# FRANCHISE DISCLOSURE DOCUMENT

Training Mate Franchising LLC
3858 Oak Lawn Ave., Ste. 430
Dallas, Texas 75219
Telephone: (323) 380-5492
franchising@trainingmate.com
www.trainingmate.com

As a Training Mate franchisee, you will operate a fitness gym that offers high intensity guided workouts that combine strength, cardio and core training in a fast-paced, high-energy environment, under the "Training Mate" trademarks.

The total investment necessary to begin operation of a franchised business ranges from $263,500 to $517,700. This includes $50,000 which must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an Area Development Business for three to five studios is $348,500 to $677,700. This includes $135,000 to $210,000 that must be paid to the franchisor or affiliate.

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, 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 to you. To discuss the availability of disclosures in different formats, contact Gillian Harper at 3858 Oak Lawn Ave., Ste. 430, Dallas, Texas 75219; 323-380-5492; franchising@trainingmate.com.

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

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

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

Issuance Date: May 21, 2024, as amended July 16, 2024

## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G-1 and Exhibit G-2. |
| **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 F 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 Training Mate 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 Training Mate franchisee?** | Item 20 or Exhibit G-1 and Exhibit G-2 list current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and litigation only in Texas. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas 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. **Financial Condition**. The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

## MICHIGAN NOTICE

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 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, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

**FRANCHISE DISCLOSURE DOCUMENT**

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

To simplify the language in this disclosure document, "we", "us" or "our" means Training Mate Franchising LLC, the franchisor. "You" means the business entity, persons, or persons who sign the franchise agreement, the franchisee. If the franchisee is a corporation, limited liability company, partnership, or other entity, the term "you" does not include the entity's principals unless otherwise stated.

The Franchisor, and Any Parents, Predecessors and Affiliates

The franchisor is Training Mate Franchising LLC. We are a Texas Limited Liability Company formed on January 27, 2022, and we do business under our corporate name and Training Mate. Our principal business address is 3858 Oak Lawn Ave., Ste. 430, Dallas, Texas 75219. Exhibit B contains our agents for service of process. We have not operated a business of the type being franchised, engaged in any other line of business, have not offered franchises in any other line of business, and began offering franchises in 2022.

We do not have a parent or predecessors. We have no affiliates that offer franchises in any line of business or provide products or services to franchisees.

The Franchise Offered

The franchise we offer is for the establishment, development and operate a fitness gym that offers high intensity guided workouts that combine strength, cardio and core training in a fast-paced, high-energy environment, under the "Training Mate" trademarks, and other trademarks, trade names, service marks, and commercial symbols we may authorize ("Marks"). These businesses are referred to in this Disclosure Document as a "Studio". You will operate your Training Mate Studio using a unique system with high standards of service, including valuable know-how, information, trade secrets, confidential information, training and exercise methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, the sale of branded products, and research and development connected with the operation and promotion of Training Mate Studios ("System"). We can change or otherwise modify the System at any time as we see fit.

You must operate the Studio according to our standards and specifications and sign our standard franchise agreement (see Exhibit C).

We also offer qualified individuals the right to develop multiple Training Mate Studios within a specific area under the terms of an area development agreement (see Exhibit E). If you sign an area development agreement, you will sign a separate franchise agreement for each TRAINING MATE studio you develop under your area development agreement. You will sign your first franchise agreement when you sign the area development agreement. The form of that first franchise agreement will be the form attached to this Disclosure Document. Later franchise agreements you sign under your area development agreement will be in our then-current form of franchise agreement. The terms of those franchise agreements may differ significantly from the form attached to this Disclosure Document.

Market and Competition

The market for your services and products is the general public. In most areas, the market is well developed and very competitive. Your Studio may have to compete with other businesses offering services and products similar to those that you will offer, including franchised operations, national chains, and other independently owned companies. Before selecting a site for your Studio, you should survey the area for existing competitors and, in new or undeveloped areas, be aware that a competitor may enter the market at any time.

Typically, services are sold to individuals and are not seasonal, although you may experience peak months and membership fluctuations. For example, January is typically a busier month for health clubs.

Industry Specific Regulations

You must comply with federal, state, and local laws, rules, regulations, orders, and ordinances that apply to your Studio. In addition to laws and regulations that apply to businesses generally, your Studio will be subject to various federal, state, and local government regulations, including those relating to site location and building construction, such as the Americans with Disabilities Act. Further, you are solely responsible for complying with all employment, wage and hour laws, discrimination, sexual harassment, worker's compensation, and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes.

Some state or local laws may require licensing or registration of a membership program for exercise or health club products and services. In those states, you must comply with state laws and regulations that apply to health clubs and fitness facilities such as laws (1) regulating membership contract length and terms, advertising and limitations on pre-opening sales, and (2) requiring bonding, buyer's remorse cancellation rights for limited periods (usually three to ten days after sale), and cancellation and partial refund rights for medical or relocation reasons. States may also require you to have an automated external defibrillator (AED) unit on-site with staff member(s) trained in how to use the AED and trained in CPR. At the federal level, health clubs who sell memberships on credit may be subject to the federal Truth-In-Lending Act and Regulation Z and various other credit-related statutes like the Equal Credit Act and Fair Debt Collection Practices Act.

Some other state or local laws and regulations require: training to use and maintain safety equipment such as automated external defibrillators; training and certification in cardio pulmonary resuscitation (CPR); disclosures and health warnings for weight loss programs, medical claims related to nutritional products, and other FDA regulated products; postings concerning steroids and other drug use; certain medical equipment in the facility; registration of the facility; limiting the supplements that facilities can sell; facility owners deposit into escrow certain amounts collected from members before the facility opens (so-called "presale" memberships); specific financial disclosures to customers; and compliance with other consumer protection requirements.

It is solely your responsibility to comply with all applicable laws and regulations and to obtain and keep in force all necessary licenses and permits required by public authorities. Before purchasing the franchise, we strongly urge you to hire an attorney to review local, state, and federal laws that may affect your operations or impact your operating costs.

## ITEM 2
## BUSINESS EXPERIENCE

Chief Executive Officer: Luke Milton

Luke Milton has served as our CEO since our inception in January 2022. Since January 2013, Luke Milton has served as the CEO of our affiliate, Training Mate LLC, in West Hollywood, CA.

Chief Marketing Officer: Kerry Hannan

Kerry Hannan has served as our CMO since our inception in January 2022. Since September 2018, Kerry Hannan has served as the CMO of our affiliate, Training Mate LLC, in West Hollywood, CA. From July 2012 to August 2018, Kerry Hannan served as the Account Director for Team One, USA in Los Angeles, CA.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

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

## ITEM 5
## INITIAL FEES

Initial Franchise Fee

You will pay us an initial franchise fee when you sign a Franchise Agreement. If you are acquiring franchise rights for a single Studio, the initial franchise fee for your first location is $50,000, and the initial franchise fee for your second and subsequent location is $45,000.

If you are an existing franchisee entering into a second Franchise Agreement under an Area Development Agreement, the initial franchise fee is $45,000. If you are entering into a third or subsequent Franchise Agreement under an Area Development Agreement, the initial franchise fee is $40,000.

If you qualify for our military veteran's program, the Initial Franchise Fee under your first Franchise Agreement will be discounted by 20%. This discount is available to veterans who have received a discharge (other than dishonorable) as well as any active-duty personnel. If the franchisee is a corporation, limited liability company, or other legal entity, the qualifying veteran must maintain at least a 51% ownership interest in the entity to qualify for this discount. To apply for the discount, you must provide us with a copy of form DD-214, reflecting your military status, before the Franchise Agreement is signed.

The initial franchise fee is uniformly imposed for all franchisees and is not refundable.

Development Fee

If you sign an Area Development Agreement and become an area developer, you will pay to us a development fee based on the number of Studios you commit to developing. The development fee is calculated as $50,000 for your first franchise, $45,000 for your second franchise, and $40,000 for your third and any subsequent franchise (the "Development Fee"). For example, the Development Fee for the development of three Studios is $50,000 + $45,000 + $40,000 for a total of $135,000. The Development Fee is due in full on your execution of the Area Development Agreement, is uniformly imposed for all developers, and is not refundable.

For each franchise agreement you enter into with us per the terms of your Area Development Agreement, a portion of your development fee will be credited towards, and fully satisfy, the initial franchise fee due to us under the relevant franchise agreement.

Purchase of Initial Inventory of Retail Products

Before you begin operating, you must purchase from us your initial inventory of products which you will offer for retail sale in your Studio. The products that you purchase from us will include a mix of shirts, athleisure wear, towels, hats, men's swimwear, water bottles, and other assorted items. The cost of this initial inventory of products is approximately $7,000 to $8,000, including tax and shipping. The final invoiced amount is due before the products are shipped and is not refundable. Initial inventory product pricing is uniformly imposed for all franchisees.

**ITEM 6**
**OTHER FEES**

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee | For your first year in operation, 6% of Gross Revenue; then 7% of Gross Revenue | Due monthly by the 10th of the month for the previous month | See Note 1 for the definition of Gross Revenue. |
| Marketing Fee | 2% of Gross Revenue | Due monthly by the 10th of the month for the previous month | See Note 1 for the definition of Gross Revenue. |
| Local Marketing Expenditure | $2,500 per month | Monthly | You are required to spend these sums on local advertising and promotions pursuant to our guidelines.<br>If you don't spend this minimum required amount, we may: (i) require that you pay the difference to us, and/or (ii) that you pay this amount directly to us on an ongoing basis, where in both cases we will spend this amount in your market. |
| Technology Fee | Currently, $150 per month | Monthly | This fee is applied towards our costs and expenses related to the evaluation, development, customization, implementation, license, and maintenance of technology solutions for use in connection with the System. This may include payment of third-party fees incurred on your behalf.<br>Some examples of technology for which this fee may be used include payments to email services provider; online, internet, or digital related support; hardware and/or software development, license, or support; music streaming services, education, and other such technologically related activities as we may determine from time to time. We reserve the right to increase this fee on written notice to you.<br>We will begin collecting the Technology Fee from the date that you begin receiving any technology products or services from us. |
| Interest | Lesser of 1.5% per month or the highest commercial | 15 days after billing | Due on all overdue amounts. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | contract interest rate allowed by law | | |
| Conference Fees | Currently, $850 per franchisee (up to 2 attendees) | As Incurred | We reserve the right to charge a conference fee for any conferences we hold. You are required to attend our annual franchise conference and any such other conferences we designated. You must pay this fee even if you do not attend the related conference. Payment of this fee covers registration for two attendees. Additional attendees may need to pay an additional conference fee. |
| Maintenance and Refurbishing of Studio | You must reimburse our expenses | As incurred | If, after we notify you, you do not undertake efforts to correct deficiencies in outlet appearance, then we can undertake the repairs and you must reimburse us. You will reimburse us for the refurbishment and repairs as well as our own costs and expenses, including travel and board if applicable. |
| Late Charge | Currently, Late Fee of $75 per overdue payment; and interest of 18% per annum from the date due | Upon demand | Payable only on overdue amounts. Interest cannot exceed the maximum allowed by law. |
| POS and Software Fees | Currently, approximately $750 per month, plus transaction costs | Monthly | As our point-of-sale system is provided by a third party, this fee will increase when our designated point of sale supplier increases their fees.<br>This fee is paid directly to our third-party point-of-sale system, software, and application providers. |
| Renewal Fee | 25% of the then current initial franchise fee | At time of renewal | |
| Additional Training | Our then current standard rates or $250 per trainee per day, whichever is greater | Prior to retraining | This fee is payable to us if your manager does not pass initial training and we permit you to send a substitute manager to us for training. We also reserve the right to charge this fee for any optional or required training programs we provide. During such additional training, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging, and meal expenses. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Additional On-Site Training or Assistance | Currently, $500 per day per staff member we send to you, plus reimbursement of our travel, lodging, and meal expenses. | Before we travel | We may charge you for training newly hired personnel; for refresher training courses; and webinars; and for additional or special assistance or training you need or request. During all on-site sessions, you must pay for your trainees' and representatives' salaries and benefits. |
| Cleaning Fee | Currently, $200 to $500 each time services are rendered | As incurred | Only payable if you fail to maintain your Studio in a condition that meets our standards and we designate one of our personnel to assist you and/or have third party cleaners clean your Studio to bring it up to standards |
| Liquidated Damages | (i) your average monthly Royalty Fee plus your average monthly Marketing Fee due for the last 12 months (or, if less, the period the Studio has been open) before your termination, (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current Term of the Franchise Agreement. | On demand | Payable only if you prematurely close the Studio or if we terminate the Franchise Agreement on account of your material breach. |
| Holdover Amounts | Royalty Fee and Advertising Fee payments will equal 125% of the rates described in your Franchise Agreement | Monthly | If you continue to operate the Center after the expiration of the initial term before completing the requirements to renew, the Royalty Rate and Marketing Fee will automatically increase at the initiation of any holdover period. |
| Audit Fee | Cost of inspection plus the amount of the underpayment plus interest from the date such amount was due until received by Franchisor, paid at the rate of the lesser of 1.5% per month or the highest commercial contract | Cost of inspection – at time of inspection.<br>Underpayment and interest – immediately. | Due if the audit or any other inspection should reveal that any payments to Franchisor have been underpaid. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | interest rate allowed by law | | |
| Product and Service Purchases | Actual amount incurred | As incurred | You must buy products and services from us, our affiliates, and designated and approved vendors whose items meet our standards and specifications. We may permit you to buy from other suppliers to the industry. |
| Testing of Products or Approval of new Suppliers | Our costs and expenses, which are currently expected to range between $1,000 and $3,000, although costs could exceed those amounts depending on the product. | When billed | This covers the costs of testing new products or inspecting new suppliers you propose to us. See Item 8 for more information on approved suppliers. |
| Customer Service Fee | Actual amount of our cost or reimbursement | When billed | If you do not resolve a customer complaint or have operated outside of applicable rules and regulations, we may intervene and satisfy the customer. You agree to reimburse our costs in doing so. |
| Insurance | You must reimburse our costs | 15 days after billing | If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us. |
| Transfer Fee – Transfer for Convenience | $1,000 | Before transfer | Payable if you are an individual transferring to a business entity for convenience of operation.<br>See Item 17 for more information about restrictions and conditions of transfer. |
| Transfer Fee – Minority Interest Transfer | $5,000 | Before transfer | Payable if your owners are transferring among themselves or transferring a minority ownership interest to one or more third parties.<br>See Item 17 for more information about restrictions and conditions of transfer. |
| Transfer Fee – Controlling Interest or Asset Transfer | 30% of our then-current Initial Franchise Fee if you are an existing System franchisee.<br>50% of our then-current Initial Franchise Fee. | Before transfer | Payable if you are assigning your interest in the Franchise Agreement, transferring all or substantially all of the assets of the Studio, or your owners are transferring a controlling interest.<br>See Item 17 for more information about restrictions and conditions of transfer. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| De-Identification Reimbursement Fee | Actual costs incurred | As incurred | If you fail to de-identify upon termination or expiration of the Franchise Agreement, we may make such changes and you agree to reimburse any cost we incur to do so. |
| Management Fee | 15% of the Studio's Gross Revenue during the period of management, plus our direct out-of-pocket costs related to such management. | As incurred | Due when we (or a third party) manage your outlet after your managing owner's death or disability, or after your default or abandonment. |
| Indemnification | Will vary | As incurred | You must reimburse us if we are held liable for claims from your outlet's operation. |
| Cost of Enforcement | All costs, including reasonable attorneys' fees | Upon demand | You must reimburse us for all costs in enforcing obligations if we prevail. |

Unless otherwise stated, all fees are uniformly imposed by, payable to, and collected by us. We mandate several fees for third party services, and it is your duty to pay such fees. All fees payable to us are non-refundable. Whether fees paid to third parties are refundable would depend on the policies of the related third parties.

