principal Equity Owner may without our consent, upon thirty (30) days prior written notice to us, Transfer the Franchised Business or an equity interest in your franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under this Section

12.5 will be subject to our right of first refusal set forth in Section 12.3 hereof or the Transfer Fee set forth in Section 12.2(c)(vii) hereof. However, you must comply with Sections 12.2(b)(i) through (vi) and (to the extent applicable) Section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three (3) business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three (3) business days following the close of the transaction. Also, you acknowledge and agree that any Transfer to an affiliate will not relieve you from your obligations under this Agreement

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of your death or legal incapacity, if you are an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest ("Majority Equity Owner") if you are a corporation, limited liability company or partnership, the transfer of your or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by You provided that a responsible management employee or agent of yours (as determined by us in our sole discretion) that has been satisfactorily trained by us will be responsible for the Franchised Business.

(b) In the event of your death (if you are an individual) or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer within one hundred eighty (180) days after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If we determine (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, we may (but are not obligated to) immediately commence operating the Franchised Business on your behalf for a period of up to ninety (90) days, renewable as necessary for up to one year. For such management assistance, you or the successor in interest must pay us a reasonable per diem management fee/charge for serving as the interim manager.

(c) No permissible Transfer under this Section 12.6 will be subject to (i) our right of first refusal set forth in Section 12.3 hereof or (ii) the Transfer Fee set forth in Section 12.2(c)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by your (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, you must comply with Sections 12.2(b)(i) through (vi) and (to the extent applicable) Section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three (3) business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three (3) business days following the close of the transaction.

12.7 Consent to Transfers.

Except as otherwise provided in this Agreement and subject to our right of first refusal provided in Section 12.3 hereof, you or a Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in your franchised entity, not permitted by the preceding Sections 12.4, 12.5 and 12.6, only after written notice to us and only with our written consent, which will not be unreasonably withheld. We will exercise our good faith business judgment in determining whether to give or withhold our consent to a Transfer under this Section 12.7. Such exercise of good faith business judgment may include our consideration of certain skills and qualifications of the prospective transferee which are of business concern to us, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or us or any of our affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated by us only for cause, which means your failure to substantially comply with the lawful requirements imposed upon you by this Agreement after being given written notice at least sixty (60) days in advance of the termination with a description of the events constituting cause and a reasonable opportunity, which in no event will be less than sixty (60) days from the date of the notice of non-compliance, to cure the failure (provided that this Section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to Section 13.2 below).

(b) If we are in material breach of this Agreement, you may terminate this Agreement by giving us prior written notice setting forth the asserted breach of this Agreement and giving us sixty (60) days in which to cure the default. A material breach of this Agreement by us means any unauthorized action or omission seriously impairing or adversely affecting you or the relationship between you and us created by this Agreement. However, if we become insolvent or declare bankruptcy, you will continue to have the right to operate under this Agreement until and unless a court orders otherwise. If, because of the nature of the breach, it would be unreasonable for us to be able to cure the default within sixty (60) days, we will be given additional time (up to thirty (30) additional days) as is reasonably necessary to cure said breach, upon condition that we must, upon receipt of such notice from you, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also will have the option, to be exercised in Franchisor's sole discretion, to choose alternative remedies to Franchisor's right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor has the right to exercise any and all remedies available to Franchisor at law or in equity, including without limitation specific performance and damages (including without limitation punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 <u>Immediate Termination; Step-In Right.</u>

(a) We have the right to terminate this Agreement immediately upon notice to you without an opportunity to cure:

(i) You admit your inability to pay your debts as they come due, or you or the business to which the Franchise relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or a substantial part of your assets assigned to or for the benefit of any creditor;

(ii) You Abandon the Franchise;

(iii) We and you agree in writing to terminate the Franchise;

(iv) You make any material misrepresentations relating to the acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

(v) You fail, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise;

(vi) After curing any failure in accordance with Section 13.3 below, you engage in the same noncompliance whether or not corrected after notice;

(vii) You repeatedly fail to comply with one or more material requirements of this Agreement, whether or not corrected after notice;

(viii) The Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against you remains unsatisfied for thirty (30) days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five (5) days of such levy;

(ix) You are convicted of a felony, or any other criminal misconduct which is relevant to the operation of the Franchise; or

(x) We make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) If your rights under this Agreement are terminated by us because of an event described in Section 13.2(a) above, Section 14.1 below is not applicable, and we may immediately commence an action under Section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce our rights.

(c) Upon your Abandonment of the Franchise, we may, without termination, operate your Franchised Business if we deem it necessary to prevent an interruption or harm to the Franchised Business. All revenue derived from the operation of your Franchised Business will be credited to a separate account for your benefit, but we may pay from that account all expenses, debts, and liabilities we incur in the operation of your Franchised Business.

13.3 Termination After Notice.

(a) Except as provided in Section 13.2 hereof, we may terminate this Agreement only for good cause (as defined in Section 13.1(a) above) after giving you prior written notice setting forth the asserted breach of this Agreement and giving you sixty (60) days in which to cure the default. Upon receipt of a notice of default, you must immediately commence diligently to cure said breach, and if you cure said breach within sixty (60) days, our right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for you to be able to cure the default within sixty (60) days, you will be given additional time (up to fifteen (15) additional days) as is reasonably necessary in our determination to cure said breach, upon condition that you must, upon receipt of such notice from us, immediately commence to cure such breach and continue to use your best efforts to do so.

(b) If your rights under this Agreement are terminated by us for material breach, we may, at our option, (i) declare you in default of all franchise agreements or other agreements you have with us, and (ii) terminate your rights under those franchise agreements or other agreements as well.

(c) If your rights under this Agreement are terminated by us for your failure to make any payment due under this Agreement, Section 14.1 below is not applicable, and we may immediately commence an action under Section 14.2 below to collect damages or otherwise enforce our rights.

(d) The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.4 Description of Default.

The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits our rights of termination hereunder or requires longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including, without limitation, Section 13.3(c) hereof, in those circumstances under which we have the right to terminate this Agreement, we also have the right, to be exercised in our sole discretion, to grant to you in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event may such extended cure period exceed six (6) months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant an extended cure period to you will not operate as a waiver of any of our rights hereunder.

13.7 Our Right to Cure Your Defaults.

In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement involving third parties, we may, at our election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to you, cure the default for your account and on your behalf, and all costs or expenses including attorney's fees incurred by us on account thereof are due and payable by you to us on demand.

13.8 Waiver and Delay.

No waiver by us of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect of ours either to exercise any right, power or option given to us hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by us of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of your material breach, based on the estimated time it takes for a replacement franchise Site to achieve a similar revenue stream, we are entitled to recover damages equal to the amount of the Royalty actually paid by you or what you were obligated to pay, whichever is greater, during (i) the three (3) years prior to the date this Agreement was terminated or (ii) if the Opening Date is less than three (3) years before the termination date, the time since the Opening Date.

13.10 Collection Costs.

We are entitled to reimbursement from you upon our demand of all costs we have incurred (including reasonable attorneys' fees and investigator's fees) to enforce our rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 <u>Continuance of Business Relations.</u>

Any continuance of business relations between you and us after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 <u>Initial Steps to Resolve a Dispute: Mediation.</u>

(a) We and you have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, you and we acknowledge that you and we need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between you and us are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your Principal Equity Owners meet in person within five (5) business days after a party notifies the other party that a Dispute has arisen at our principal executive office (without our respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to resolving the dispute. We may proceed to terminate this Agreement in either of the following two situations without a settlement meeting or mediation proceeding: (i) if there is any breach of this Agreement by you that may result in an immediate termination of this Agreement pursuant to Section 13.2 above, or (ii) if you fail to pay any sums due us under this Agreement which may result in termination of this Agreement pursuant to Section 13.3 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this Section 14.1, the other party may immediately commence an arbitration proceeding pursuant to Section 14.2 below.

(b) If we are unable to settle the Dispute at the settlement conference described in Section 14.1 above, ten (10) business days after the date this conference took place (or should have taken place), you and we may submit the dispute to non-binding mediation conducted by a mediator, and at a location, mutually agreeable to both parties; provided however the mediator must be a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within ten (10) business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to Section 14.2 below. Any mediation proceeding should be completed within sixty (60) days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) **Except as specifically provided in Sections 13.2(b) and 13.3(c) above, any dispute between us (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) not settled through the procedures described in Section 14.1 above will be resolved through binding arbitration by and before JAMS, Inc. ("JAMS"), in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any dispute may be commenced except in accordance with this Section 14.2.**

(b) All hearings and other proceedings will take place in San Diego County, California, or other county where our headquarters is then located, or if we so elect, at the JAMS business location nearest where your (or an applicable Principal Equity Owner's principal place of business) is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator (including affidavits, interrogatories and depositions). The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES, OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, YOU ACKNOWLEDGE YOU ARE AGREEING TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS THAT YOU MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS. ACCORDINGLY, YOU EXPRESSLY AGREE TO WAIVE ANY RIGHT YOU MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(f) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(g) The provisions of this Section 14.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this Section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the extent necessary to comply with the law.

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of posting any bond and without necessity of first complying with Sections 14.1 and 14.2 above, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to Section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under Section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief on account of this Section 14.3. You acknowledge that you are one of a number of licensed franchisees using the Marks and that failure on your part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to us or other affiliated persons or entities and we or our affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Business Judgment.

The parties hereto recognize, and any mediator or arbitrator is affirmatively advised, that certain provisions of this Agreement describe our right to take (or refrain from taking) certain actions in the exercise of our business judgment based on our assessment of the overall best interests of the System. Where such discretion has been exercised, and is supported by our business judgment, neither a mediator nor an arbitrator may substitute his or her judgment for the judgment so exercised by us.

14.5 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This Section 14.5 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.6 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Your Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of your breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, you must immediately discontinue the use or display of the Marks in any manner whatsoever, and you may not thereafter operate or do business under the Marks or any other Smart Fit Method brand or any other name or in any manner that might tend to give the general public the impression that you are in any way associated or affiliated with us, or any of the businesses conducted by us or the owner of the Marks, which includes without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Smart Fit Method trade dress. You must contact Yelp, other online review sites and other online directories and websites, and request the removal of all use of the trademarks in connection with the former Smart Fit Method Site (and the physical address of the former Smart Fit Method Site) and all use of former reviews from the period you were a Smart Fit Method franchisee. And, you also must comply with Section 15.2 respecting the return to us of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of our trade secrets, procedures, techniques, or materials acquired by you by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in Section 15.1(a) above, you must comply with Section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at your expense all signs erected or used by you and bearing the Marks, or any word or mark indicating that you are associated or affiliated with Franchisor;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by you the Marks and all words indicating that you are associated or affiliated with Franchisor;

(iii) Permanently discontinue all advertising of yours that states or implies that you are associated or affiliated with Franchisor or the System;

(iv) If you engage in any business thereafter, you must use trade names, service marks or trademarks that are significantly different from those under which you had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that your present and former employees, agents, officers, shareholders and partners observe the foregoing obligations; and

(v) Assign all interest and right to use all telephone numbers and all listings applicable to the Site in use at the time of such termination to us and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If you fail or omit to make or cause to be made any removal or change described in Section 15.1(b)(i) through 15.1(b)(v) above, then we will have the right within fifteen (15) days after written notice to enter your Site or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at your expense, which expenses you agree to pay to us promptly upon demand; and you hereby irrevocably appoint us as your lawful attorney upon termination of this Agreement with authority to file any document in the name of and on our behalf for the purpose of terminating any and all of your rights in any trade name you have used that contains any of the Marks.