Notes

Note 1. "Gross Revenue" means all revenue derived from all goods and services sold by, from, or relating to the Studio, less refunds to customers and discounts; returns to shippers, vendors, or manufacturers; sales of fixtures, furniture, or equipment after being used in the operation of the Studio; and sales tax.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

### A. FRANCHISE AGREEMENT

| Type of Expenditure | Estimated Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Franchise Fee[2] | $50,000 | As arranged | Upon signing your Franchise Agreement | To us |
| Traveling and Living Expenses while Training[3] | $1,500 to $4,200 | As arranged | As incurred | Third parties |
| Real Property Rent and Security Deposit[4] | $32,000 to $65,000 | As arranged | As incurred | Third parties |
| Real Estate Broker Services[5] | $0 to $5,000 | As arranged | As incurred | Third party |

| Type of Expenditure | Estimated Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Leasehold Improvements[6] | $50,000 to $165,000 | As arranged | As incurred | Contractors |
| Architecture, Engineering and Bid Assistance[7] | $16,000 | As arranged | As incurred | Third party |
| Site Evaluation Consulting[8] | $2,000 to $4,000 | As arranged | As incurred | Third party |
| AED and First Aid Training | $0 to $2,000 | As arranged | As incurred | Third party. |
| Furniture, Fixtures, and Décor[9] | $10,000 to $20,000 | As arranged | As incurred | Third parties |
| Signage | $5,000 to $15,000 | As arranged | As incurred | Third parties |
| Grand Opening Advertising[10] | $10,000 to $15,000 | As arranged | As incurred | Third parties |
| Relaunch Fee for Additional Sales Training[10] | $0 to $2,500 | As arranged | As incurred | Us |
| Licenses, Permits, and Certifications[11] | $5,000 to $10,000 | As arranged | As incurred | Third parties |
| Insurance (3 Months)[12] | $2,000 to $3,500 | As arranged | As incurred | Insurance company |
| Fitness Equipment, Computer System, TV, Cameras, and other Equipment and Supplies[13] | $40,000 to $60,000 | As arranged | As incurred | Third parties |
| Initial Inventory[14] | $7,000 to $15,000 | As arranged | As incurred | Us and third parties |
| Professional Fees[15] | $3,000 to $5,500 | As arranged | As incurred | Attorneys/accountants |
| Additional Funds (3 months)[16] | $30,000 to $60,000 | As arranged | As incurred | Third parties |
| Total[17] | $263,500 to $517,700 | | | |

NOTES:

Note 1. General. All payments are non-refundable unless otherwise permitted by a third-party supplier. The ranges in in this Item 7 are estimates based on Studios with 2,500 to 3,000 square feet.

Note 2. Initial Franchise Fee. The Initial Franchise Fee in the table above is for a single territory. All fees payable to us in the above table are non-refundable. Whether fees paid to third parties are refundable would depend on their policies.

Note 3. Travel and Living Expenses While Training. We will train you (or your managing owner) and two of your manager-level employees. Additional persons attending training concurrently may attend initial training if you pay our then current training charge for each additional person. You must also pay for the applicable salary and benefits of your attendees while they attend training and their travel and living expenses.

Note 4. Real Property Rent and Security Deposits. We anticipate that you will rent the Studio premises. Real estate costs depend on location, size, visibility, economic conditions, accessibility, and competitive

market conditions. This range includes the amount of one month's rent as a security deposit, and three additional months' rent.

Note 5. Real Estate Broker Services. This range assumes that you engage our designated real estate broker services provider, JLL, to either act as a broker on your behalf, or, in the alternative, that you pay $5,000 to JLL for real estate transaction management services. Currently, you must engage JLL for either broker services or real estate transaction management services.

Note 6. Leasehold Improvements. The cost of leasehold improvements depends upon the condition and size of the premises, the local cost of contract work, and the location of the Studio. This amount will vary based on the condition of the existing leasehold and amount of additional work needed. Tenant improvement allowances, if any, paid to you may defray a portion of build-out costs. The high end of this range includes the cost of engaging a third party to provide construction management services.

Leasehold improvements include electrical, carpentry, floor covering, and painting materials and labor for a 2,500 to 3,000 square foot Studio. The cost of a general contractor may vary depending on the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements you desire over and above our minimum requirements, your landlord's contribution to the cost of tenant improvements (if any), and the local costs of material and labor.

Note 7. Architecture Engineering Bid Assistance. You must use our designated supplier for A&E /bid assistance, which will manage a number of aspects including, but not limited to: (i) management of the general contractor bid process; (ii) walk bidders through the project and explaining the scope of the project; (iii) providing and distributing invitations to bid and related bid documents; (iv) evaluating all bids of completeness during our deep scope review; (v) resolving all bidder questions and clarifications in the RFI process; (vi) recommending contractor selection after bid process has been completed; (vii) facilitate the execution of the contract between Studio owner and contractor; (viii) providing site specific requirements to be inserted as exhibits to the contract documents; (ix) architectural drawings for the interior buildout

Included in the range for "Architecture, Engineering and Bid Assistance" is the cost to use our designated supplier for all architectural/design services. Architectural services include all architectural design documents, all mechanical, electrical, and plumbing plans. This service also includes coordination with the architect teams, permitting process, coordinating with permit expediters, and working with the general contractor to obtain required building permits. As this amount is imposed by a third party designated supplier, they may elect to increase this flat amount for the services provided.

Note 8. Site Evaluation Consulting. This range includes the cost in engaging and using our designated third-party supplier for the evaluation of a potential site. You will engage this supplier once the letter of intent is signed for a potential Studio location, but before the execution of the lease.

Note 9. Furniture, Fixtures, and Décor. This amount is for the furniture, fixtures, and décor needed to outfit your Studio in order to begin operations. This will include items like storage cubbies, display fridge, washer and dryer, and decorative accents like benches, plants, baskets, shelving, neon signs & framed art.

Note 10. Grand Opening Advertising; Relaunch/Additional Sales Training. You must spend these sums to promote the opening of your Studio pursuant to our guidelines and specifications, which will start as early as three months prior to your opening date. If you don't sign at least 125 members by the end of your first four weeks in operation, we can require that you pay the Relaunch Fee to us and, in exchange, we will provide you with additional sales training.

Note 11. Licenses, Permits, and Certifications. Estimated costs of obtaining required licenses and permits to operate your Studio. Some costs may vary depending on the location of the Studio.

Note 12. Insurance. You must purchase insurance per our specifications. See Item 8 for more information about our insurance requirements. This estimate includes premium costs for three months. If you need or elect to carry additional insurance coverage, you may have additional costs.

Note 13. Fitness Equipment, Computer Systems, TV, Cameras, and Other Supplies. You must purchase fitness equipment and computer hardware and software pursuant to our specifications, as well as other equipment and supplies to operate the Studio, including a defibrillator, first aid kit, TV, and security cameras.

Note 14. Initial Inventory. This range includes your initial costs related to the purchase of inventory of products you will offer for sale at your Studio premises. This includes branded items such as shirts, towels, and water bottles. While the initial inventory we require will cost you between $7,000 to $8,000, the high end of this range includes takes into account the possibility of your voluntary purchase of additional items, such as bottles of water and energy drinks, for retail sale as approved by us.

Note 15. Professional Fees. We recommend that you hire your own attorney to help you evaluate this franchise offering, to identify the laws and regulations that may apply to your Studio, to help you set up a business entity, to review and negotiate your lease(s), to assist you in adapting the Membership Agreement to laws and regulations in your state or locality, and for whatever other purpose you deem appropriate.

Note 16. Additional Funds-3 Months. This estimate is for your miscellaneous expenses and working capital. These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Expenses not included are hourly labor costs, permits and licensing and rent (beyond the rent estimate noted above). Some states may have staffing requirements that could increase this number significantly.

Note 17. Total. To compile these estimates, we relied on our franchisees' and affiliates' experience in operating TRAINING MATE Studios. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs.

**B. AREA DEVELOPMENT AGREEMENT**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Development Fee[1] | $135,000 to $210,000 | Lump Sum | Upon entering into Area Development Agreement | Us |
| Initial Investment for Your Initial Studio[2] | $263,500 to $467,700 | See Chart 7(A) above. | | |
| Total[3] | $348,500 to $677,700 | | | |

Note 1. The low end of this range includes the Development Fee for the development of three locations and the high end of this range includes the Development Fee for the development of five locations. The low end of the range and three-location Development Fee is calculated as $50,000 (1st location) + $45,000 (2nd location) + $40,000 (3rd location) for a total Development Fee of $135,000. The high end of the range and five-location Development Fee is calculated as $50,000 (1st location) + $45,000 (2nd location) + $40,000 (3rd location) + $40,000 (4th location) + $40,000 (5th location) for a total Development Fee of $215,000.

Note 2. The low and high range amounts include the total estimated initial investment from the Item 7.A table above, less the $50,000 initial franchise fee, as this is included in the Development Fee.

Note 3. Other than the Development Fee, this figure does not include the costs associated with opening a second and subsequent locations which will incur additional costs.

If you sign an Area Development Agreement, your initial investment for your first Studio will be the same as disclosed in the Item 7.A table above. You also will pay a one-time Development Fee as described in Item 5. This is the only additional initial investment for the Area Development Agreement. You also should be aware that your initial investment for your second and subsequent Studios will likely be higher than the above estimates for your first location due to inflation and other economic factors that may vary over time.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**The Goods or Services Required to be Purchased or Leased:**

Advertising and Marketing

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Computers and Software

You must purchase computer hardware and software designated by us. You will set up, maintain and utilize e-mail capability with an e-mail service designated by us for the purposes of receiving electronic correspondence from us, other franchisees and your customers.

Furniture, Fixtures, and Equipment

You must purchase furniture, fixtures, and equipment from a vendor that we designate or subject to our specifications.

Insurance

You are required to obtain and maintain at your own expense, at a minimum, the insurance coverages and policy amounts set in the following table:

| Coverage | Policy Limit | |
|---|---|---|
| General Liability Insurance | $1,000,000 | Per Occurrence |
| | $2,000,000 | In the Aggregate |
| Business Property Insurance | $50,000 (or more depending on the value of your business property) | Per Occurrence |
| Workmen's Compensation | As required by law | Per Employee |
| Hired and Non-Owned Auto Liability | $1,000,000 | Combined Single Limit |
| Employment Practices Liability Insurance (inclusive of first and third party) | $1,000,000 | Per Occurrence |

Inventory

You must purchase inventory pursuant to our specifications, which may include a vendor designation.

Leased Location

You will need a site in which to operate the franchise. We furnish site selection guidelines. We currently require that you engage our designated real estate broker. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Construction and Leasehold Improvements

You must use our designated supplier for architecture and engineering bid assistance. You may purchase leasehold improvements from any supplier but must build-out your location according to our specifications.

Signage

You must purchase signage according to our specifications.

Whether we or our Affiliates are Approved Suppliers

We are currently an approved supplier of advertising material and items franchisees will purchase for retail sale, but we are not the only approved supplier of such items.

Our Affiliates are not currently approved suppliers of goods or services to franchisees.

Officer Interests in Suppliers

Our officer, Luke Milton, owns an interest in us.

Alternative Suppliers

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge any costs incurred to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications

We issue specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year ending December 31, 2023, we did not earn revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases as a Proportion of Costs

We estimate that approximately 70% of your expenditures for leases and purchases in establishing your Studio will be for goods and services that must be purchased from us, an Affiliate, an approved supplier, or from another party according to our standards and specifications. We estimate that approximately 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an Affiliate, an approved supplier or another party according to our standards and specifications.

Supplier Payments to Us

Designated suppliers may make payments to us from franchisee purchases.

In the fiscal year ended December 31, 2023, we did not yet receive any supplier rebates but may do so in the future.

Purchasing or Distribution Cooperatives

We may in the future establish, but do not currently have any, purchasing or distribution cooperatives.

Purchase Arrangements

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

| Franchisee's Obligations | Section in Franchise Agreement | Section in Area Development Agreement | Item in Disclosure Document |
|---|---|---|---|
| a. Site selection and acquisition/lease | Sections 2 and 5 | Section 1 and Attachment A | Items 11 and 12 |
| b. Pre-opening purchases/leases | Sections 5, 13, and 15 | Not Applicable | Items 7, 8, and 11 |
| c. Site development and other pre-opening requirements | Sections 2 and 5 | Section 1 and Attachment A | Item 11 |
| d. Initial and ongoing training | Section 8 | Not Applicable | Item 11 |
| e. Opening | Sections 5, 11.4, and 13 | Attachment A | Item 11 |
| f. Fees | Sections 3, 4, 8, 11, 12, 13, 15, and 18 | Section 2 | Items 5, 6, 7, 8, and 11 |
| g. Compliance with standards and policies/Manual | Sections 6, 7, 9, 10, and 13 | Not Applicable | Items 8, 11, 14, and 16 |
| h. Trademarks and proprietary information | Sections 6, 7, and 9 | Not Applicable | Items 13 and 14 |
| i. Restrictions on products/ services offered | Sections 6, 9, 10, and 13 | Not Applicable | Items 8 and 16 |
| j. Warranty and customer service requirements | Section 13 | Not Applicable | Item 16 |
| k. Territorial development and sales quotas | Not Applicable | Section 1 and Attachment A | Item 12 |
| l. Ongoing product/service purchases | Section 13 | Not Applicable | Items 8 and 11 |

| Franchisee's Obligations | Section in Franchise Agreement | Section in Area Development Agreement | Item in Disclosure Document |
|---|---|---|---|
| m. Maintenance, appearance & remodeling requirements | Sections 4.2, 5, 10, and 13 | Not Applicable | Item 6 |
| n. Insurance | Section 15 | Not Applicable | Items 6, 7, and 8 |
| o. Advertising | Section 11 | Not Applicable | Items 6, 7, 8, and 11 |
| p. Indemnification | Section 21.3 | Not Applicable | 6 |
| q. Owner's participation/ management/staffing | Sections 8 and 13 | Not Applicable | Item 15 |
| r. Records and reports | Section 12 | Not Applicable | Item 11 |
| s. Inspections and Audits | Sections 6 and 12 | Not Applicable | Item 11 |
| t. Transfers | Sections 18 and 19; Schedule 1 | Section 11 | Item 17 |
| u. Renewal | Section 4; Schedule 1 | Not Applicable | Item 17 |
| v. Post-termination obligations | Sections 7, 17, and 21.3; Schedule 7 | Section 31 | Item 17 |
| w. Non-competition covenants | Sections 7, 9, and 17; Schedule 7 | Section 8 | Items 15 and 17 |
| x. Dispute resolution | Section 23; Schedules 2 and 3 | Sections 15 - 22 | Item 17 |
| y. Guaranty | Section 22.5 | Section 26 and Attachment C | Item 15 |

## ITEM 10
## FINANCING

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

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

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

Pre-opening Obligations.

Before you open your Studio, we will:

1. Provide an initial training program. This training does not include any professional licenses, certification, or other training you must possess and/or complete before you can operate the Studio. (Franchise Agreement, Section 8.1).
2. Provide to you opening assistance and guidance to assist you with questions you may have in operating and establishing the Studio. (Franchise Agreement, Section 8.2).
3. Provide to you, on loan, one copy of our Operations Manual or provide you with access to an electronic copy of the Operations Manual. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Franchise Agreement, Section 9.1). The Operations Manual contains a total of 228 pages.
4. Provide assistance and guidance in establishing prices for products and services. (Franchise Agreement, Section 9).

5. We provide assistance with obtaining equipment, signs, fixtures, opening inventory, and supplies. We provide specifications or a list of approved suppliers for these items. We do not deliver or install these items. (Franchise Agreement, Section 13.1.5).

6. We provide limited assistance to help you or your contractor conform the premises to local ordinances and building codes and obtain any required permits. We provide limited assistance to help you or your contractor construct, remodel, or decorate the premises. (Franchise Agreement, Section 9.1).

7. We provide assistance in the type and number of employees that should be hired. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees. (Franchise Agreement, Section 9.1).

Continuing Obligations.

After the opening of the Studio, we will:

1. Offer you advice, discuss problems, and offer general guidance by telephone and/or electronic correspondence, with respect to planning and operating the Studio. (Franchise Agreement, Section 14.1).

2. Make available to you ongoing training as we think necessary. (Franchise Agreement, Section 8.4).

3. Provide you with modifications to the Operations Manual as they are made available to franchisees. (Franchise Agreement, Section 9.2).

Except as expressly disclosed in this Item, we have no obligation to develop products or services you will offer to your customers, hire, or train your employees, improve, and/or develop your Studio, resolve operational problems encountered by you, or establish: (a) prices, or (b) administrative, bookkeeping, accounting, or inventory control procedures.

Advertising

Our advertising program for the products and services offered by TRAINING MATE studios currently consists of online advertising in certain targeted markets, as well as dissemination of promotional materials through networking at the local and regional level. Our advertising materials currently are created in-house and with the help of an outside advertising agency. You will have access to all of our marketing and advertising templates. You may develop your own advertising and marketing materials, at your own expense, subject to the requirements described below.

We must approve all of your promotional and marketing materials before you use them. To obtain approval, you must submit to us samples of the proposed materials and notify us of the intended media. We will use good faith efforts to approve or disapprove your materials within fifteen days from the date we receive them. You may not use the materials until they are expressly approved by us, and we have the right to disapprove materials that we have previously approved. Approval, if granted, will remain in effect until you receive notice from us to discontinue further use. We must also approve all of your promotional and marketing programs, events, and all other related activities before their implementation. To obtain approval, you must submit a detailed outline of all proposed promotional and marketing activities, as well as all other information we may reasonably request. Once we have received the requested information, we will use good faith efforts to approve or disapprove your proposed promotional activities within five days.

*Advertising or Marketing Fund*

We do not require that you contribute any amounts to an advertising or marketing fund. Nor do we reserve the right to establish an advertising or marketing fund at any time during the term of your Franchise Agreement.

*Marketing Fee*

We impose and collect a Marketing Fee of 2% of Gross Revenue which compensates us for certain marketing and promotional activities such as the creation and production of promotional materials, third party marketing supplier expenses, or supporting in-house marketing efforts, including salary expenses. While we have no contractual obligation to do so, it is our intent to spend Marketing Fee monies, or an equivalent amount, on regional and national brand development. We do not guarantee that you will benefit from the Marketing Fee in proportion to your Marketing Fee payments. Marketing Fee payments are not contributions to a fund as we do not maintain.

Marketing Fee monies will not be held in a trust or escrow account, nor do we have any contractual obligation to account for Marketing Fee monies separately, and we will not have any fiduciary obligations to you with respect to the Marketing Fee. We will determine the use of the Marketing Fee monies. If Marketing Fee monies are not spent in the fiscal year in which they accrue then, as these amounts are general operating funds, we may spend such monies as we deem appropriate. We will not be required to spend any particular amount on marketing, advertising, or promotion in your Studio's market area, nor any pro rata amount based upon your Marketing Fee payment.

As Marketing Fee payments are not contributions to a fund, and we do not maintain or administer any such marketing related fund, we have no fund to audit nor do we disclose fund expenditure breakdowns by percentage in the categories of production, media placement, administrative expenses, and other uses. Also, as we have no fund, company owned studios are not required to contribute to a fund, however, company owned studios do contribute to system marketing expenditures.

*Grand Opening Expenditure*

You must spend at least $10,000 to promote the opening of your Studio. You must begin spending this amount at least three months prior to the projected opening date to conduct an initial promotional campaign in accordance with our standards and specifications. You must also conduct all grand opening activities in accordance with our grand opening marketing plan which we will work with you to develop for your market area. This grand opening expenditure amount is in addition to your local marketing expenditure requirement.

*Relaunch Fee for Additional Sales Training*

In the event you have not signed up at least 125 members by the end of your first four weeks in operation, we can require that you pay a Relaunch Fee of $2,500 to us and, in exchange, we will provide you with additional sales training. The Relaunch Fee is in addition to your local marketing expenditure amount.

*Local Marketing Expenditure*

You must spend at least $2,500 per month on local advertising pursuant to our guidelines to promote your Studio in your market area. All local advertising and promotion by you must be conducted in the media, type and format that we previously approve, must be conducted in a dignified manner, and must conform to the standards and requirements described in the Manuals or otherwise in writing. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law.

At our request, you must furnish to us, any evidence we may reasonably require concerning the nature and amount of your expenditures for local advertising. If you don't spend this minimum required amount, we

may: (i) require that you pay the difference to us, and/or (ii) that you pay this amount directly to us on an ongoing basis, where in both cases we will spend this amount in your market.

*Advertising Council and Advertising Cooperatives*

We do not have an advertising council composed of franchisees that advise us on advertising policies at this time, but reserve the right to form one in the future. We do not require you to participate in a local or regional advertising cooperative, nor do we reserve the right to establish local or regional cooperatives during the term of your Franchise Agreement.

You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website that provides information about the System and our franchises. All information posted on our website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our website. You are not permitted to use a domain name containing our marks in the URL.

Computer Hardware and Software

You must purchase and use any hardware and software programs we designate. Presently, we require you to purchase the following hardware and software:

| **Hardware** |
|---|
| One desktop or laptop computer, printer/ scanner/ copier, POS system hardware, two iPads |
| **Software** |
| Mariana Tek POS and Credit Card Processing System; QuickBooks Online |

The approximate cost of both hardware and software ranges from $3,000 to $4,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You must maintain your computer systems in good working order and must replace, update, or upgrade your hardware systems as we require. There is no contractual limitation on the frequency or cost of such maintenance duties. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately $500.

We have, and you are required to provide, independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You also must provide to us 24-hour access to any video surveillance video stream via approved equipment. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Studio and any other operations taking place through your Studio. There are no contractual restrictions on our right to access your data.

Site Selection and Opening.

*Site Selection*

We provide site selection criteria to you to assist you in locating a site for the Studio. We do not generally own the premises and lease it to you. We consider the following factors when reviewing a proposed site:

(i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other franchised or affiliate locations, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage. (Franchise Agreement, Section 8.2).

You must secure a location for the Studio within your Site Selection Area within 120 days of the signing of the Franchise Agreement; this includes the requirement of obtaining our approval for your selected location. We will generally approve or deny your selected location within 15 days, but we maintain the right to take additional time if circumstances demand it. In addition, you must sign the lease or otherwise secure the legal right to occupy the location, meeting all the state and local specifications, within 15 days following our approval of such location. If you and we do not agree on a selected site in the permitted time, we can allow you more time or terminate the Franchise Agreement.

For franchisees under Area Development Agreements, we use the same site selection assistance procedures and timing for each additional unit franchise agreement you enter into with us as part of the Area Development Agreement.

*Typical Length of Time Before Operation*

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is approximately 180 to 240 days. Factors that may affect your beginning operations include the ability to secure permits, perform the buildout, obtain and install furniture, fixtures, and equipment, and hire and train employees. You must open your Studio and be operational within one year from executing the Franchise Agreement. If you fail to secure a location by the deadline, we may terminate the Franchise Agreement. Nonetheless, we reserve the right to grant extensions at our sole and absolute discretion, however we are in no way obligated to consider such extensions.

Training

We provide you with an initial training program before you commence operations, covering the areas identified in the below table. Up to two individuals may attend the training program without a fee, however, your Designated Principal must be one of the two attendees. The time frames provided in the chart are estimates of the time it will take to complete training. We do not charge for the initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. If at any time you replace your Designated Principal, you must ensure that their replacement attends and successfully completes our training program at your expense. You will be charged for additional training, as provided for in Item 6. Your Studio must at all times either be under the general supervision of your Operating Principal and under the full time day-to-day supervision of your Key Manager, or by such other approved manager who has been trained by your Operating Principal or Key Manager.

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location (Note 1) |
|---|---|---|---|
| Introduction to Training Mate | 4 hours | 6 hours | Studio/Santa Monica |
| Understanding Training Mate & its Services | 4 hours | 8 hours | Studio/Santa Monica |
| Trainer Training and Recruitment | 4 hours | 12 hours | At home/Studio |
| Billing and Collection Procedures | 2 hours | 0 hours | Studio/Santa Monica |
| HR Compliance | 8 hours | 0 hours | At home/Studio |

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location (Note 1) |
|---|---|---|---|
| Bookkeeping | 2 hours | 0 hours | With Accountant |
| Community Building B2B | 2 hours | 0 hours | Studio/Santa Monica |
| Marketing and Advertising | 2 hours | 2 hours | At home/Studio |
| **Totals** | **28 Hours** | **28 Hours** | |

Note 1- Training Location- This training is offered at the locations indicated in the table above.

All persons attending the initial training program must complete the program to our satisfaction. If you cannot complete the program to our satisfaction, we may terminate the Franchise Agreement.

The following instructor teaches our initial training program: Luke Milton. We describe the nature of Luke Milton's experience in Item 2 above.

We set forth the length of the instructor's experience in the industry and with the franchisor below:

| Instructor | Years of Experience in the Field | Years of Experience with the Franchisor* |
|---|---|---|
| Luke Milton | 9 | 9 |

*Includes years of experience with any of our affiliates.

The principal instructional materials will consist of the Operations Manual.

*Train the Trainer*

We do require that all fitness instructors who will be conducting classes at your Studio attend and complete our trainer-specific training program. This training program is provided at either Dallas, Texas or Santa Monica, California and our current registration fee per training is $250 per attendee, plus any attendance-related expenses you incur such as salary, travel, board, meal, and incidentals. The training program duration is approximately four hours. Fitness instructor training requirements do not count towards the limit of two required additional training program events per year (see *Additional Training* below).

If you own and operate more than two Studio locations, we may offer to you a certified trainer course for certain experience Studio trainers who, on completion of such training program, can thereafter train your Studio trainers. We also reserve the right to make our certified trainer course voluntary or mandatory.

*Additional Assistance*

We may provide additional assistance or retraining or refresher courses that you request and we agree to provide or that we require at a cost to you based on our then current daily fee for our personnel performing such assistance, plus other reasonable expenses, including all travel, lodging, and dining costs. We may require additional training if you are in default or if you fail to pass certain inspections.

*Additional Training*

We have the right to charge for additional training provided, including: (i) initial training provided to persons repeating or replacing a person who did not pass initial training; (ii) initial training for subsequent trainees; and (iii) periodic additional training we may provide or require, including our annual convention. Required additional training may be applicable in cases of default and/or failure to pass inspections. You are responsible for the travel, lodging, and dining costs, wages, and other expenses incurred by your trainees as well as any tuition we may set. We will only require that you attend a maximum of two additional training events per year. Additional training shall be at a cost of $250 per person per day if at our location, or $500 per person per day if the training is at your location (plus costs of travel, board, meal, and incidentals). Our

current registration fee for our annual conference is $850 for up to two attendees, plus your costs for travel, board, meal, and incidental expenses.

## ITEM 12
## TERRITORY

Franchise Agreement

You will operate the Studio at a location that we have accepted, and may relocate the Studio only with our prior written consent. You will secure a location for your Studio from within a defined Site Selection Area.

When the Studio location is identified, we will mutually agree on a "Territory," which will also be identified in Schedule 2 to the Franchise Agreement. Your Territory will be described in terms of identifiable boundaries, such as ZIP Codes, streets, county lines, rivers, etc. A Territory will typically include a 3-mile radius measured from the front door of the Studio's location; however, this area may be smaller for Studios located in high density urban areas. If we do not mutually agree on a Territory and supplement the Franchise Agreement in Schedule 2, the Territory will consist of your Studio location.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises. Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

Unless approved by us, all membership sales must be made face-to-face, although you may solicit membership sales within your Territory by mail, telemarketing (so long as you abide by the no-call lists) or other non-face-to-face basis. You may solicit, advertise, and accept memberships online or outside your Territory only with our prior written approval or according to our then-current policies. There are no other restrictions on your right to solicit or accept memberships inside or outside of your Territory. You may not sell merchandise or services through other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. During the term of your Franchise Agreement, however, neither we nor our affiliates will develop or operate, or grant to anyone else the right to develop or operate, a TRAINING MATE studio physically located in the Territory (except Special Sites described below). We and our affiliates have the right to develop and operate and grant others the right to develop and operate TRAINING MATE studios outside the Territory, regardless of their proximity to the Territory or any negative impact they may have on your Studio.

We and our affiliates also have the right to develop and operate, and grant others the right to develop and operate, fitness clubs and other businesses under a different trademark within and outside the Territory which may be similar to or competitive with TRAINING MATE studios.

Certain locations are by their nature unique and separate in character from sites generally developed as TRAINING MATE studios ("Special Sites"). These Special Sites are excluded from the Territory and we have the right to develop, license or franchise studios at these locations within or outside your Territory: (1) military bases; (2) public transportation facilities, including, without limitation, airports, railway stations, limited access highway travel plazas and other transportation terminals; (3) sports facilities; (4) student unions or other similar buildings on college or university campuses; (5) hotels, resorts or similar short-term lodging; (6) apartment or condominium complexes; and (7) corporate office buildings or office parks.

We reserve to ourselves all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell or distribute items such as training videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other

trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee. These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale or the internet (or any other existing or future form of electronic commerce). For instance, we currently offer online member enrollment through www.trainingmate.com. Our reserved rights also include the right for us or our affiliates to provide and to license third parties to programs developed by or for us or our affiliates, at host locations (such as apartments, condo associations, corporate office buildings, schools, community centers and other gyms and fitness centers).

There are no restrictions on our rights to solicit or accept orders inside or outside of your Territory. We are not required to compensate you for soliciting or accepting orders in the Territory.

Continuation of your Territory does not depend on the achievement of a certain sales volume, market penetration or other contingency. You do not have any right to sublicense or sub-franchise within or outside of the Territory. You do not receive the right to acquire additional franchises within or outside of your Territory (although we may allow you to open another club if you sign another Franchise Agreement with us and meet our requirements).

We may also unilaterally modify your Territory if you relocate your Studio with our approval. Other than described above, we have no right to modify your territorial rights except by mutual written consent of the parties.

You may relocate your Studio under certain circumstances, as is stated in Section 5.7 of the Franchise Agreement.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark where such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of TRAINING MATE Studios at sites within a specified Development Area. The Development Area will be identified on Attachment A to the Development Agreement, and may be described in terms of cities, counties, states, or some other designation. We do not grant you any options or rights of first refusal to acquire additional development areas.

During the term of the Development Agreement, we will not own or operate, or grant anyone else the right to operate, a TRAINING MATE Studio within the Development Area, except in Special Sites. We reserve to ourselves all other rights, including the right: (a) to own and operate and to grant others the right to own and operate Studios outside the Development Area, regardless of their proximity to the Development Area; (b) to own and operate and grant others the right to own and operate TRAINING MATE Studios, and license the use of the Marks and System, in "Special Sites" within and outside the Development Area; and (c) the right to distribute products and services identified by the Marks, such as TRAINING MATE branded clothing, souvenirs, and novelty items, through alternative channels of distribution including wholesale sales, retail stores, supermarkets, and/or Internet sales.

Nothing in the Development Agreement prohibits us from (a) owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (*i.e.*, a mark other than "TRAINING MATE"), whether or not the business is the same as or competitive with TRAINING MATE Studios; or (b) owning, operating, or franchising one or more businesses offering products or services other than those provided at TRAINING MATE Studios under the name "TRAINING MATE" or some derivative of the Marks. We are not required to compensate you if we exercise any of the rights specified above inside your Development Area.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, we may (i) terminate or modify any territorial protections granted to you under

the Development Agreement, (ii) eliminate, modify, or reduce the size of the Development Area, or (iii) reduce the number of Studios which you may establish under the Development Schedule. There are no other circumstances that permit us to modify your territorial rights under the Area Development Agreement. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional TRAINING MATE Studios anywhere, without restriction, including in your Development Area, subject to the rights granted to you in the Territory established under any then-existing Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees or company-owned businesses adjacent to your Development Area or from other channels of distribution or competitive brands that we control.

## ITEM 13
## TRADEMARKS

The franchise agreement licenses to you the right to use the following principal trademarks ("Marks") registered or applied for with the U.S. Patent and Trademark Office ("USPTO"):

| Description of Mark | Registration Number | Register of the USPTO | Registration Date |
|---|---|---|---|
| TRAINING MATE (standard character) | 4,676,7179 | Principal | January 20, 2015 |
| (logo design) | 6,032,812 | Principal | April 14, 2020 |

We have filed all required affidavits and renewals.

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

We know of no infringing or prior superior uses that could materially affect the use of the Marks.

You do not receive any rights to the Marks other than the right to use them in the operation of your Studio. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the Studio. You cannot use any Mark or portion of any Mark as part of any business entity name. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us in writing when you learn about any claim of infringement, unfair competition, or similar claims about the Marks. You must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so.

However, you may communicate with your own counsel at your own expense. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative or judicial proceeding involving a trademark licensed by us. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorable to you. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your Studio for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

## ITEM 14
## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Operations Manual, our website, our marketing materials, training manuals or videos, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Studio and you must stop using them if we direct you to do so.

We do not have an obligation to protect the copyrights or to defend you against claims arising from your use of the copyrighted items. You must notify us if any claim for copyright infringement is brought against you over materials in which we claim a copyright. We have the right to control litigation over our copyrights. We are not required to participate in your defense or indemnify you for expenses and damages in a proceeding involving a copyright licensed to you. Your rights in the franchise agreement would continue if we require you to modify or discontinue using the subject matter covered by the copyright.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Training Mate Studio. We will provide our trade secrets and other confidential information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your Studio. You may only divulge trade secrets and/or other confidential information to employees who must have access to it to operate the Studio. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure agreements in a form the same as or similar to the Nondisclosure Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the Studio and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement.

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

You must designate an Owner as your "Designated Principal." The Designated Principal must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. In addition, you must appoint at least one trained manager (the "Key Manager") to manage the full time day-to-day business of your Studio, who may also be the Operating Principal.

While you have the right to select any Key Manager, we retain the right to accept or reject any proposed individual or entity as the Designated Principal. You will be responsible for the compensation to any individual or entity you contract to act as the Key Manager of the Studio. We maintain the right to require any approved Designated Principal to attend and satisfactorily complete our initial training program before opening the Studio. You must keep us informed at all times of the identity of your Designated Principal. If you must replace the Designated Principal, the replacement individual must be approved by us within 60 days, such approval not to be unreasonably withheld – we may additionally require such replacement Designated Principal attend and successfully complete our training program at your expense. To the extent you replace your Key Manager, you will be responsible for their training, however you may elect to send your Key Manager to us for training, provided, however, that you will be responsible for our training fees and travel-related expenses incurred in sending your Key Manager to us for training.