15.2 Our Rights as Franchisor.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of us against you and such termination, cancellation, expiration or assignment will not relieve you of any of your obligations to us existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of ours which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) We may direct that all applicable suppliers immediately cease providing you with equipment, marketing materials, email access, website access, accessories and other items comprising or to be used to provide Smart Fit Method Products.

(c) You are obligated to return, at no expense to us, any and all copies of the Confidential Operations Manual and all other Smart Fit Method proprietary materials and any other items that were supplied by us for your use without additional charge in connection with the operation of the Franchised Business. You must also permanently erase anything relating to us or the Franchised Business from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

(d) Upon a lawful termination or nonrenewal of this Agreement, we have the option, exercisable in our sole discretion within thirty (30) days, to purchase from you, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by you to us or our approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in your possession or used by you in the Franchised Business. We are not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Agreement or any ancillary or collateral agreement or to which you, at the cessation of operation of the Franchised Business by you, cannot lawfully, or does not, grant us clear title and possession upon our payment to you for the inventory, supplies, equipment, fixtures, or furnishings (we have the right to receive clear title to and possession of all items purchased from you under this Section 15.2(d)). We may offset against the amounts owed to you under any such purchase under this Section 15.2(d) any amounts you owe to us.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to us:

SMART FIT FRANCHISING, LLC
111 Chesterfield Dr.
Cardiff, CA 92007
Phone: (442) 320-7042
Email: rob@smartfitmethod.com

(ii) If to you:

[*]
[*]
Phone: [*]
Email: [*]

(b) Unless actually delivered in person by an agent of the sending party, notices between you and us will be deemed given the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day.

(c) Any change in the addresses listed in Section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier.

16.2 Indemnity.

(a) You and your Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify Franchisor, and all of our past, present and future owners, affiliates, officers, directors, employees and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or entity or to any property arising out of or in connection with your development, maintenance or operation of the Site and the Franchised Business, except to the extent caused by our intentional misfeasance, gross negligence or material default of our obligations under this Agreement.

(b) We hereby agree to protect, defend and indemnify you, your Principal Equity Owners, other owners, affiliates, officers, directors, employees and designees, and each of them, from any liability or damage any of them may incur, including reasonable attorneys' fees, as a result of third party claims, demands, costs, or judgments of any kind or nature, arising out of (i) your operation of the Franchised Business in full compliance with the terms of this Agreement and the Confidential Operations Manual or (ii) our intentional misfeasance, gross negligence or material breach of our obligations under this Agreement, except if caused by the intentional misfeasance, gross negligence or material breach by you (or any Principal Equity Owners, or other of your owners, affiliates, officers, directors or employees) of obligations under this Agreement.

(c) In order for the indemnification to be effective, each party entitled to indemnification hereunder must give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation will not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay). We will retain the full right and power to direct, manage, control and settle the litigation of any claim. Each indemnified party must submit all of its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party on account of insurance in respect of such claims.

16.3 <u>Your Relationship to Us as Franchisee.</u>

(a) It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. You agree that you will not hold yourself out as our agent, employee, partner or co-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for you will be only the employees or agents of yours and will not for any purpose be deemed employees or agents of ours or the Owner of the Marks, nor subject to our control; and in particular, we will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks.

(b) You agree to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by you in a diligent and professional manner and agree to cooperate with representatives of ours or the Owner of the Marks in any investigation undertaken by us of complaints respecting your activities.

(c) You and we agree to file our own tax, regulatory and payroll reports with respect to our respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

16.4 No Third-Party Beneficiaries.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual, and the representations made by us in the Smart Fit Method Franchise Disclosure Document ("FDD") provided to you, supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on his, her or their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on any such discussions or writings.

(b) In accordance with the foregoing Section 16.14(a), the parties to this Agreement agree that this Agreement, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the franchised business contemplated by this Agreement and any other aspect of the relationship between the parties; provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the FDD that was provided to you. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

16.5 Survival of Covenants.

The covenants contained in Sections 6.4, 8.2(d), 8.7(f), 9.1, 9.3, 11.2, 11.3, 13.10, 15.1, 15.2 and 16.2 of this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns.

This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on Assignment by You contained herein.

16.7 Joint and Several Liabilities.

If the entity that is the franchisee under this Agreement consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us are joint and several.

16.8 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender.

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) You and each of the Principal Equity Owners certify that none of you, the Principal Equity Owners, employees, or anyone associated with you is listed in the Annex to Executive Order 13224 (available at http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html). You covenant not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, the Principal Equity Owners, employees or anyone associated with you being listed in the Annex to Executive Order 13224. You and each of the Principal Equity Owners will comply with and assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you and each of the Principal Equity Owners certify, represent and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations under this Section 16.12. Any misrepresentation by you under this Section 16.12 or any violation of the Anti-Terrorism Laws by you, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you entered into with us or one of our Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither you nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither you nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control, and published at www.treas.gov/offices/enforcement/ofac/sdn/. You acknowledge that you are not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo nor do you or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You and the Principal Equity Owners agree that you will notify us in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.12 incorrect.

Principal Equity Owners' Initials: _____ _____ _____ _____

16.13 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 et seq.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of California govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.14 Entire Agreement; Amendment.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual and the representations made by us in the FDD provided to you, supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on his, her or their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on any such discussions or writings.

(b) In accordance with the foregoing Section 16.14(a), the parties to this Agreement agree that this Agreement, including all Exhibits, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the Franchised Business contemplated by this Agreement and any other aspect of the relationship between the parties; provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the FDD that was provided to you hereto.