As described in Item 14, certain individuals associated with your Studio, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees, and staff may be required to sign nondisclosure agreements the same as or similar to the Nondisclosure Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a business entity, any person or entity who owns a direct or indirect beneficial interest in you must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement and be personally bound by the terms of the Franchise Agreement by signing the Guaranty and Assumption of Obligations attached to the Franchise Agreement.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all the services and products we specify. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may disapprove of. We may take action, including terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not be unreasonably disproportionate to your initial investment.

You may solicit and accept memberships within your Territory. We may periodically negotiate contracts with corporations, affinity groups and insurance plans that will require that certain terms or discounts be offered to members of that corporation, affinity group or insurance plan by all franchisees at all locations ("**National Accounts**"). You must provide the special terms and/or discounts to these National Accounts. You are not otherwise limited in the customers to whom you may sell products or services.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your Studio.

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

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the franchise agreement attached to this Disclosure Document.**

### FRANCHISE AGREEMENT

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of Franchise Term | Section 4.1 | The initial term is 10 years |
| b. Renewal or Extension of Term | Section 4.2 | You have the right to renew for two additional terms of five years by entering into a then current franchise agreement with us, which may contain materially different terms and conditions that your original franchise agreement. You must pay the renewal fee. If you do not meet the conditions, we may refuse to renew or extend the terms of your Franchise Agreement. |
| c. Requirements for Franchisee to Renew or Extend | Section 4.2 | You may renew the Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us or any of our affiliates; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, with materially different terms and conditions than your original Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; sign a general release (subject to applicable state law) in a form we proscribe, and pay a renewal fee. |
| d. Termination by you | Section 16.1 | You may terminate the Franchise Agreement upon (1) our mutual agreement; (2) non-renewal; (3) a sale pursuant to |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | the terms of this Agreement; or (4) under any ground permitted by law. |
| e. Termination by Franchisor without Cause | Not Applicable | Not Applicable |
| f. Termination by Franchisor with Cause | Section 16.2 | We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. |
| g. "Cause" Defined – Curable Defaults | Section 16.2.2 | If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults that require cure in a shorter time and non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. |
| h. "Cause" Defined – Non-Curable Defaults | Sections 4 and 16.2.1 | We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely establish, equip and begin operations of the Studio; fail to satisfactorily complete training; fail to maintain all required professional licenses, permits and certifications for more than 5 business days; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Studio; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the Studio; use the Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, other executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure agreements or, if requested, fail to provide us with copies of all signed nondisclosure; abandon the Studio for 5 or more consecutive days; surrender or transfer control |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | of the Studio in an unauthorized manner; fail to maintain the Studio under the supervision of a Designated Manager following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 2%; are insolvent; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the Studio in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the franchise agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement. However, we may not terminate franchise agreements already in place solely for a breach of the ADA. |
| i. Franchisee's Obligations on Termination/Non-Renewal | Section 17.1 | If the Franchise Agreement is terminated or not renewed, you must: stop operating the Studio; stop using any trade secrets, confidential information, the System and the Marks; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. |
| j. Assignment of Contract by Franchisor | Section 18.1 | There are no restrictions on our right to assign our interest in the Franchise Agreement. |
| k. "Transfer" by Franchisee – Definition | Section 18.2 | "Transfer" includes transfer of an interest in the franchise, the Franchise Agreement or the Studio's assets. |
| l. Franchisor's Approval of Transfer by Franchisee | Section 18.2 | You may not transfer your interest in any of the items listed in (k) above without our prior written consent. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the requirements in FA Section 18.2 (a)-(m). |
| m. Conditions for Franchisor Approval of Transfer | Section 18.2 | We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release (subject to applicable state law) in a form we proscribe; the prospective transferee meets our business and financial standards; the |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure Agreement attached to the Franchise Agreement; and the transferee has agreed that it will complete the initial training program before assuming management of the Studio. |
| n. Franchisor's Right of First Refusal to Acquire Franchisee's Franchised Business | Section 19 | We may match an offer for your Studio or an ownership interest you propose to sell. |
| o. Franchisor's Option to Purchase Franchisee's Franchised Business | Section 17.4 | Except as described in (n) above, we do not have the right to purchase your Studio; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Studio for book value. |
| p. Death or disability of Franchisee | Section 18.5 | After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement. |
| q. Non-Competition Covenants During the Term of the Franchise | Section 7.3 | You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff, and employees are prohibited from: attempting to divert any business or customer of the Studio to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business. |
| r. Non-Competition Covenants After the Franchise is Terminated or Expires | Section 17.2 | For 2 years after the termination or expiration of the Franchise Agreement, you may not offer competitive business services within 25 miles of any other franchised outlet, or of any other Franchisor owned business; or solicit or influence any of our customers or business associates to compete with us or terminate their relationship with us. Subject to applicable state law. |
| s. Modification of the Agreement | Sections 9.2, 22.7, and 22.8 | The Franchise Agreement can be modified only by written agreement between you and us. We may modify the |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | Operations Manual without your consent if the modification does not materially alter your fundamental rights. |
| t. Integration/Merger Clause | Section 22.7 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). No other representations or promises will be binding. Nothing in the Franchise Agreement, or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document. |
| u. Dispute Resolution by Arbitration or Mediation | Section 23.9; Schedules 2 and 3 | You must mediate claims against us (subject to applicable state law). |
| v. Choice of Forum | Section 23.2; Schedules 2 and 3 | Any mediation or litigation must be pursued where our headquarters are located (subject to applicable state law). |
| w. Choice of Law | Section 23.1; Schedules 2 and 3 | Except as to claims governed by federal law, the law of the state where we are headquartered applies (subject to applicable state law). |

**AREA DEVELOPMENT AGREEMENT**

| Provision | Section in Area Development Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 6.1 | The term begins on the effective date and ends on the earlier of the date you open the last Studio you are required to open under your Development Schedule or the expiration of your Development Schedule. |
| b. Renewal or extension of the term | Not Applicable | Not Applicable |
| c. Requirements for franchisee to renew or extend | Not Applicable | Not Applicable |
| d. Termination by franchisee | Not Applicable | These provisions are subject to state law. |
| e. Termination by franchisor without cause | Not Applicable | Not Applicable |
| f. Termination by franchisor with cause | Section 6.2 | We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart. |

| Provision | Section in Area Development Agreement | Summary |
|---|---|---|
| g. "Cause" defined—curable defaults | Section 6.2 | We may terminate the Development Agreement if you fail to meet your development obligations under the Development Agreement during the Development Period (including any monetary default) and you fail to cure such default within 30 days of receiving notice. |
| h. "Cause" defined—non-curable defaults | Section 6.2 | We may terminate the Development Agreement if you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Studio within the Development Area; you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; and any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement. |
| i. Developer's obligations on termination/non-renewal | Not Applicable | Not Applicable |
| j. Assignment of contract by franchisor | Section 8 | We have the right to transfer or assign the Development Agreement and all or any part of our rights, duties or obligations to any person or legal entity without your consent. |
| k. "Transfer" by developer—defined | Section 8 | Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement. |
| l. Franchisor approval of transfer by developer | Section 8 | You may not transfer any rights or obligations under the Development Agreement without our prior written consent. |
| m. Conditions for franchisor approval of transfer | Not Applicable | Not Applicable |
| n. Franchisor's right of first refusal to acquire developer's business | Not Applicable | Not Applicable |

| Provision | Section in Area Development Agreement | Summary |
|---|---|---|
| o. Franchisor's option to purchase developer's business | Not Applicable | Not Applicable |
| p. Death or disability of developer | Not Applicable | Not Applicable |
| q. Non-competition covenants during the term of the franchise | Not Applicable | Not Applicable |
| r. Non-competition covenants after the franchise is terminated or expires | Section 8.2 | Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement. |
| s. Modification of the agreement | Section 27 | Your Development Agreement may not be modified, except by a writing signed by both parties. |
| t. Integration/merger clause | Section 27 | Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Sections 12 and 13 | Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for collection actions or actions seeking injunctive or extraordinary relief.<br>Disputes, other than those for collections or injunctive or extraordinary relief, or those not otherwise resolved by mediation may be brought in any court of competent jurisdiction in accordance with the terms of the Development Agreement. |
| v. Choice of forum | Sections 13.1 and 14 | Mediation at the agreed-to mediator's offices in the city in which we maintain our principal place of business at the time the mediation is initiated.<br>Venue for collection actions or actions for injunctive or extraordinary relief may be brought in any court of competent jurisdiction (subject to applicable state law); venue for all other actions must be initiated and litigated in the county in which Franchisor's principal place of business is located at the time of such action. |
| w. Choice of law | Section 11 | The law of Texas, unless the law of the State in which you reside will render a provision unenforceable under Texas law enforceable under your State law; subject to state law. |

## ITEM 18
## PUBLIC FIGURES

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

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

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

**2024 First Quarter and 2023 Calendar Year**
**Gross Revenues, Membership Revenues, and Number of Members for Affiliate-Owned and Franchise Studios**

As of the end of the 2023, we had four affiliate-owned and two franchised studios which had operated for full year and one franchised studio which had operated for part of the year. Below are the Gross Revenues, revenues from each of these studios, as well as other related information:

**2024 – First Quarter of Calendar Year**
**Gross Revenues, Membership Revenues and Number of Members**

| Studio City, CA (Affiliate-Owned) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $77,459 | $84,119 | $94,486 | $256,064 |
| **Membership Revenue** | $46,263 | $55,478 | $56,351 | $158,092 |
| **Membership Revenue As % of Gross Revenue** | 59.73% | 65.95% | 59.64% | 61.74% |

| West Hollywood, CA (Affiliate-Owned) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $62,257 | $69,299 | $69,221 | $200,777 |
| **Membership Revenue** | $32,630 | $39,725 | $39,674 | $112,029 |
| **Membership Revenue As % of Gross Revenue** | 52.41% | 57.32% | 57.31% | 55.80% |

| Santa Monica, CA (Affiliate-Owned) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $46,182 | $45,721 | $50,575 | $142,478 |
| **Membership Revenue** | $17,138 | $21,391 | $24,387 | $62,916 |
| **Membership Revenue As % of Gross Revenue** | 37.11% | 46.79% | 48.22% | 44.16% |

| Dallas, TX (Affiliate-Owned) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $56,064 | $61,993 | $63,620 | $181,677 |
| **Membership Revenue** | $23,056 | $31,761 | $31,564 | $86,381 |
| **Membership Revenue As % of Gross Revenue** | 41.12% | 51.23% | 49.61% | 47.55% |

| Redondo Beach, CA (Franchised) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $19,794 | $22,731 | $22,966 | $65,491 |
| **Membership Revenue** | $11,757 | $14,783 | $13,733 | $40,273 |
| **Membership Revenue As % of Gross Revenue** | 59.40% | 65.03% | 59.80% | 61.49% |

| Glendale, CA (Franchised) 2024 Q1 | | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Total** |
| **Gross Revenue** | $37,350 | $43,059 | $47,980 | $128,389 |
| **Membership Revenue** | $27,836 | $33,003 | $32,881 | $93,720 |
| **Membership Revenue As % of Gross Revenue** | 74.53% | 76.65% | 68.53% | 73.00% |

## 2023 Calendar Year
## Gross Revenues, Membership Revenues and Number of Members

| Studio City, CA (Affiliate-Owned) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | $65,848 | $73,611 | $98,377 | $78,232 | $104,336 | $80,985 | $87,123 | $77,517 | $106,653 | $82,228 | $99,135 | $65,220 | $1,019,265 |
| **Membership Revenue** | $35,049 | $44,544 | $51,010 | $46,244 | $45,613 | $50,994 | $49,981 | $43,674 | $55,680 | $53,064 | $47,329 | $40,779 | $563,961 |
| **Membership Revenue As % of Gross Revenue** | 53.23% | 60.51% | 51.85% | 59.11% | 43.72% | 62.97% | 57.37% | 56.34% | 52.21% | 64.53% | 47.74% | 62.53% | 55.33% |

| West Hollywood, CA (Affiliate-Owned) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | $49,017 | $53,463 | $62,262 | $58,483 | $70,167 | $52,212 | $63,247 | $55,301 | $74,226 | $62,519 | $66,963 | $49,174 | $717,034 |
| **Membership Revenue** | $21,183 | $32,729 | $32,510 | $31,930 | $29,190 | $27,781 | $32,003 | $27,470 | $34,907 | $34,008 | $31,754 | $31,754 | $367,219 |
| **Membership Revenue As % of Gross Revenue** | 43.22% | 61.22% | 52.21% | 54.60% | 41.60% | 53.21% | 50.60% | 49.67% | 47.03% | 54.40% | 47.42% | 64.57% | 51.21% |

| Santa Monica, CA (Affiliate-Owned) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | $47,103 | $54,434 | $64,836 | $56,732 | $68,347 | $56,879 | $58,405 | $56,279 | $57,408 | $51,402 | $59,534 | $37,592 | $668,951 |
| **Membership Revenue** | $19,638 | $25,789 | $26,375 | $27,072 | $26,874 | $25,507 | $27,435 | $22,910 | $23,643 | $23,474 | $18,731 | $15,658 | $283,106 |
| **Membership Revenue As % of Gross Revenue** | 41.69% | 47.38% | 40.68% | 47.72% | 39.32% | 44.84% | 46.97% | 40.71% | 41.18% | 45.67% | 31.46% | 41.65% | 42.32% |

| Dalla, TXs (Franchised) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | $22,564 | $32,662 | $37,995 | $35,907 | $41,634 | $39,168 | $45,396 | $57,377 | $62,021 | $54,483 | $59,857 | $50,368 | $539,432 |
| **Membership Revenue** | $11,198 | $16,937 | $18,622 | $19,800 | $17,338 | $19,036 | $21,394 | $23,201 | $27,898 | $29,245 | $26,972 | $27,528 | $259,169 |
| **Membership Revenue As % of Gross Revenue** | 49.63% | 51.86% | 49.01% | 55.14% | 41.64% | 48.60% | 47.13% | 40.44% | 44.98% | 53.68% | 45.06% | 54.65% | 48.04% |

| Redondo Beach, CA (Franchised) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | $10,068 | $11,573 | $18,188 | $16,239 | $21,054 | $15,424 | $16,983 | $18,111 | $23,824 | $24,122 | $23,483 | $17,564 | $216,633 |
| **Membership Revenue** | $7,900 | $8,541 | $10,187 | $11,865 | $11,349 | $10,379 | $11,372 | $10,656 | $13,627 | $13,226 | $12,839 | $10,790 | $132,731 |
| **Membership Revenue As % of Gross Revenue** | 78.47% | 73.80% | 56.01% | 73.06% | 53.90% | 67.29% | 66.96% | 58.84% | 57.20% | 54.83% | 54.67% | 61.43% | 61.27% |

| Glendale, CA (Franchised) 2023 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Total** |
| **Gross Revenue** | - | - | - | - | - | - | - | $32,258 | $40,116 | $42,982 | $42,506 | $34,635 | $192,497 |
| **Membership Revenue** | - | - | - | - | - | - | - | $25,375 | $32,068 | $31,887 | $28,951 | $26,471 | $144,752 |
| **Membership Revenue As % of Gross Revenue** | - | - | - | - | - | - | - | 78.66% | 79.94% | 74.19% | 68.11% | 76.43% | 75.20% |

**Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.**

Notes:

Note 1. There are no material operational differences between the affiliate-owned studios and franchised studios. Of the affiliate-owned studios, Studio City has operated since 2016, West Hollywood has operated since 2013, and Santa Monica has operated since 2018, and Dallas has operated since August 2022. Of the franchised studios, Redondo Beach has operated since January 2022, and Glendale has operated since August 2023.

Note 2. The term "Gross Revenue" means all revenue derived from all goods and services sold by, from, or relating to the Studio, less refunds to customers and discounts; returns to shippers, vendors, or manufacturers; sales of fixtures, furniture, or equipment after being used in the operation of the Studio; and sales tax. For purposes of this Item 19, however, personal training revenue has been excluded from Gross Revenue amounts.

Note 3. The term "Membership Revenue" means the portion of Gross Revenue derived specifically from recurring membership fees.

Written substantiation for this financial performance representation is available to you upon reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Luke Milton, 3858 Oak Lawn Avenue, Suite 430, Dallas, Texas 75219, phone number: 323-380-5492; 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 | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | +1 |
| | 2023 | 1 | 2 | +1 |
| Company-Owned* | 2021 | 3 | 3 | 0 |
| | 2022 | 3 | 4 | +1 |
| | 2023 | 4 | 4 | 0 |
| Total Outlets | 2021 | 3 | 3 | 0 |
| | 2022 | 3 | 5 | +2 |
| | 2023 | 5 | 6 | +1 |

*Company-Owned refers to outlets run by our Affiliates.

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For Years 2021 to 2023**

| State | Year | Number of Transfers |
|---|---|---|
| All States | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 0 |
| Total | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 0 |

**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 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Total | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |

**Table No. 4**
**Status of Company Owned Outlets**
**For Years 2021 to 2023***

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| California | 2021 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| Texas | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 2021 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 1 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 4 |

*Company-Owned refers to outlets run by our Affiliates.

**Table No. 5**
**Projected New Franchised Outlets**
**As of December 31, 2023**

| State | Franchise Agreements Signed But Outlet Not Open | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| California | 1 | 1 | 0 |
| Texas | 2 | 1 | 0 |
| Total | 3 | 2 | 0 |

Exhibit G-1 contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit G-2 contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

## ITEM 21
## FINANCIAL STATEMENTS

Exhibit F contains the following financial statements:

1. Our unaudited financial statements including our balance sheet as of April 30, 2024 and our profit and loss statement for the period beginning January 1, 2024 through April 30, 2024; and
2. Our audited financial statements as of December 31, 2023, December 31, 2022, and May 4, 2022.

Our fiscal year end is December 31.

## ITEM 22
## CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit C Franchise Agreement
- Schedule 1-General Release
- Schedule 2-Authorized Location, Opening Deadline, and Territory
- Schedule 3- Guaranty and Assumption of Obligations
- Schedule 4-Lease Addendum
- Schedule 5-ACH Payment Agreement
- Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors
- Schedule 7- Nondisclosure Agreement
- Schedule 8- Membership Contract Assignment Agreement
- Schedule 9-State Addenda to the Franchise Agreement

Exhibit E Area Development Agreement
- Attachment A-Development Area and Development Schedule

Attachment B-Entity Information
Attachment C-Personal Guaranty and Undertaking

Exhibit H Franchisee Disclosure Questionnaire

## ITEM 23
## RECEIPTS

Exhibit K contains our copy and your copy of the Disclosure Document Receipts. Please return one copy to us and retain the other for your records.

**EXHIBIT A**
**LIST OF STATE ADMINISTRATORS**

| | |
|---|---|
| **CALIFORNIA**<br>Department of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013<br>(866) 275-2677 | **NORTH DAKOTA**<br>North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capitol, Fourteenth Floor, Dept. 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |
| **HAWAII**<br>Commissioner of Securities of the State of Hawaii<br>Dept. of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **RHODE ISLAND**<br>Department of Business Regulation<br>Securities Division<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, Rhode Island 02920<br>(401) 462-9585 |
| **ILLINOIS**<br>Franchise Bureau<br>Office of the Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465 | **SOUTH CAROLINA**<br>Office of the Secretary of State<br>1205 Pendleton Street<br>Edgar Brown Building, Suite 525<br>Columbia, South Carolina 29201 |
| **INDIANA**<br>Securities Commissioner<br>Indiana Securities Division<br>302 West Washington St., Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681 | **SOUTH DAKOTA**<br>Department of Labor and Regulation<br>Division of Securities<br>124 S. Euclid, 2nd Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563 |
| **MARYLAND**<br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2021<br>(410) 576-6360 | **TEXAS**<br>Office of the Secretary of State<br>Statutory Document Section<br>1019 Brazos Street<br>Austin, Texas 78701 |
| **MICHIGAN**<br>Department of Attorney General<br>Consumer Protection Division<br>Franchising Unit<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1st Floor<br>Lansing, Michigan 48913<br>(517) 373-1837 | **VIRGINIA**<br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051 |
| **MINNESOTA**<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>Saint Paul, Minnesota 55101<br>(651) 539-1600 | **WASHINGTON**<br>Department of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760 |

| | |
|---|---|
| **NEW YORK**<br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St., 21st Floor<br>New York, New York 10005<br>(212) 416-8222 | **WISCONSIN**<br>Securities and Franchise Registration<br>Wisconsin Securities Commission<br>201 West Washington Avenue<br>Madison, Wisconsin 53703<br>(608) 266-3364 |

**EXHIBIT B**
**LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner<br>Department of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013<br>(866) 275-2677 (toll free) | **NEW YORK**<br>Secretary of State<br>99 Washington Avenue<br>Albany, New York 12231<br>(518) 473-2492 |
| **TEXAS**<br>Luke Milton<br>6139 Norway Road<br>Dallas, Texas 75230 | |

# EXHIBIT C

# FRANCHISE AGREEMENT

**TRAINING MATE FRANCHISING LLC**
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**
**SUMMARY PAGES**

**Effective Date:** _____
**Expiration Date:** _____

**Franchisee Information:**

Complete Business Name: _____
Address For Notices (Not a P.O. Box): _____
Email Address for Notices: _____
Designated Principal: _____
Telephone No.: _____
Mobile Phone: _____

**Site Selection Area:** _____
**Control Date:** _____

**Initial Franchise Fee:**

☐ $50,000 (First Studio)
☐ $40,000 (Veteran's Discount – First Studio)
☐ $45,000 (Second or Subsequent Studio)
☐ $_____ credited from the Development Fee paid to Franchisor pursuant to an Area Development Agreement

**Royalty Fee:** 6% of Gross Revenues during first year in operation; and
7% of Gross Revenues for the remainder of the term

**Marketing Fee:** 2% of Gross Revenues

**Local Advertising Expenditure:** $2,500 per month

**Technology Fee:** Currently, $150 per month
(subject to change on written notice to you)

**Renewal Fee:** 25% of our then-current initial franchise fee

**Transfer Fee:** $1,000 for transfers for convenience of operation (see Section 18.2(e)); or
$5,000 for transfers among existing owners or transfer of a minority ownership interest (see Section 18.2(d)); or
30% of then-current initial franchise fee for transfer of a Controlling Interest to an existing System franchise (see Section 18.2(c)); or
50% of then-current initial franchise fee for transfer for of a Controlling Interest to a new franchisee (see Section 18.2(c)).

**Franchisor's Address for Notices:**
Training Mate Franchising LLC
Attn.: CEO
3858 Oak Lawn Avenue, Suite 430
Dallas, Texas 75219

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**TRAINING MATE FRANCHISING LLC**
**FRANCHISE AGREEMENT**

This FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of this _____ day of _____, 20___ (the "**Effective Date**"), by and between TRAINING MATE FRANCHISING LLC ("**Franchisor**," "**we**," "**us**," or "**our**") and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ _____ ("**Franchisee**," "**you**," or "**your**").

## RECITALS

WHEREAS, Franchisor has developed, and is in the process of further developing, a System identified by the service mark "TRAINING MATE" and relating to the establishment and operation of a fitness gym which offers a positive and motivating culture (each a "**studio**"); and

WHEREAS, in addition to the service mark "TRAINING MATE" and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and the Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a TRAINING MATE studio using the System and the Marks; and

WHEREAS, Franchisee desires to operate a TRAINING MATE® studio, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating Franchisee's studio (the "**Studio**") in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

## 1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"**Affiliate**" means any business entity that controls, is controlled by, or is under common control with Franchisor;

"**Agreement**" means this Franchise Agreement and all instruments attached and supplemental hereto and in amendment or confirmation hereof;

"**Competitive Business**" means: *(i)* any fitness studio (including, but not including a fitness studio that offers high intensity class-based fitness services or a business similar to TRAINING MATE studios) in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate, or TRAINING MATE franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a franchise agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest ; or *(ii)* any business granting franchises or licenses to others to operate the type of business specified in clause (i).

"**Confidential Information**" means technical and non-technical information used in or related to the TRAINING MATE Franchise and not commonly known by or available to the public, including, without limitation, Trade Secrets, methods and products, customer services techniques and other techniques and methodologies not generally known to the industry or public, and any other information identified or

labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure per this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

"**Effective Date**" means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

"**Electronic Depository Transfer Account**" means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

"**Franchise**" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"**Franchised Business**" means the TRAINING MATE studio to be established and operated by Franchisee per this Agreement and also referred to in this Agreement as the "Studio";

"**Gross Revenues**" means the aggregate of all revenue derived from all goods and services sold by you from or relating to the Studio, whether made for cash, on credit or otherwise, including the proceeds of your business interruption insurance, without reserve or deduction for inability or failure to collect. Gross Revenue includes but is not limited to membership revenue, both recurring dues and cash sales, insurance reimbursement, national programs, personal training sales, and retail sales, less refunds to customers and discounts. Gross Revenue does not include revenue received from: (1) returns to shippers, vendors, or manufacturers; (2) sales of fixtures, furniture, or equipment after being used in the conduct of the Studio; or (3) sales tax.

"**Incapacity**" means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Studio on a regular basis by reason death or of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"**Internet**" means any one or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

"**Marks**" means the service mark "TRAINING MATE" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with TRAINING MATE studios;

"**Operations Manual**" means the TRAINING MATE Operations Manual, whether in paper, digital, or other form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"**System**" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of a TRAINING MATE studio; and

"**Trade Secrets**" means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the operation of a TRAINING MATE studio that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can

obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## 2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS

### 2.1 Grant

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege to establish and operate a TRAINING MATE studio the ("**Studio**"), and Franchisee hereby accepts a franchise under the terms and conditions stated herein to operate a studio from the Authorized Location. Franchisee accepts the obligation to continuously operate the Studio, to operate the Studio in accordance with the terms of this Agreement.

Furthermore, Franchisor hereby grants to Franchisee the right and license, and Franchisee undertakes the obligation, subject to the terms and conditions of this Agreement (i) to operate a single TRAINING MATE Studio; (ii) to sell at retail authorized products and services at and from the Studio premises; (iii) to use the Marks in connection with operating and promoting the Studio; and (iv) the right to solicit memberships in the Territory. You may not solicit memberships online, in person or through advertising or other direct marketing method outside your Territory, except with our prior written approval and in strict accordance with our then-current policies and restrictions (which may include membership assignment policies).

The license granted by this Agreement does not include (i) any right to sell services and products identified by the Marks at any location other than the Authorized Location (as defined in Section 2.2 below), or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), catalog sales, telemarketing or other direct marketing; (ii) any right to sell services and products identified by the Marks to any person or entity for resale or further distribution; or (iii) except for the Territory described in Section 2.4., any right to exclude, control or impose conditions on Franchisor's development of future franchised, company or Affiliate-owned studios at any time or at any location.

### 2.2 Authorized Location

You must operate the Studio only at the location identified, or to be identified on Schedule 2 (the "**Authorized Location**"). If the Authorized Location is not known at the time this Agreement is signed, you must acquire an acceptable site for the Studio premises no later than the Control Date set forth in the Summary Page or, if no Control Date is included in the Summary Page, then by no later than 120 days from the Effective Date of this Agreement. On your acquisition of an acceptable site for the Studio premises, we will insert the Authorized Location, the Opening Date, and Territory's geographic description in Schedule 2. In the event no Schedule 2 is signed, the Opening Date will be one year from the Effective Date of this Agreement and the Territory will be the walls of the Authorized Location. You must identify a site for the Studio that meets our site selection criteria and that is located within the Site Selection Area identified on the Summary Page(see Section 5.1). You may not use the Studio premises or Authorized Location for any purpose other than the operation of a TRAINING MATE studio during the term of this Agreement.

### 2.3 Sub-Franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

### 2.4 Site Selection Area and Territory

The Site Selection Area identified on the Summary Page, if any, is the general location where you intend to secure a site for the Studio. The Site Selection Area is not exclusive to you and we may, at our

sole discretion, grant others the right to develop Studios in your Site Selection Area. The site must also meet our then-current site selection criteria, and must otherwise be mutually acceptable to you and to us. Ultimately site selection is solely your responsibility. We may require that you use a commercial real estate broker to assist you in locating a suitable site for the Studio. You may be required to use a designated or approved commercial real estate broker or, if we elect not to designate or approve any such broker, you may select your own broker. Once the Authorized Location has been identified, we will mutually agree upon a Territory and an opening deadline ("**Opening Deadline**"). In the event we do not mutually agree upon a Territory and Opening Deadline and sign a completed Schedule 2 with the agreed-upon terms, the Territory will consist of the boundaries of the Authorized Location and the Opening Deadline will be one year from the Effective Date of this Agreement.

During the term of this Agreement and provided you are in compliance with the terms of this Agreement, neither we nor our Affiliates will develop or operate, or grant to anyone else the right to develop or operate a TRAINING MATE studio that is physically located in the Territory (other than at Special Sites, as described in Section 2.5). You acknowledge and agree that we and our Affiliates have the right to develop and operate and grant others the right to develop and operate TRAINING MATE studios outside the Territory, regardless of their proximity to the Territory or any negative impact they may have on your Studio. We and our Affiliates also have the right to develop and operate and grant others the right to develop and operate fitness studios and other businesses under a different trademark within and outside the Territory which may be similar to or competitive with TRAINING MATE studios.

### 2.5 Reserved Rights

We reserve all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell or distribute items such as training videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee. These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale or the internet (or any other existing or future form of electronic commerce). These rights also include the right to provide and license third parties to provide any programs developed by or for us or our Affiliates at host locations (such as apartments, condo associations, corporate offices, schools, community centers and other gym and fitness centers), within and outside your Territory and without compensation to you. We and our Affiliates also have and reserve the right to operate, franchise and license future systems within and outside the Territory subject to the express limitations in Section 2.4.

You also acknowledge and agree that certain locations within and outside the Territory are by their nature unique and separate in character from sites generally developed as TRAINING MATE studios. As a result, you agree that the following locations ("**Special Sites**") are excluded from the Territory and we have the right to develop, license or franchise studios within such locations: (1) military bases; (2) public transportation facilities, including, without limitation, airports, railway stations, limited access highway travel plazas and other transportation terminals; (3) sports facilities; (4) student unions or other similar buildings on college or university campuses; (5) hotels, resorts or similar short-term lodging; (6) apartment or condominium complex; and (7) corporate office buildings or office parks.

We reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols. We also reserve the right, on our own behalf and on behalf of any Affiliate, to use other channels of distribution, such as the Internet, digital channels, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders, including memberships, within your Territory using our principal trademarks. We are not obligated to pay compensation to you for soliciting or accepting orders from inside your Territory.

## 3. FEES

### 3.1 Initial Franchise Fee

Upon execution of this Agreement, you will pay to us an initial franchise fee ("**Initial Franchise Fee**") in the amount set on the Summary Pages. The Initial Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as in this Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.

### 3.2 Royalty Fee

During the term of this Agreement, you will pay to us a nonrefundable royalty fee ("**Royalty Fee**") equal to the amount set on the Summary Page for the right to use the System and Marks.

### 3.3 Technology Fee

You must also pay to us, on such date and in such manner as we designate, a technology fee ("**Technology Fee**") in the amount designated by us to be used in connection with certain software and technology related costs as determined by us in our discretion. The Technology Fee amount is subject to change on written notice to you as our technology-related costs also change. Such amounts may be used, for example, for costs and expenses related to the evaluation, development, customization, implementation, and maintenance of technology solutions for use in connection with the System; for intranet development, support, maintenance, and related costs; software or application development, customization, implementation, and license; online, internet, or digital related software, platforms, or support; hardware and/or software support; and other technologically related activities as we may determine from time to time. The Technology Fee may also include payment of third-party fees we incur on your behalf for such technology-related products and/or services.

### 3.4 Marketing Fee

You must pay to us a marketing fee (the "**Marketing Fee**") equal to up to the amount set on the Summary Page. In consideration for the Marketing Fee, we or our designee will provide such advertising, marketing, and promotional services as we deem appropriate.

### 3.5 Taxes

If any taxes, fees, or assessments are imposed on royalties or other fees by reason of us acting as franchisor or licensing the Marks or the System under this Agreement (for example, sales tax), you will reimburse us the amount of those taxes, fees, or assessments within fifteen (15) days after receipt of our written notice to you.

### 3.6 Method of Payment

You must make payments to us and our Affiliates by electronic funds transfer or such alternative methods as we may designate. You must execute and deliver to us, our bank and your bank, as necessary, all forms and documents that we request to permit us to use any payment method we designate. You must comply with all procedures we specify and take such reasonable action as we request to assist in any of the payment methods. Specifically, you agree that upon notice by us, all payments owed to us and our Affiliates may be deducted from the monies your billing and payment processor collects on your behalf (which may include us or our Affiliates) and you hereby authorize the billing and payment processor to deduct such amounts and to pay those amounts to us on the due date of such amount. You must maintain a balance in your account sufficient to allow us and our Affiliates to collect the amounts owed to us when due and must notify us at least twenty (20) days before closing or changing the account against which such debits are to be made. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

### 3.7 Fee Due Dates

On such day(s) as we designate, you must pay to us the Royalty Fee, Marketing Fee, and Technology Fee (collectively, "**Operating Fees**") due to us under this Agreement (the "**Payment Date**"). We reserve the right to change the monthly fee to any other periodic payment, such as weekly payments, as we elect in our discretion. All Operating Fees must be paid in full by the Payment Date. If we accept any payment from you that is less than the full amount due, we have the right to recover the remaining balance due and to pursue any other remedy against you. For all other fees, the Payment Date will be the date stated in the demand. We reserve the right to change the payment schedule for payment of Operating Fees.