(c) This Agreement cannot be modified or changed except by written instrument signed by all of the parties.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by you and by us and after you have been furnished with an FDD. HOWEVER, THIS AGREEMENT IS NOT BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY OUR PRESIDENT IF APPLICABLE.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) You and each of your Principal Equity Owners represent and warrant that the following statements in this Section 18.1 are true and accurate.

(b) You do not seek to obtain the Franchise for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within twelve (12) months after the Opening Date.

(c) You understand and acknowledge the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. You represent that you have the capabilities, professionally, financially and otherwise, to comply with our standards.

(d) If you are an entity, you are duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Site is located.

(e) Your execution of this Agreement will not constitute or violate any other agreement or commitment to which you are a party.

(f) Any individual executing this Agreement on your behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of yours and all of your Principal Equity Owners.

(g) You and your Principal Equity Owners (i) have carefully read this Agreement and all other related documents to be executed by you concurrently or in conjunction with the execution hereof, (ii) have conducted an independent investigation of the business contemplated by this Agreement, (iii) have obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply herewith and be bound hereby. You also recognize that the Franchise involves significant risks, making the success of the Site largely dependent on your abilities and attention. We expressly disclaim the making of, and you agree that you have not received or relied on, any representation or warranty from us regarding the likelihood of your success at your Site or in your operating the Franchised Business.

(h) In entering into this Agreement, you have not relied on any representation by us, or any of our officers, managers, partners, shareholders, employees or agents concerning the Franchised Business that is contrary to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the FDD that was provided to you.

(i) You agree that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other Smart Fit Method franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) You received an FDD and a copy of this Agreement at least fourteen (14) calendar days before the signing of this Agreement.

(k) made no payment to us before you signed this Agreement.

(l) You and each Principal Equity Owner acknowledge that in operating the System, we must take into account the needs of the System as a whole, and the need to protect the Marks, even if our actions are contrary to your individual interests as a franchisee.

(m) You and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on the participation in the daily affairs of the Franchised Business by the General Manager and the Operations Manager.

(n) 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 ay 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.

18.2 Additional Information Respecting You and Your Principal Equity Owners.

(a) Attached as Exhibit 2 is a schedule containing complete information respecting your Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to us pursuant to Section 16.1 hereof) where your financial and other records are maintained is the same address as provided in Section 16.1 hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties executed this Agreement as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
SMART FIT FRANCHISING, LLC	________________________________
	(Name of Entity)
By: Smart Fit Method Inc.	
Its: Sole Member	
By: ________________________	By: ______________________________
Name: Robert Darnbrough	Name (print): ______________________
Its: Chief Executive Officer	Title: _____________________________

(Note: each Principal Equity Owner is individually obligated in his or her capacity as a party hereunder to perform or guarantee the performance by an entity franchisee of all duties and obligations of franchisee

x ______________________________

[print] __________________________

List of Exhibits to Franchise Agreement:

Exhibit 1 - Territory and Location of Site

Exhibit 2 - Names and of Principal Equity Owners

EXHIBIT 1 - TERRITORY AND LOCATION OF SITE

The Territory is five (5) miles within your Site, as determined by driving distance radius.

The Site is located at:

____
(*Insert Address*)

(If the address of the Site is unknown when this Agreement is signed, as soon as the -address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1)

EXHIBIT 2 - NAMES OF PRINCIPAL EQUITY OWNERS

If the franchisee is an entity, list below the names and respective percentage equity ownership interests in the franchisee entity of each Principal Equity Owner:

Name	Ownership %
____________________	____________________
____________________	____________________
____________________	____________________
____________________	____________________

ADDENDUM A

California Addendum

1. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or amendment to or any agreement to the contrary is superseded by this condition.

2. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

ATTACHMENT A

California State Specific Amendment

SMART FIT METHOD FRANCHISING, LLC
CALIFORNIA AMENDMENT TO FRANCHISE AGREEMENT

Smart Fit Franchising, LLC and ______________________________ ("You") hereby amend the Franchise Agreement between them dated _________________________ (the "Agreement") as follows:

3. Section 11.1(b) of the Agreement is hereby amended to remove subsection (iii), such that Section 11.1(b) of the Agreement shall read in its entirety, as follows:

> (b) It is the intention of both you and Smart Fit that you maximize the Franchised Business within the Territory, and any action of yours that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither you nor any Principal Equity Owner may, either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

2. Each of Sections 18.1(h), (j), (k) and (m) of the Agreement are deleted in their entirety.

3. 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 any 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.

4. All other provisions of the Agreement are hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

(*Signature Only Required for Franchises Located in California*)

IN WITNESS WHEREOF, the parties acknowledge that they have read and understand the contents of this amendment and that they have had the opportunity to obtain the advice of counsel. Intending to be legally bound, the parties have duly executed and delivered this amendment on the following date: ________________________.

FRANCHISOR:

SMART FIT FRANCHISING, LLC

By: Smart Fit Method Inc.
Its: Sole Member

By: ____________________________
Name: Robert Darnbrough
Its: Chief Executive Officer

FRANCHISEE:

____
(Name of Entity)

By: __________________________________
Name (print): _________________________
Title: _________________________________

EXHIBIT B. PERSONAL GUARANTY

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

PERSONAL GUARANTY

IN CONSIDERATION for, and as an inducement for Smart Fit Method Inc. ("**Franchisor**") to enter into a Smart Fit Method 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 California 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 California 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:
Signature______________________________________

Name: ____

Title: ____

EXHIBIT C.RESTRICTIVE COVENANT AGREEMENT

TO THE SMART FIT METHOD 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**"), Smart Fit Method Inc. ("**Franchisor**") granted Franchisee a franchise to operate a Smart Fit Method Franchised Business (the "**Franchise**"), using Franchisor's unique franchise system and Franchisor's trade name and service mark Smart Fit Method 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 Smart Fit Method 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; and

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, containing Franchisor's unique system and training methods and sales and marketing methods, pricing techniques, promotional materials, financial information, client or referral lists, procedures for the efficient operation of a Smart Fit Method 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 has 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 Smart Fit Method, Smart Fit Method 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 pledges 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.

3. 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 fitness and training services that have been offered by the Franchised Business, within twenty-five (25) miles of any Smart Fit Method 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, as amended. In the event of the violation of this provision following expiration, termination, or assignment of the Franchise Agreement, the period of time Covenantor shall be required to abide by the breached obligation shall be extended to a period of two (2) years after Covenantor is no longer in breach of such obligation.

4. 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, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person, entity or organization 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. In the event of the violation of this provision following expiration, termination, or assignment of the Franchise Agreement, the period of time Covenantor shall be required to abide by the breached obligation shall be extended to a period of two (2) years after Covenantor is no longer in breach of such obligation.

5. 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.

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

7. Construction. The parties agree that this Agreement shall be deemed to have been entered into and shall be governed by and construed in accordance with the laws of the State where the Franchise is located.

8. 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 and judicial district where the Franchised Business is located, and the parties 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.

9. 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.

10. Franchisor Third-Party Beneficiary. Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit Franchisor and its affiliates, 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 2 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: ____________________ Signature: ______________________________

Name: ______________________________

Title: ______________________________

Date: ____________________ ______________________________________

COVENANTOR

EXHIBIT D. POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

The undersigned Smart Fit Method franchisee (**Assignor**) does hereby irrevocably constitute and appoint Smart Fit Method Inc., a Delaware 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 Smart Fit Method 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 the Assignee and Assignor. Such termination, however, will not affect the validity of any act or deed that the 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 California and the laws of the State of California and will govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

ASSIGNOR (Franchisee):

____
[Name of Franchisee]

Signature: ___________________________
Name: ______________________________
Title: ______________________________

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

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

STATE FRANCHISE REGULATORS

California
Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
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 280
St. Paul, MN 55101-2198
651-539-1600

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
212-416-8236

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 Financial Protection and Innovation
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 280
St. Paul, MN 55101-2198

New York
NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8285

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 F. LIST OF FRANCHISEES

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

FRANCHISES OPEN:

California:

Yorba Linda
5920 Via Del Tecolote
Yorba Linda, CA 92887
Simone LeCompte
(714) 410-6688

Costa Mesa
2675 Irvine Avenue, Suite E
Costa Mesa, CA 92627
Arthur Bichler
(714) 450-7600

La Jolla
7863-7877 Girard Ave., Suite 102
La Jolla, CA 92037
Conner Ward
(858) 500-1166

Rancho Santa Fe
16085 San Dieguito Road, Suite E5
Rancho Santa Fe, CA 92014
Conner Ward
(760) 302-1999

San Clemente
223 Avenida Del Mar, Unit C
San Clemente, CA 92672
John Demaria
(949) 787-0004

Illinois:

Kildeer
20771 N. Rand Road, Suite B4B
Kildeer, Illinois 60047
Trevor Gere
(847) 443-3911

FRANCHISEES THAT HAVE SIGNED AGREEMENTS:

California:

Carlsbad
6949 El Camino Real, Suite 103
Carlsbad, CA 92009
Samir Satwah
Ben McCoy
(760) 338-2111

EXHIBIT G. LIST OF FRANCHISEES THAT LEFT THE SYSTEM

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

There were no 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.

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

EXHIBIT H. FINANCIAL STATEMENTS

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

ANTHONY W. IMBIMBO
A Professional corporation
P.O. Box 33706 San Diego, CA 92163

Independent Auditor's Report

I have audited the balance sheet of Smart Fit Franchising, LLC, as of December 31, 2023, and the related statements of income, retained earnings, and cash flows for the years then ended along with the related notes and disclosure. The financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on the financial statement based on my audit.

This report is intended solely for the information and use of The Department of Financial Protection and Innovation and is not intended to be and should not be used by anyone other than this specified party.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. I believe that my audit of the balance sheet provides a reasonable basis for our opinion.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the accompanying financial statement is present fairly, in all material respects, the financial position of Smart Fit Franchising, LLC as of December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Circumstance-imposed Scope Limitation

I was not appointed as auditor of the Company until well after December 31, 2023, making it impossible to properly plan the audit and accomplish all the testing procedures necessary to obtain sufficient appropriate evidential matter and to satisfy myself with the adequacy of the accounting records. My audit was limited to examining the books from a remote standpoint. Virtually all accounting and IT functions are outsourced to third parties. I was unable to factually satisfy myself with certain accounts of the Income Statement including tracing Franchise Revenue from the franchisees to the Company. As such, it is impossible to certify that the balances recorded on the Companies books are free from material error.

Internal Control and Accounting Policies and Procedures

I was unable to examine or report on the elements of internal controls within the Company, including reviewing the accounting policies and procedures in place. I was unable to form an opinion on the effectiveness of internal control over financial reporting and was unable to evaluate evidence obtained from all sources, including testing of controls, misstatements detected during the financial statement audit, and any identified control deficiencies.

As such, in my opinion except for the matters described above, the financial statements present a true and fair view of the financial position of the Company.