### 3.8 Interest Charges and Late Fees

If any payment or amount owed to us or any of our Affiliates is not received in full by the date such amount is due, you agree to pay us, upon demand, interest on the amount owed, calculated from the due date, at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18%) on the remaining amount owed periodically. You also agree to pay us a late fee ("**Late Fee**") in the amount of $75 for each overdue payment received after the due date. We may increase the Late Fee amount upon 60 days prior written notice, but we will not increase the Late Fee more than once in any 12-month period.

Receipt of any check, draft or other commercial paper will not constitute payment until such funds are actually collected. You will pay all bank fees and collection charges on dishonored checks or ACH payments, including reasonable attorney's fees. At our request, you will promptly replace any dishonored and returned check(s) with a bank certified or cashier's check in the aggregate amount owed, plus interest, late fees, collection fees, costs of collection and attorney's fees.

### 3.9 Collection and Enforcement Costs and Expenses

If you fail to comply with any of the terms or conditions of this Agreement, you must promptly reimburse us for any and all costs and expenses that we incur in enforcing the terms of this Agreement including, without limitation, fees paid to a collection agency, and reasonable attorneys' fees and accountants' fees. This obligation is in addition to and not in lieu of any other remedies available to us under this Agreement and applicable law.

### 3.10 Appointment as Agent for Collection

From time to time, third parties, including our Affiliates, may appoint us as their agent for purposes of collecting fees, charges, and other amounts you owe to them, and you agree that we may collect such amounts, on such third parties' behalf, via the payment methods outlined in Section 3.6. You understand that we rely on such third parties to provide us with accurate accounting and amounts due, and that if any such amounts are disputed by you, that we will in no way be held responsible for any amounts we collect on such third party's behalf, and that your sole recourse will be against the third party for whom the amounts were collected.

### 3.11 Partial Payments; No Set-Off Rights

You may not set off, deduct or otherwise withhold any fees or other amounts due to us under this Agreement on grounds of alleged nonperformance by us of any of our obligations or for any other reason. Withholding Royalty Fees or any other amounts due to us is a material breach of this Agreement. If you pay less than the amount due, your payment will be considered a partial payment on account. We may accept such payment as a partial payment irrespective of any endorsement or other statement that the payment constitutes full payment. Our acceptance of such partial payment will not be considered a waiver of any of our right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. We may apply your payments to any indebtedness, in our sole and reasonable discretion, regardless of any designation that accompanies the payment.

## 4. TERM AND RENEWAL

### 4.1 Initial Term

This Agreement shall be effective and binding for an initial term of 10 years from the Effective Date, unless sooner terminated according to the terms of this Agreement.

### 4.2 Successor Terms

Subject to the conditions below, you have the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor for two successive terms of five years each. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 You have, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 You have, at your expense, made such capital expenditures as we deem necessary to maintain uniformity with any System modifications, updates, and/or upgrades we require so that the Studio reflects our then-current standards and specifications;

4.2.3 You have satisfied all monetary obligations related to the Studio, including amounts owed to us or any Affiliate, as well as to third party suppliers, and have timely met these obligations throughout the term of this Agreement;

4.2.4 You are not in default of any provision of this Agreement or any other agreement between you and us or between you and our Affiliates;

4.2.5 You have given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.6 You have executed our then-current form of franchise agreement (or has executed other documents at our election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a higher percentage Royalty Fee and Marketing Fee; provided, however, that you will not be required to pay the then-current Initial Franchise Fee;

4.2.7 You have complied with our then-current qualifications for a new franchisee agree to comply with any training requirements;

4.2.8 You have executed a general release, in a form prescribed by us, of any and all claims against us, any Affiliate, and against the foregoing's officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and any other such related parties, except to the extent prohibited by the laws of the state where the Studio is located;

4.2.9 You have paid the Renewal Fee stated on the Summary Page; and

4.2.10 If leasing the Studio, you have renewed the lease and has provided written proof of Franchisee's ability to remain in possession of the Premises throughout the renewal period.

### 4.3 Holdover

If you continue to accept the benefits of this Agreement after the expiration of the term but do not complete the requirements in Section 4.2 then, at our sole option, this Agreement may be treated as *(a)* expired as of the Expiration Date and you will be operating without a franchise or license to do so and in violation of our rights to the Trademarks and System; or *(b)* continued on a month-to-month basis (a "**Holdover Period**") and all your obligations will remain in full force and effect during the Holdover Period

as if the Agreement had not expired; provided, however, that during any Holdover Period you will pay a Royalty Fee and Marketing Fee equal to 125% of the rates set forth in this Agreement. Each Holdover Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section. The Holdover Period does not create any new franchise rights and upon expiration of the final Holdover Period, you will be bound by all post-term obligations as provided in this Agreement.

## 5. FRANCHISED BUSINESS

You acknowledge and agree that we have the right to establish, from time to time, required quality standards regarding the business operations of TRAINING MATE studio to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our required quality standards and agree to the following terms and conditions:

### 5.1 Site Selection

You must identify a site for the Studio within the Site Selection Area that meets our site selection criteria and that we have accepted. You must provide us notice of the site you have selected and we have 15 days to accept or reject the site. If we do not accept the site within 15 days it will be deemed disapproved. The parties acknowledge and agree that our site acceptance is not an assurance that the Studio will achieve a certain sales volume or level of profitability; it means only that the proposed site meets our minimum site selection criteria. We assume no liability or responsibility for (i) evaluation of the location's soil for hazardous substances; (ii) inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the Americans with Disabilities Act ("ADA"); or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and/or assurances that the Studio premises (and any structures thereon) is free from environmental contamination and complies with the requirements of the ADA and other applicable laws.

### 5.2 Lease

If you propose to occupy the Studio premises pursuant to a lease or sublease ("**Lease**"), the Lease may not prevent you from performing your obligations under this Agreement, and must permit us to exercise our rights pursuant to this Agreement. We may condition our acceptance of a proposed site on the full execution of a Lease Addendum substantially in the form attached as Schedule 4 to this Agreement. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum within 10 days after its execution. The parties acknowledge and agree that our receipt of a Lease does not mean that the economic or legal terms of the Lease are favorable.

### 5.3 Construction; Future Alteration

You must construct and equip the Studio in strict accordance with our current approved specifications and standards pertaining to equipment, signage, fixtures and design and layout of the building. You may not commence construction of the Studio until you have received our written consent to your plans.

Without limiting the generality of the foregoing, you must promptly after obtaining possession of the site for the Studio (i) have prepared and submitted for our approval basic plans and specifications consistent with our general design and layout requirements as set forth from time to time in the manuals for a TRAINING MATE studio; (ii) purchase or lease and then use only the approved equipment, fixtures, furniture and signs; (iii) complete the equipment, fixtures, furniture and sign installation and decorating of the Studio in full compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; (iv) obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans With Disabilities Act; and (v) obtain and maintain all required zoning changes, building, utility, sign permits and licenses and any other required permits and licenses. It is your responsibility to comply with the foregoing conditions. Any

change to the plans or any replacement, reconstruction, addition or modification in the premises, interior or exterior décor or image, equipment or signage of the Studio made after our consent to the initial plans, whether at the request of you, us or a third party, may be made only with our prior written consent.

### 5.4 Opening

You must open the Studio for business no later than one (1) year from the Effective Date, unless the Opening Deadline is otherwise modified in Schedule 2. You may not open your Studio for business, however, until we have notified you in writing that you have satisfied your pre-opening obligations as identified in Sections 5.1 to 5.3 and we have approved your opening date. We are not responsible or liable for any of your pre-opening obligations, losses, or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance for your failure to comply with your obligations. Further, if you fail to open the Studio in the timeframe required by this Agreement, we may, in our sole and unilateral judgment, (i) exercise our termination rights in accordance with Section 16.2; or (ii) amend this Agreement to eliminate the Territory protection afforded by Sections 2.2 and 2.4.

### 5.5 Maintenance

The building (exterior and interior), equipment, fixtures, signage, and trade dress of your Studio must be maintained and refreshed in accordance with our requirements established periodically and any report prepared after our evaluation of the premises. Within a period of thirty (30) days (as we determine depending on the work needed) after the receipt of any report prepared following such an evaluation, you must complete the items of maintenance we designate, including the repair of defective equipment and items such as flooring and/or the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to members or to public safety, you must complete the items of maintenance immediately, as further described in Section 13.16. If you fail to complete the required maintenance, we reserve the right (but not the obligation) to do so on your behalf and you must reimburse us for our costs and expenses.

### 5.6 Modernization

From time to time as we require, you must modernize and/or replace items of the trade dress or equipment as may be necessary for your Studio to conform to the standards for similarly situated new TRAINING MATE studios. You acknowledge and agree that you will be required to upgrade equipment at least every five years, or more often as required in the Manual, and/or prior to a transfer. You may offer your old equipment to anyone, but we have the right of first refusal to buy the equipment on the same terms and conditions as any potential buyer. You must give us seven days' written notice of any potential sale of your old equipment and a reasonable opportunity to match any offer you intend to accept. We are under no obligation to exercise our right of first refusal.

A transfer of any interest in this Agreement or your business governed by Section 18.2 or renewal covered by Section 4.2 is expressly conditioned upon your (or the transferee, as applicable) modernizing the Studio to conform to the standards for new TRAINING MATE studios. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of the Studio and to avoid deterioration in connection with the operation of your Studio. If you fail to make any improvement or perform the required maintenance, we may, in addition to our other rights under this Agreement, complete such improvement or maintenance on your behalf and you must reimburse us for the costs we incur.

### 5.7 Relocation

You may not relocate your Studio without our prior written consent. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Site Selection Area, is

reasonably suited for a Studio, and does not infringe on the rights of any other TRAINING MATE franchisee, provided that the new Studio is open and operating within 60 days after you discontinue operation at the present Studio, all in accordance with our then-current standards. If you voluntarily decide to relocate the Studio, your right to relocate the Studio will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Studio, have procured a site within your Site Selection Area that we accept 15 days prior to such closure, have opened the new Studio for business within twenty-four hours of such closure and complied with any other conditions that we reasonably require. In connection with any relocation, you must sign our then-current form of relocation agreement (which includes a general release of claims to the extent permitted by law), you must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur. Upon relocation of your Studio for any reason, we may modify your Territory, in our sole discretion, to account for the territories of neighboring studios and other factors.

If your Studio is destroyed or damaged and you repair the Studio at the Authorized Location (rather than relocate the Studio), you must repair and reopen the Studio at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within 20 days of the date of occurrence of the destruction or damage, or such longer time as we reasonably determine, in our sole judgment, is required given the nature and extent of the damage.

We have the right to refuse to consent to a relocation if you lose the right to occupy the Studio premises because of the termination of your lease due to your breach. Further, the cancellation of your lease due to your breach is grounds for immediate termination under Section 16.2.1(k).

## 6. PROPRIETARY MARKS

### 6.1 Ownership

Your right to use the Marks is derived solely from this Agreement, is exclusive and is limited to your operation of the Studio according to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by us. Your unauthorized use of the Marks and any infringement of our rights in and to the Marks is a breach of this Agreement. Your use of the Marks, and any goodwill created thereby, shall inure to our benefit. You shall not at any time acquire an ownership interest in the Marks by virtue of any use you may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to you. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

### 6.2 Limitations on Use

You agree that you will not use any Mark or portion of any Mark as part of any business entity name. You also agree not to use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You shall give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Studio. You shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to you. You agree to include on your letterhead, forms, cards, email signature blocks, and other such identification, a prominent notice stating that the Studio is an "Independently Owned and Operated TRAINING MATE Franchised Business".

### 6.3 Notification of Infringements and Claims

You shall immediately notify us in writing of any infringement, claim of infringement, unfair competition, or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You shall not communicate with any person other than us and our counsel with respect to any such

infringement, challenge, or claim. However, you may communicate with your counsel at your expense. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative or judicial proceeding involving a trademark licensed by us. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement. This Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorable to you. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain our interest in the Marks.

### 6.4 Discontinuance of Use

If we may, in our sole discretion, modify, replace, or discontinue use of any of the Marks, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, you agree to comply with our directions within the time period we provide to you in a written notice. You will undertake such modification, replacement, or discontinuance at your expense.

### 6.5 Franchisor's Sole Right to Domain Name

You agree not advertise on the Internet, or establish, create, or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of a right, title, and interest in and to such domain names. Franchisor will provide contact information for your Studio on its website.

## 7. CONFIDENTIAL INFORMATION AND NON-COMPETITION COVENANTS

### 7.1 Confidentiality of Trade Secrets and Other Confidential Information

You acknowledge that we will disclose Trade Secrets and other Confidential Information to you during the training program, through the Operations Manual, and as a result of guidance furnished to you during the term of this Agreement. You shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Studio and in performing its duties during the term of this Agreement. You acknowledge that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge that the Trade Secrets and other Confidential Information are proprietary and are disclosed to you solely on the condition that you (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed by us from time to time to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Youi agree to enforce this Section as to your employees, agents and representatives and shall be liable to us for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

### 7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for us, or our Owners or employees, shall be promptly disclosed to us and shall be deemed our sole and exclusive property and works made-for-hire for us, and no compensation shall be due to you or your owners or employees therefore, and you hereby agree to assign to us all right, title and

interest in any intellectual property so developed. We have the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire", you agree to shall assign, and by this Agreement, do assign, ownership of that item, and all related rights to that item, to us and shall sign any assignment or other document as we requests to assist us in obtaining or preserving intellectual property rights in the item. As we may reasonably request, you agree to take all actions to assist our efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by us or otherwise.

### 7.3 Exclusive Relationship

During the term of this Agreement, neither you, nor any of your officers, directors, or Owners shall directly or indirectly, in the United States, offer products or services on behalf of a Competitive Business; divert or attempt to divert any business or customer of the Studio to any Competitive Business, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

### 7.4 Nondisclosure Agreements with Certain Individuals

We retain the right to require any holder of a legal or beneficial interest in you (and any member of their immediate families or households), and any of your officers, directors, executives, managers or members of your professional staff execute a nondisclosure agreement, in a form the same as or similar to the Nondisclosure Agreement attached as Schedule 7, upon execution of this Agreement or prior to each such person's affiliation with you. Upon our request, you shall provide us with copies of all nondisclosure agreements signed according to this Section. Such agreements shall remain on file at the business of Franchisee and are subject to audit or review as otherwise stated here. We shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

### 7.5 Reasonableness of Restrictions

You acknowledge that the restrictive covenants contained in this Section are essential elements of this Agreement, and that without their inclusion we would not have entered into this Agreement. You acknowledge that each of the terms stated here, including the restrictive covenants, are fair and reasonable and are reasonably required for our protection and the protection of the System and the Marks and you waive any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

### 7.6 Non-Compete Covenants

You agree that you will receive training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following non-competition covenants.

(a) Persons Bound. Unless otherwise specified, the term "Covered Person" as used in this Section 7.6 includes, collectively and individually, the Owners (including spouses), immediate family, and all guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest. We may require you to obtain from the individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Section 7.6.

(b) During Term. During the term of this Agreement, Covered Persons must not directly or indirectly, for themselves or through, on behalf of or in conjunction with any individual or business entity: (i) divert any Studio member, potential Studio member or former Studio member to any fitness studio except another TRAINING MATE studio; or (ii) own, operate, lease, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in any other Competitive Business in the United States, except another TRAINING MATE studio pursuant to a valid franchise agreement with us.

(c) After Termination. For a period of two years after the transfer, expiration or termination of this Agreement (and with respect to any Owner, for a period of two years after such person ceases to be an Owner, regardless of the reason), Covered Persons must not directly or indirectly, for themselves or through, on behalf of or in conjunction with any individual or business entity: (i) divert any Studio member, potential Studio member or former Studio member to any fitness studio except another TRAINING MATE studio; or (ii) own, operate, lease, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in any other Competitive Business that is located at or within a 25-mile radius of the Authorized Location, that is located within a 25- mile radius of any other TRAINING MATE studio in operation or under construction, or that is located in the Territory of any other TRAINING MATE franchisee. The two-year period described in this paragraph will be tolled during any period of noncompliance.

(d) Reasonableness. You agree that the scope of the prohibitions stated in this Section 7.6 is reasonable and necessary to protect us and the System (including other franchisees of the System). You agree that the prohibitions in this Section 7.6 must be very broad in order to prevent you from taking information, materials and training we are providing to you on an ongoing basis and using them to either compete with us, or preempt or otherwise restrict our ability to enter new markets. You agree that the time period and the scope of the prohibitions stated in this Section 7.6 are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason. You also agree that you have many other opportunities available to earn a living, and that these restrictions will not preclude you from engaging in a lawful trade or business for which you otherwise are qualified.

(e) Exception. The purchase of a publicly traded security of a corporation engaged in a competitive business or service will not in itself be deemed violative of this Section 7.6 so long as you do not own, directly or indirectly, more than five percent (5%) of the securities of such corporation.