Anthony W. Imbimbo, CPA, APC
San Diego, CA, 92163
April 10, 2024

Smart Fit Franchising LLC
Balance Sheet
As of December 31, 2023

		Total
ASSETS		
Current Assets		
Cash & Cash Equivalents	$	80,148
Intercompany Due From - Smart Fit Method CA		32,741
Total Current Assets	$	112,889
TOTAL ASSETS	$	112,889
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Credit Cards Payable	$	14,837
Loan Payable - Darnbrough Holdings		293,050
Total Current Liabilities		307,887
Total Liabilities	$	307,887
Equity		
Retained Earnings &Shareholder Equity	$	(194,998)
TOTAL LIABILITIES AND EQUITY	$	112,889

See Accountant's Notes and Disclosures

Smart Fit Franchising LLC
Statement of Income
January 1, through December 31, 2023

		Total
Income		
Franchise Revenue	$	474,491
Expenses		
Advertising & Marketing	$	26,053
Automobile Expense		8,950
Bank Charges & Processing Fees		56,225
Contractors		129,582
Dues & subscriptions		862
Employee benefits		3,569
Insurance		2,294
IT Expenses		240,350
Legal & Professional Services		103,626
Office Expenses		39,278
Payroll Expenses		196,895
Shipping, Freight & Delivery		2,637
Taxes & Licenses		4,698
Travel		12,478
Utilities		2,467
Total Expenses	$	834,296
Net Loss	$	(359,805)

See Accountant's Notes and Disclosures

Smart Fit Franchising LLC
Statement of Cash Flows
January 1, through December 31, 2023

		Total
OPERATING ACTIVITIES		
Net Income	$	(359,805)
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Accounts Receivable (A/R)	$	4,963
American Express - Plum Card® (9-42008)		14,837
Loan Payable - Darnbrough Holdings		293,050
operations:		312,850
Net cash provided by operating activities	$	(46,955)
INVESTING ACTIVITIES		
Intercompany Due From - Smart Fit Method CA	$	(32,741)
Net cash provided by investing activities		(32,741)
FINANCING ACTIVITIES		
Opening balance equity		-
Net cash provided by financing activities		-
Net cash increase for period	$	(79,697)
Cash at beginning of period	$	159,845
Cash at end of period	$	80,148

See Accountant's Notes and Disclosures

Smart Fit Franchising LLC
Statement of Retained Earnings
For the Year Ended December 31, 2023

Beginning Balance at January 1, 2023	**$**	**164,807**
Net Loss for the Year Ended December 31, 2023		**(359,805)**
Ending Balance at December 31, 2023	**$**	**(194,998)**

See Accountant's Notes and Disclosures

Smart Fit Franchising LLC
Notes to Financial Statement
December 31, 2023

NOTE 1 – ORGANIZATION & PURPOSE

Smart Fit Franchising, LLC ("Company") is a Delaware general limited liability company with a formation date of June 7, 2022 (State of Delaware File Number 6841334). The Company is wholly owned by Smart Fit Method, Inc., a Delaware corporation ("Holding Company"). Holding Company is owned by Rob Darnbrough and Connor Darnbrough.

Per the Franchise Disclosure Document, the Company does not have any predecessors during the 10-year period immediately before the close of the Company's most recent fiscal year.

The Company does not have any affiliates, parents, or predecessors that offer franchises, franchisees products or services in any other line of business.

The Company's principal office is located in Cardiff, California.

The Company offers the Smart Fit Method which is a franchise business model that offers a unique health, wellness and fitness business providing personalized training programs using specialized machines powered by artificial intelligence (AI), adapting to the body's unique, individualized resistance levels. With just three, 20-minute High-Intensity Interval Training (HIIT) workouts on four machines per week, clients can see a total-body transformation. By utilizing the AI machines under the Smart Fit Method proprietary training regimen, clients can get the most effective workout without the inflammation of traditional HIIT and cardio training.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-

The policy of the Company is to prepare its financial statements on the accrual basis of accounting with the limited liability company year end of December 31.

Cash and Cash Equivalents-

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The balance on December 31, 2023 of all cash accounts totaled $80,148.

Income Taxes-

The financial statements do not include a provision for the state or a provision for Federal income taxes.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3 – RESTRICTED USE OF FINANCIAL STATEMENT

This report is intended solely for the information and use of The Department of Financial Protection and Innovation and is not intended to be and should not be used by anyone other than these specified parties.

NOTE 4 – INTERCOMPANY LOAN

The Company advanced a short-term loan to their Holding Company Smart Fit Method, a related party. This is a short-term, unsecured, working capital loan, that is non-interest bearing. The balance on December 31, 2023, is $32,741.

NOTE 5 – LOAN PAYABLE DARNBROUGH HOLDINGS

Darnbrough Holdings lent the Company a total of $305,000 during 2023. Darnbrough Holdings is owned by Rob Darnbrough and a Related Partner. The loan was funded as follows:

July 17, 2023,	$75,000
September 28, 2023,	$100,000
December 5, 2023,	$100,000
December 28, 2023,	$30,000
Total	$305,000

Additional funds of $90,000 were lent to the Company on January 10, 2024 (see Note 8 Subsequent Events).

NOTE 6 – EQUITY

Equity is comprised of $100,000 from the shareholder "Smart Fit Method, Inc." (Holding Company). The Retained Earnings balance on December 31, 2022, totals $64,807. The Loss for 2023 is $(359,805). The ending Equity balance on December 31, 2023, totals $(194,998).

.

NOTE 7 – RELATED PARTY

The Company is wholly owned by Smart Fit Method, Inc., a Delaware corporation ("Holding Company"). Holding Company is owned by Rob Darnbrough (50%) and Connor Darnbrough (50%); Connor is Rob's son.

During 2023, the Company lent Holding Company $32,741. This loan is unsecured and does not bear interest.

Darnbrough Holdings is also a related party wholly owned by Rob Darnbrough. Darnbrough Holdings lent the Company $305,000 during 2023 and $90,000 was advanced to the Company in January 2024. This loan is unsecured and does not bear interest.

The Company uses office space at no charge through the Holding Company Cardiff, California location. The calculation of rental charges at arms-length has not been determined.

NOTE 8 - SUBSEQUENT EVENTS

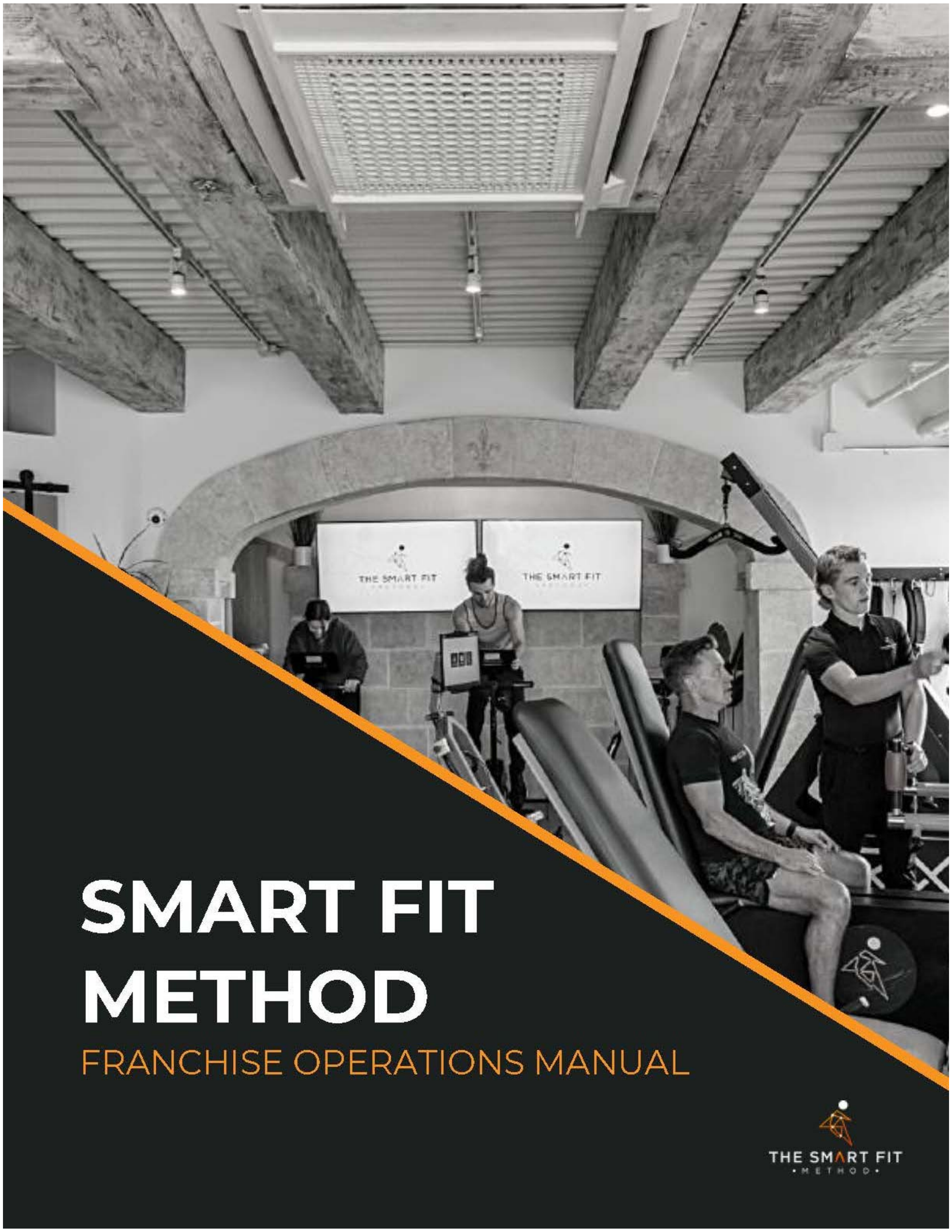
The Company has evaluated subsequent events through April 11, 2024, which is the date the financial statement was available to be issued. In January 2024 a Related Party, Darnbrough Holdings, lent the Company $90,000.

The Company has plans to open another franchise in Yorba Linda, California in mid-2024.

The Company is not aware of any other material subsequent events.

EXHIBIT I. TABLES OF CONTENTS OF OPERATIONS MANUAL

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT



SMART FIT METHOD

FRANCHISE OPERATIONS MANUAL

SECTION A: INTRODUCTION

THE SMART FIT • METHOD •

SECTION B: PRE-OPENING PROCEDURES

THE SMART FIT METHOD

SECTION C: OWNERSHIP CONSIDERATIONS

SECTION D: PERSONNEL

THE SMART FIT METHOD

THE SMART FIT
• METHOD •

SECTION E: SALES

SECTION F: FRANCHISE PROCEDURES

SECTION G: MARKETING AND ADVERTISING

THE SMART FIT
• METHOD •

EXHIBIT J. STATE SPECIFIC ADDENDUMS

TO THE SMART FIT METHOD FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA STATE ADDENDUM DISCLOSURES:

1. The Department has determined that we, the franchisor, have not demonstrated we adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has required us to deposit $250,000 into our bank accounts and sign and undertaking that we will maintain that amount in our bank accounts during or registration period.
2. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.
3. The franchise agreement requires binding arbitration. The arbitration will occur in San Diego County, California, with the costs being borne equally by franchisor and franchisee. 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 require restricting venue to a forum outside the State of California.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationbship 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.
5. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the franchise disclosure document 14 days prior to execution of the agreement.
6. The highest interest rate allowed by law in California is 10% annually.,
7. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.
8. 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.
9. 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.
10. 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.).
11. The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 1660.
12. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

13. The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-pach/non-solicitation provision) in section 11.1(b) of the Franchise Agreement that is disclosed in Item 17, row q.
14. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
15. 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 the franchise agreement restricting venue to a forum outside the State of California.
16. 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.
17. 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).
18. 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 Financial Protection and Innovation at www.dfpi.ca.gov.

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, Nevada and Michigan.

- 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 or 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 hereunder 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: **SMART FIT METHOD INC.**	FRANCHISEE**:**
By:______________________________ Its:___________________________	By:____ Its:___________________________________
Date:____________________________	Date:______________________________________

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Illinois law governments this Agreement.