(f) Reformation and Reduction of Scope of Covenants. If all or a portion of any covenant contained in this Section 7.6 is held to be unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you and each Covered Person will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 7.6. Notwithstanding the foregoing, we have the unilateral right to reduce the scope of any covenant set forth in Section 7.6, or any portion thereof, which reduction will be effective immediately upon delivery of notice of the reduction.

(g) Injunctive Relief. You and each Covered Person agree that the violation of any covenant contained in this Section 7.6. would result in immediate and irreparable injury to us for which there is no adequate remedy at law. You and each Covered Person therefore agree that in case of an alleged breach or violation of this Section, we may seek injunctive relief, in addition to all other remedies that may be available to us at equity or law. We will not be required to post a bond or other security for any injunctive proceeding.

(h) Severability. Each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

## 8. TRAINING AND ASSISTANCE

### 8.1 Initial Training

We shall make our initial training program available to a two individuals Franchisee (if applicable). Prior to the opening of the Franchised Business, the designated persons must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business. At least one of these designated attendees will be your Designated Principal. Franchisor shall conduct the initial training program at a designated location.

Franchisor shall not charge tuition or similar fees for initial training; however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

### 8.2 Opening Assistance

We provide site selection assistance to you to guide you in the selection of a location for your Franchised Business. We provide to you opening assistance and guidance to assist you with any questions you may have in operating and establishing the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

### 8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Franchisee is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement and retain the Initial Franchise Fee. If Franchisee is a business entity and the Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training for providing the substitute manager an initial training program at our location, or our then-current rates for additional training per trainer per day, for training at Franchisee's location (plus hotel, air fare and other expenses incurred by our trainer).

### 8.4 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Franchisee attend ongoing training programs, seminars, conferences, conventions, or webinars during the term of this Agreement, at Franchisee's expense. Our annual conference is an ongoing training event. Franchisor reserves the right to impose a registration fee for each attendee of an ongoing training event, and reserves the right to periodically increase such registration fee on notice to you. Franchisor can also designate any required attendees for any specific ongoing training event. Franchisee is responsible for travel-related expenses, including hotel, air fare and other expenses incurred by its attendees in connection with attendance at such ongoing training. Franchisor shall not require the Franchisee to attend more than two sessions in any calendar year.

### 8.5 Fitness Instructor Training

We do require that all fitness instructors who will be conducting classes at your Studio attend and complete our fitness instructor-specific training program at such location we designate. In addition, if you and your Affiliates collectively own and operate more than two Studios, we may require that you designate one or more fitness instructors acceptable to us and that these individuals attend, at such location we designate, and successfully complete our training program designed to train these individuals to train your Studio fitness instructors.

We may charge you a registration fee in connection with providing these fitness instructor related training programs. You are also responsible for paying any applicable wages for your attendees as well as travel-related expenses, including hotel, air fare, and other expenses incurred by your attendees. Fitness instructor training requirements do not count towards the limit of two required ongoing training program events per year (see Section 8.4).

## 9. OPERATIONS MANUAL

### 9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Operations Manual or grant Franchisee access to an electronic copy of the Operations Manual. Franchisee shall operate the Studio in strict accordance with the provisions in the Operations Manual. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

### 9.2 Revisions

Franchisor has the right to add to or otherwise modify the Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times. If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

### 9.3 Confidentiality

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Studio in a current and up-to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Studio; if the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination, or passwords needed for access to the Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

## 10. FRANCHISE SYSTEM

### 10.1 Uniformity

Franchisee shall strictly comply and shall cause the Studio and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules in this Agreement, the Operations Manual or other communications supplied to Franchisee by Franchisor.

### 10.2 Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, that Franchisee shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to Franchisee's initial investment to establish the Studio during the initial term. If such additional investment is required to be made in the last year of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any

and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

### 10.3 Variance

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular TRAINING MATE studio. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

## 11. ADVERTISING AND PROMOTIONAL ACTIVITIES

### 11.1 General

All of your promotional and marketing materials shall be presented in a dignified manner and shall conform to our standards and specifications related to advertising, marketing, and trademark use. You will submit to us samples of proposed promotional and marketing materials, and notify us of the intended media, before first publication or use. We will use good faith efforts to approve or disapprove proposed promotional and marketing materials within 15 days of their receipt. You may not use the promotional or marketing materials until we expressly approve the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. We may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. To the extent any marketing or promotional materials are provided to you by us without charge, excluding, however, payment for shipment of such materials, we retain ownership of such materials at all times and have the right to do, or the right to direct you to do, whatever we instruct with respect to such materials.

### 11.2 Marketing Fund

We do not retain the right to establish, nor will we require that you contribute to, a marketing fund.

### 11.3 Marketing Fee

You must pay to us a marketing fee (the "**Marketing Fee**") in the amount stated on the Summary Pages. In consideration for the Marketing Fee, we will provide such advertising, marketing, and promotional services as we deem appropriate in our sole discretion. We may collect the Marketing Fee on such periodic basis as we specify, which may be weekly, monthly, or otherwise.

### 11.4 Grand Opening Expenditure

You must spend, at least, $10,000 to promote the opening of the Studio. You must begin spending this amount at least three months to the projected opening date to conduct an initial promotional campaign in accordance with our standards and specifications. You must also conduct all grand opening activities in accordance with our grand opening marketing plan. This amount is in addition to your local marketing expenditure requirement as outlined in Section 11.6 below. You agree to provide us with proof of the expenditures required under this Section immediately on our request.

### 11.5 Relaunch Fee

In the event you do not have at least 125 active members under signed Membership Agreements by the end of your first four weeks in operation, we reserve the right to require that you pay to us a Relaunch Fee of $2,500 and, in exchange, we will provide you with additional sales training at such place and in such format as we designate. The Relaunch Fee is in addition to your local marketing expenditure amount.

### 11.6 Local Marketing Expenditure

You must spend the minimum amount noted on the Summary Page to promote the Studio in your market area. We may require that you: (a) submit, 30 days prior to the beginning of each calendar quarter, your advertising campaign and budget for our review and approval; and/or (b) that you submit proof of expenditures immediately on our request, including itemization of advertising and marketing efforts and an accounting of the monies that you have spent for approved local marketing. All local advertising must be conducted with our prior written approval and in accordance with our standards and specifications.

If you fail to spend the minimum amount noted on the Summary Page on local advertising, we reserve the right to: (i) collect any deficiency from you; and/or (ii) require that you pay this amount directly to us on an ongoing basis, where in either case we will spend this amount in your market area. You must use only such marketing materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the Studio or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, adhere to brand standards, in good taste, dignified, accurately depict the Marks (any use of the Marks, or a new variation you propose to the Marks, without our prior written approval is prohibited), and they adhere to federal, state, and local law. We reserve the right to revoke any prior approval of marketing materials at any time.

You must use your best efforts to aggressively promote and advertise the Studio in your local area, and participate in any local marketing and promotional programs that we establish from time to time, including but not limited to any in-club marketing or promotions we may choose to run (subject to applicable law). You must conduct an initial promotional campaign in accordance with our standards and specifications.

### 11.7 Advertising Council and Cooperative Advertising

We do not have an advertising council composed of franchisees that advise us on advertising policies at this time, but reserve the right to form one in the future where such advertising council will be governed in accordance with bylaws prepared and adopted by us.

We do not require you to participate in a local or regional advertising cooperative, nor do we reserve the right to establish a local or regional advertising cooperative during the term of your Franchise Agreement.

### 11.8 Internet Advertising

You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website that provides information about the System and our franchises. All information posted on our website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our website. You are not permitted to use a domain name containing our marks in the URL.

## 12. ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS

### 12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete, and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Operations Manual or otherwise in writing. Franchisee shall utilize an accounting software such as Quickbooks.com (or other Franchisor approved accounting software) to manage its books. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Studio including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

### 12.2 Gross Revenues Reports

Franchisee shall maintain an accurate record of Gross Revenues and shall deliver to Franchisor electronically a signed and verified statement of Gross Revenues ("Gross Revenues Report") for the month ending each month by the 5th day of each month in a form that Franchisor approves or provides in the Operations Manual. The Gross Revenues Report for the preceding month must be provided to Franchisor by the close of business on the 5th of each month as provided in Section 3.2

### 12.3 Financial Statements

Franchisee shall, at its expense, submit to Franchisor within 30 days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing.

### 12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Studio to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted according to this Agreement.

### 12.5 Computer and Surveillance Equipment

Franchisee shall purchase, install and use computer equipment consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to all of Franchisee's computer, data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet. Franchisor shall have full access to any video or surveillance stream.

### 12.6 Right to Inspect Books and Records

Franchisor or its designee has the right, during normal business hours without notice, to examine, copy, and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the rate legally allowed by the law of the state where Franchisee is located, whichever is lower). Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

**Independent Access to Information**. We have, and you are required to, provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. We have the right to review your business

operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Studio and any other operations taking place through your Studio.

### 12.7 Release of Records

Under Right To Inspect, at Franchisor's request Franchisee shall authorize Franchisor and/or its direct third party(s), including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Studio including, but not limited to, records evidencing Gross Revenues, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

## 13. STANDARDS OF OPERATION

### 13.1 Authorized Products, Services, and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Studio only those services, with the greatest diligence and care by Franchisee, that Franchisor approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from Franchisor. Franchisor shall maintain inventory levels for all supplies offered solely by Franchisor at a level sufficient to ensure prompt delivery to all Franchisees. Franchisee shall not offer for sale, sell or provide through the Studio or from the Studio any products or services that Franchisor has not approved. Furthermore, Franchisee must offer for sale all services and products currently offered by Franchisor or which will be offered by the Franchisor in the future.

13.1.2 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor.

13.1.3 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

13.1.4 Franchisor has the right to retain volume rebates, markups, and other benefits from suppliers or in connection with the furnishing of supplies. Franchisee shall have no entitlement to or interest in any such benefits.

13.1.5 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, furniture, fixtures, inventory, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products, services or new technology that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to

determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service, or supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

### 13.2 Memberships

You must sell memberships ("**Memberships**") only on such terms and conditions as we specify periodically. All Memberships must be evidenced by an electronic agreement ("**Membership Agreement**") and all member and billing information must be promptly and accurately entered into the approved system according to our then-current policies.

You must use Membership Agreements that are based on our then-current standard form of Membership Agreement, with the exception, however, that there may be state and local laws that may require you to alter the Membership Agreement in the jurisdictions under which your Studio operates – you must abide by those laws. You are solely and exclusively responsible for ensuring that the Membership Agreements you use in connection with the operation of your Studio comply with all applicable laws and regulations. Any changes to the form document must be approved in writing by us. The Membership Agreement must include: (i) a reciprocity provision that permit members from your Studio to use other facilities and permits another facility's members to also use your Studio; (ii) a waiver and release of us and our Affiliates; and (iii) a statement identifying the Studio as an independently-owned franchised location. You must permit members of other facilities to use your Studio under such terms and conditions as we may state in writing from time to time. All Membership Agreements and all billings of any type must be processed through our approved processing system.

You may only solicit memberships within your Territory (unless otherwise authorized by us as stated below). We or other franchisees may solicit memberships within your Territory (for example, if territories overlap). Unless we have provided prior written approval, all membership sales must be made face-to-face, although you may solicit membership sales by mail, telemarketing (so long as you abide by the no-call lists) or other non-face-to-face basis within your Territory. You may accept memberships online in accordance with our then-current policies and via our approved systems and websites. We have the right to prohibit or cancel memberships you sell that will expire beyond the expiration date of your Agreement term or any exercised renewal term. You are responsible for all refunds or liabilities to your members due to the cancelation of memberships as provided in this Section. You must execute the Membership Contract Assignment Agreement in the form attached at Schedule 8.

### 13.3 Compliance with Standards and Specifications; Participation in Joint Advertising Campaigns and Endorsements.

You further agree to comply with all required System specifications, standards and operating procedures (whether contained in the Manual or any other written communication from us) relating to the appearance, function, cleanliness, operation, and promotion of a TRAINING MATE studio including, without limitation (i) sales and marketing procedures and customer service; (ii) advertising and promotional programs; (iii) member loyalty and rewards programs; (iv) layout, décor, and color scheme of the Studio; (v) appearance and dress of employees; (vi) safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of the Studio; (vii) submission of requests for approval of brands of products, supplies, and suppliers; (viii) use and illumination of signs, posters, displays, standard formats, and similar items; (ix) use of audio equipment and type and decibel levels of music; (x) use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements);

(xi) types of fixtures, furnishings, and equipment; and (xii) the make, type, location and decibel level of any game, entertainment or vending machine (and restrictions against the use of gaming, entertainment, or vending machines).

From time to time, we and our Affiliates also may participate in and require your participation in joint advertising campaigns and endorsement of third-party products or services (which participation may include, among other things, broadcasting audio-visual advertising on in-Studio televisions or computer monitors and/or placing promotional items at prescribed locations throughout the Studio). You agree to participate in all such campaigns and endorsements according to our directives, provided that we will provide you with all promotional items necessary for participation free of charge. You further acknowledge and agree that we or our Affiliates may receive revenue, and may retain all revenue received, on account of your participation and other franchisee's participation in such campaigns and endorsements.

Any required standards exist to protect our interests in the System and Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Manual or other written materials. The Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. We reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

### 13.4 Ownership and Management

The Studio shall, at all times, be under the direct supervision of Franchisee's Designated Principal, the individual identified in the Summary Pages who will have authority over all business decisions related to the Studio and has the authority to bind Franchisee in all dealings with us. Furthermore, the day-to-day management of the Studio must be under the authority of a trained manager ("**Key Manager**"). Your Designated Principal may also act as a Key Manager. Your Designated Principal and/or Key Manager shall devote sufficient efforts to the management of the full-time day-to-day operation of the Studio. You agree to keep us informed, in writing, at all times of the identity of your Key Manager. You agree not engage in any business or other activities that will conflict with your obligations under this Agreement.

### 13.5 Days of Operation

You shall keep the Studio open and operating during such minimum days and hours as specified by us in writing.

### 13.6 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

### 13.7 Licenses and Permits

Franchisee shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of the Studio, and shall operate the Studio in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Studio. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Studio.

### 13.8 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Studio, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Studio not more than five days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

### 13.9 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Studio, including operating in strict compliance with all applicable rules and regulations. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Studio. The Studio shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint or has operated outside of applicable rules and regulations, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Studio according to this Section.

### 13.10 Uniforms

Franchisee shall abide by all uniform and dress code requirements stated in the Operations Manual or otherwise. Uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

### 13.11 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment to process credit card and other payments pursuant to our specifications.

### 13.12 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Studio. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

### 13.13 Suggested Pricing Policies

We reserve the right to establish prices for the products and services you sell, both minimum and maximum, subject to applicable law. Unless stated otherwise in writing, any list or schedule of prices we furnish to you is a recommendation only and any decision you make to accept or reject the suggestion will not affect the relationship between you and us.

### 13.14 National Accounts

From time to time we will negotiate contracts with corporations, affinity groups, and insurance plans that will require that certain terms and/or discounts be offered to members of that corporation, affinity group or insurance plan by all franchisees at all locations ("**National Accounts**"). You are required to provide the special terms and/or discounts to these National Accounts.

### 13.15 Membership Administration

We or an Affiliate may from time to time engage in administrative tasks related to member administration such as administering online enrollment or membership transfer and reciprocity programs. You agree that we may take those actions in accordance with our then-current policies, which may include transferring members to and from your Studio and providing on line member enrollment. You agree that we may make such corrections as necessary, including that if a member is mistakenly transferred to the wrong studio, we may issue credits and charges for the membership dues to the affected clubs. Any actions we take for member administration are for the benefit of the brand and uniformity in the System and not to exercise control over your business.

### 13.16 Right to Inspection of Studio

We or our authorized representative have the right to enter your Studio at all reasonable times when the Studio is open to the public for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, and to inspect and evaluate your premises, equipment, and member satisfaction. Our inspections and evaluations may include a "mystery shopper" program, and we reserve the right to seek reimbursement from you for any mystery shopper program. If we determine that any condition in the Studio presents a threat to members or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Studio until the situation is remedied to our satisfaction. Any evaluation or inspection we conduct is not intended to exercise, and does not constitute, control over your day-to-day operations or to assume any of your obligations under this Agreement.

## 14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

### 14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems, and offer general guidance to Franchisee by telephone and/or electronic correspondence, with respect to planning and operating the Studio. Franchisor shall not charge for this service. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating TRAINING MATE studio and an analysis of costs and prices charged for competitive products and services. Within range, Franchisee shall have the right to change/determine the price to be charged for a particular service by the Studio at the time of sale (if necessary). Notwithstanding, Franchisee acknowledges and agrees that Franchisor shall not be held liable for such advice; any decisions made by Franchisee, whether on its own accord or through suggestion from Franchisor is Franchisee's sole and absolute responsibility.