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

Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notice requirements for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement, and the cxompeensation requirements thereunder.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person aquireing any franchise to waive compliance with the Illinois Franchise Dsiclsoure Act or any other law of Illinois is void.

No statement, questionnaire or ackwnoledgment 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection withth the franchise.

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

2. Illinois law governs the Franchise Agreement(s).

3. In conformance with Section 41 of the Illinois Franchise Disclosure act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Sectrion 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designbates jurisdiction and venue in a form outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franhise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) supersedes any other term of any document executed in connection with the franchise.

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

FRANCHISOR: **SMART FIT METHOD INC.**	FRANCHISEE**:**
By:_____________________________ Its:__________________________	By:_____________________________________ Its:_________________________________
Date:___________________________	Date:___________________________________

.

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:
SMART FIT METHOD INC.

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 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.

The franchise agreement provision, which provides for termination upon bankruptcy of the franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

You may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

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. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

5. All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this 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: **SMART FIT METHOD INC.**	FRANCHISEE**:**
By:______________________________ Its:___________________________	By:_______________________________________ 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 an 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:

(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.

8. 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.

9. A provision that 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.

10. 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 the 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. Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.

2. The Franchise Agreement is modified to provide: 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 three (3) years from the date Franchisee, or Franchisor knew or should have known of the facts giving rise to such claims. Section XXII(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.

3. 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.

4. 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.

5. 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: **SMART FIT METHOD INC.**	FRANCHISEE**:**
By:______________________________ Its:____________________________	By:____ Its:_______________________________________
Date:____________________________	Date:______________________________________

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

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

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business, which is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to

a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

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

4. The following language replaces the "Summary" section of Item 17(d), titled

Item 1. **"Termination by franchisee"**:

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum,"** and Item 17(w), titled "**Choice of law"**:

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

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) are 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.

SMART FIT METHOD INC.	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 or 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: **SMART FIT METHOD INC.**	FRANCHISEE**:**
By:____________________________ Its:__________________________	By:____________________________________ Its:__________________________________
Date:__________________________	Date:__________________________________

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the development agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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 that 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.

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

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

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions that may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

In any arbitration or mediation invol ving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a fra nchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectible to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:
SMART FIT METHOD INC.

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 does 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:
SMART FIT METHOD INC.

By:______________________________
Its:______________________________

Date:______________________________

FRANCHISEE:

By:______________________________
Its:______________________________

Date:______________________________

State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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 Smart Fit Method Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law.

[New York, Oklahoma, and Rhode Island require that Smart Fit Method Inc. 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 Smart Fit Method Inc. 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 Smart Fit Method Inc. 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 Smart Fit Method Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 I.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Robert Darnbrough, Founder and CEO, 111 Chesterfield Drive, Cardiff, Calfiornia 92007. Phone: (760) 846-1481.

Issuance Date: __________

Our registered agents authorized to receive service of process for us are listed in Exhibit H.

I have received a disclosure document dated __________. This disclosure document included the following Exhibits:

EXHIBIT A.	**FRANCHISE AGREEMENT**
EXHIBIT B.	**PERSONAL GUARANTY**
EXHIBIT C.	**RESTRICTIVE COVENANT AGREEMENT**
EXHIBIT D.	**POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER**
EXHIBIT E.	**STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS**
EXHIBIT F.	**LIST OF FRANCHISEES**
EXHIBIT G.	**LIST OF FRANCHISEES THAT LEFT THE SYSTEM**
EXHIBIT H.	**FINANCIAL STATEMENTS**
EXHIBIT I.	**TABLES OF CONTENTS OF OPERATIONS MANUAL**
EXHIBIT J.	**STATE SPECIFIC ADDENDUMS**

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 Smart Fit Method Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law.

[New York, Oklahoma, and Rhode Island require that Smart Fit Method Inc. 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 Smart Fit Method Inc. 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 Smart Fit Method Inc. 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 Smart Fit Method Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 I.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Robert Darnbrough, Founder and CEO, 111 Chesterfield Drive, Cardiff, Calfiornia 92007. Phone: (442) 320-7042

Our registered agents authorized to receive service of process for us are listed in Exhibit H.

I have received a disclosure document dated __________. This disclosure document included the following Exhibits:

EXHIBIT A.	**FRANCHISE AGREEMENT**
EXHIBIT B.	**PERSONAL GUARANTY**
EXHIBIT C.	**RESTRICTIVE COVENANT AGREEMENT**
EXHIBIT D.	**POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER**
EXHIBIT E.	**STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS**
EXHIBIT F.	**LIST OF FRANCHISEES**
EXHIBIT G.	**LIST OF FRANCHISEES THAT LEFT THE SYSTEM**
EXHIBIT H.	**FINANCIAL STATEMENTS**
EXHIBIT I.	**TABLES OF CONTENTS OF OPERATIONS MANUAL**
EXHIBIT J.	**STATE SPECIFIC ADDENDUMS**

EXHIBIT A.	**FRANCHISE AGREEMENT**
EXHIBIT B.	**PERSONAL GUARANTY**
EXHIBIT C.	**RESTRICTIVE COVENANT AGREEMENT**
EXHIBIT D.	**POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER**
EXHIBIT E.	**STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS**
EXHIBIT F.	**LIST OF FRANCHISEES**
EXHIBIT G.	**LIST OF FRANCHISEES THAT LEFT THE SYSTEM**
EXHIBIT H.	**FINANCIAL STATEMENTS**
EXHIBIT I.	**TABLES OF CONTENTS OF OPERATIONS MANUAL**
EXHIBIT J.	**STATE SPECIFIC ADDENDUMS**

Date	Signature	Print Name
Date	Signature	Print Name

RETURN TO: Smart Fit Method Inc. at 111 Chesterfield Drive, Cardiff, Calfiornia 92007.