### 14.2 Periodic Visits

Franchisor or Franchisor's representative may make periodic visits, which may be announced or unannounced, to the Studio for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Studio. Franchisor may also accompany Franchisee and/or Franchisee's employees along any job site visits, in order to monitor all business practices and better render any advice or opinions. Franchisor and Franchisor's representatives who visit the Studio or accompany Franchisee and/or Franchisee's employees along job site visits may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Studio. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

## 15. INSURANCE

### 15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within 10 days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance as we may specify in the Operations Manual or otherwise and any other insurance as may be required by applicable law or by Franchisee's Landlord or Lessor. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns.

### 15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards, or other relevant changes in circumstances.

### 15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

### 15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions in Section 21.3. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within fifteen (15) days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

### 15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## 16. DEFAULT AND TERMINATION

### 16.1 Termination by You

You may only terminate this Agreement upon (1) our mutual agreement; (2) non-renewal; or (3) a sale pursuant to the terms of this Agreement.

### 16.2 Termination by Us

16.2.1 We have the right to terminate this Agreement immediately on notice to you, without affording you any opportunity to cure, if you:

(a) fail to secure a location by the earlier of the Control Date, or if no Control Date is set in the Summary Page than within 120 days from the Effective Date of this Agreement;

(b) fail to open the Studio for operation by the Opening Deadline, or if no Opening Deadline is set in Schedule 2 than within one year from the Effective Date of this Agreement;

(c) fail to timely establish, equip, and commence operations of the Studio according to Section 5;

(d) fail, or your Designated Principal fails, to satisfactorily complete any training program according to Section 8;

(e) fail to maintain all required professional licenses, permits, and certifications for a period exceeding five (5) business days;

(f) made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

(g) or your any of your Owners is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect our goodwill, reputation, and/or public image, the Marks, Franchisee, or the Studio;

(h) after notice to cure, fail to refrain from activities, behavior, or conduct likely to adversely affect the goodwill, reputation, and/or public image of Franchisor, the Marks, Franchisee, or the Studio;

(i) disclose, duplicate, or otherwise use in an unauthorized manner any portion of the Operations Manual, Trade Secrets, or any other Confidential Information;

(j) abandon, fail, or refuse to actively operate the Studio for three or more consecutive days (unless the Studio has not been operational for a purpose approved by us), or, unless approved by us, fail to promptly relocate the Studio in the case of an event rendering the premises unusable;

(k) lose your lease or the right to occupy the Studio premises, or you fail to timely cure a default under the lease;

(l) surrender or transfer control of the operation of the Studio without our prior written approval, make or attempt to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in you, or there is any unauthorized transfer or assignment in violation of Section 18.2.

(m) fail to maintain the Studio under the primary supervision of a fully-trained Designated Principal, including during the one hundred eighty (180) days following the death or Incapacity of an Owner or any holder of a legal or beneficial interest in you according to Section 18.5;

(n) submit to us on two or more separate occasions at any time during the term of the Franchise any reports or other data, information, or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than two percent (2%) for any accounting period and you are unable to demonstrate that such understatements resulted from inadvertent error;

(o) become insolvent, meaning you are unable to pay your bills as they become due in the ordinary course of business;

(p) misuse or make an unauthorized use of any of the Marks or commit any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

(q) fail on two or more separate occasions within any period of 12 consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee or any other amounts due to us and/or any Affiliate, or to pay any vendor, supplier, or third party related to the operation of the Studio, whether or not such failure to comply is corrected after notice thereof is delivered to you;

(r) violate on two or more occasions any health or safety law, ordinance or regulation, or operate the Studio in a manner that presents a health or safety hazard to its customers, employees, or the public, are the subject of a permanent closing of the Studio by any state or local authorities for health or public safety reasons;

(s) engage in any activity exclusively reserved to us;

(t) fail to comply with any applicable law or regulation within 10 days after being given notice of noncompliance;

(u) breach this Agreement three times in an 18-month period and/or fails three times in an 18-month period to comply with mandatory specifications, customer service standards, or operating procedures prescribed in the Operations Manual, whether or not previous breaches, defaults, or failures are cured;

(v) default under any other agreement between us (or any Affiliate) and you, such that we or our Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates; however, we may not terminate a Franchise Agreement that is already in place for a breach of the Area Development Agreement;

(w) perform Targeted Marketing in any geographic location outside of the Territory, without our prior written approval, whether or not such geographic location falls within the territory of any other TRAINING MATE studio;

(x) fail to refer business opportunities or offers received by third parties, if such business opportunities or offers would take place in any geographic location which falls under the territory of other franchisees, Franchisor's associated businesses, or which are directly controlled by the Franchisor; or

(y) or any Owner engage in conduct which is deleterious to, or reflects unfavorably on, Franchisor or the TRAINING MATE system by exhibiting a reckless or intentional disregard for the physical and/or mental well-being of employees, members, TRAINING MATE representatives, suppliers, or the public at large including, but not limited to, battery, assault, sexual harassment or other forms of threatening, outrageous or willfully discriminatory, unprofessional, aggressive or other unacceptable behavior, or disparagement of the TRAINING MATE brand or management, whether or not a criminal action is brought against you or any owner.

16.2.2 Except as otherwise provided in Section 16.2.1, we have the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that you may avoid termination by curing such default or failure (or by providing proof acceptable to us that you have made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

(a) if you fail to pay any amounts due to us or our Affiliates or any vendor, supplier, or third-party creditor related to the operation of the Studio within five days of receiving notice of your failure to pay such amounts;

(b) if you fail to maintain insurance as specified in Section 15 of this Agreement within 10 days of receiving notice of such failure; or

(c) if you commit any other default or you fail to comply with any mandatory specification, standard, or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing within 30 days of receiving notice of such default or failure to comply.

16.2.3 In lieu of exercising our right to terminate this Agreement, we may, without waiving such right to terminate: *(a)* withhold services or suspend performance of obligations to you; *(b)* limit your access to any or all portions of certain software or computer systems; *(c)* revoke your right to participate in promotions or programs and to attend franchise conventions and meetings; *(d)* after your failure to cure such default, inspect or re-inspect the Studio and, regardless of whether it is an inspection or re-inspection, charge you for our inspection costs and expenses; and/or *(e)* exercise our option to acquire the Studio pursuant to Section 17.4.

### 16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, We may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to you without waiving any of our rights under this Agreement.

### 16.4 Step-In Rights

We have the right (but no obligation), under the circumstances described below, to assume the Studio's management (or to appoint a third party to assume its management) for any time period we deem appropriate. If you (or a third party) assume the Studio's management under subsections (b) or (c) below, you must pay to us (in addition to the Royalty Fees, Marketing Fees, and other amounts due under this Agreement) a reasonable daily Management Fee as determined by Franchisor for up to 60 days after we (or a third party) assumes management.

We (or the third party) will have a duty to use only reasonable efforts and, unless directly caused by our gross negligence or act of willful misconduct, will not be liable to you or your Owners for any damages, debts, losses, claims, or obligations related to the Studio, or to any of your creditors for any supplies, products, or other assets or services the Studio purchases, while we (or the third party) manage it. You further agree to hold us, our Affiliates, and their respective Owners, officers, employees, and agents harmless to the fullest extent of the law for any damages, losses, or expenses we incur or claims brought as a result of our management of the Studio, provided, however, that this indemnification will not apply to damages, losses, expenses or claims resulting directly from our gross negligence or willful misconduct. If we (or a third party) assume the Studio's management under subsections (a) or (d) below, we (or the third party) may retain all, and need not pay you or otherwise account to you for any, Gross Revenue generated while we (or the third party) manage the Studio.

We (or a third party) may assume the Studio's management under the following circumstances: (a) if you abandon or fail actively to operate the Studio; (b) if you fail to comply with any provision of this Agreement, including any System standard, and do not cure the failure within the time period specified in our notice to you, but only for as long as it takes us, using reasonable commercial efforts, to correct the failure that you failed to cure; (c) if, due to extraordinary circumstances or the death or incapacitation of your Designated Principal, you request that we temporarily manage the Studio; or (d) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the Studio under Section 17.4 below. Exercising our management rights above will not affect our right to terminate this Agreement under Section 16.2 above.

## 17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

### 17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

(a) immediately cease to operate the Studio and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(b) cease to use the Trade Secrets or other Confidential Information, the System and the Marks, including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms, and any other items which display or are associated with the Marks;

(c) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city, or county authorities which contains the name "TRAINING MATE" or any other Mark, and Franchisee shall furnish Franchisor with

evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(d) pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs, and expenses, including reasonable attorneys' fees, with respect to any related formal legal proceedings, including litigation, appellate, or bankruptcy proceedings, as well as Liquidated Damages (as defined and as calculated per Section 17.5 below);

(e) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(f) immediately return to Franchisor the Operations Manual, Trade Secrets, and all other Confidential Information, including records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Studio (all of which are acknowledged to be Franchisor's property);

(g) assign all telephone listings and numbers for the Studio to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

(h) comply with all other applicable provisions of this Agreement.

### 17.2 Post-Termination Covenant Not to Compete

You will comply with the post-termination, post-transfer, and post-expiration non-competition covenants as set in Section 7.6 of this Agreement.

### 17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 17, 17.1 or 17.2. Franchisee shall make such modifications or alterations to the Studio (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Studio. Franchisee shall make such specific additional changes to the Studio as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Studio for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

### 17.4 Option to Assume Lease, Assume Telephone Numbers, and Membership Contracts

Upon termination or expiration of this Agreement, we will have the option (but not the obligation) to do any or all of the following: (i) assume your Lease for the Studio premises; (ii) assume all telephone numbers used in connection with the operation of the Studio; (iii) assume all utilities used in connection with the operation of the Studio; (iv) assume your rights and interest in and to any Membership Contract to which you are a party, by delivering to you written notice of our election within 30 days after termination or expiration of this Agreement; and/or (v) assume all social media accounts associated with the Studio.

Upon termination or expiration of this Agreement, we also will have the option, to purchase any or all of the assets used in connection with the operation of the Studio including, without limitation, equipment, fixtures, signage, furnishings, supplies and leasehold improvements. The purchase price for the assets will be equal to the assets' book value, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Section 17.4. within thirty (30) days after the date of the expiration or termination of this Agreement. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner.

Our interest in the assets of the Studio that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefore, and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

You must execute all additional documentation that we designate to give effect to the options described in this Section 17.4. We may assign our option rights to any person of our choice.

### 17.5 Liquidated Damages

If we terminate this Agreement due to your default hereunder, or under any other agreement with us, or if you terminate this Agreement before this Agreement's scheduled expiration date, you will pay to us, as liquidated damages and not as a penalty, damages in the amount equal to ***(i)*** your average monthly Royalty Fee plus your average monthly Marketing Fee due for the last 12 months (or, if less, the period the Studio has been open) before your termination, and ***(ii)*** multiplied by the lesser of 36 or the number of months remaining in the then-current term of the Franchise Agreement.

### 17.6 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

## 18. TRANSFERABILITY OF INTEREST

### 18.1 Transfer by Us

We may transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee shall become solely responsible for all of our obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that we and/or our Affiliates may sell their assets, the Trade Secret, the Marks, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other entities, or be acquired by another entity; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, the Trade Secrets, the Marks (or any variation thereof), the System and/or the loss of association with or identification of Training Mate Franchising LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition, and other combination of business activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. You agree that we have the

right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as for TRAINING MATE studios operating under the Marks, or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Studio).

**18.2 Transfer by You**

(a) Definition of Transfer. For purposes of this Agreement, "**Transfer**" as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the franchise license, the Studio, substantially all the assets of the Studio, or in the ownership of the franchisee entity (if you are an Entity). "**Transfer**" as a noun means any sale, assignment, gift, transfer, pledge, mortgage, or encumbrance.

(b) No Transfer without Our Consent. The Franchise herein granted are personal to you (or our Owners), and we have entered into this Agreement with specific reliance upon on your personal or collective financial qualifications, experience, skills, and managerial qualifications as essential to the satisfactory operation of the Studio. Accordingly, neither you nor any Owner may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the all or substantially all of the assets of the Studio or any part or all of the ownership interest in you without our prior written approval of and unless you have first tendered to us the right of first refusal in accordance with Section 19.

If you or any of your Owners want to make a Transfer, you must promptly provide us with written notice. Any alleged Transfer, without our prior written consent, will be null and void and will create an event of default. If this occurs, we may terminate this Agreement without an opportunity to cure the default. We have the right to communicate with you, your counsel, and the proposed transferee on any part of a proposed Transfer. You agree to provide any information and documentation about the proposed Transfer that we reasonably require. Our consent to a Transfer does not abandon any claims that we have against the transferor. Our consent does not waive our right to demand strict compliance with the Agreement.

(c) Transfer of Entire or Controlling Interest in Studio. This Section 18.2(c) applies to all other Transfers not described in Sections 18.2(d) and 18.2(e) below, including Transfers which include the sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Studio (which must be in connection with the transfer of this Agreement), and the sale of a Controlling Interest in you if you are an Entity. For the purpose of determining whether you are transferring and/or selling a Controlling Interest or a Non-Controlling Interest, **"Control"** means the ability to direct the business decisions of a business entity or to exercise the voting rights of fifty percent (50%) or more of the voting shares or interest of a business entity, or ownership of fifty percent (50%) or more of the shares or interest of a business entity, or the ability to appoint half or a majority of the directors (or equivalent officers) of a business entity. We will not unreasonably withhold our consent to a Transfer under this Section 18.2(c), but may condition our consent on satisfaction of any or all of the following:

If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

i. You must satisfy all of your accumulated monetary obligations to us, our affiliates, and your third-party suppliers.

ii. You and your Owners must be in compliance with all obligations to us under this Agreement and any other agreement that you have with us and our Affiliates by the date of the request for our approval of the Transfer. If you are not in compliance by this date, then you must make arrangements acceptable to us to be in compliance by the date of the Transfer.

iii. You and your Owners must execute a general release, in a form that we select. This form will relieve us, and our parents, Affiliates, and subsidiaries (if any) and each of our and their respective past, present, and future officers, directors, managers, members, equity holders, agents, and employees, from all claims, demands, damages, and liabilities including without limitation claims arising under federal, state, and local laws, rules, and regulations.

iv. You and your Owners must agree to remain liable for all of the obligations to us in connection with the Studio that occur before the effective date of the Transfer. You must execute any and all documents that we reasonably request to prove such liability.

v. You and all your Owners agree to act as if this Agreement has expired or been terminated on the effective date of the Transfer and, as such, abide by all post-termination obligations under this Agreement as well as those provisions which survive expiration or termination, including, without limitation, Sections 7, 9.3, 17, 21.3, 22, 23, and 24.

vi. You must pay us a transfer fee in the amount stated in the Summary Pages (the "**Transfer Fee**").

vii. Your proposed transferee (or, if the transferee is not an individual, then each Owner) must show that he or she meets our qualifications to become a TRAINING MATE franchisee. If the transferee is already a TRAINING MATE franchisee, he or she must not be in default under any agreements with us, must have a good record of customer service and compliance, and must meet our then-current requirements for a new TRAINING MATE franchisee. In addition, your proposed transferee's proposed Designated Principal must be reasonably satisfactory to us.

viii. Your proposed transferee executes our then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different marketing obligations. The term of such agreement will be the remaining term of this Agreement at the time of transfer.

ix. If your proposed transferee is a business entity, then each of the transferee's Owners must sign our standard form of Guaranty. If any person required to sign a Guarantee is a corporation or other business entity (an entity other than a natural person), then its owners and parents also shall execute the Guaranty; it being the intent of the parties that each entity in the chain of ownership, and each natural person holding a beneficial interest in the franchise, either directly or indirectly through business entities, execute the Guaranty.

x. Your proposed transferee and their representatives and otherwise required personnel must successfully complete our then-current training requirements at their expense.

xi. The sale must include all material assets used in the operation of your Studio and you or your proposed transferee must upgrade the Studio. This upgrade must be done at your or the proposed transferee's own expense and must follow our then-current standards and specifications for new TRAINING MATE studio.

xii. Your proposed transferee must covenant that it will continue to operate under the Marks and using the System.

xiii. Your proposed transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state, and local laws, rules, ordinances, and requirements applicable to the transfer have been complied with or satisfied.

xiv. You must have requested consent in writing and delivered to us a copy of the proposed transfer agreements, including sale terms, at least 30 days prior to the proposed transfer, and we have determined, in our sole discretion, that the terms of the sale will not materially and adversely affect the post-transfer viability of the Studio.

xv. If we introduced the buyer to you, you have paid all fees due to us under our then-current franchise resale policy or program.

You acknowledge that we have legitimate reasons for evaluating the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you and that our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Studio, and to withhold consent to economically questionable transactions. You waive any claim that actions we have taken in good faith to protect our business interests in connection with a proposed transfer constitutes tortious interference with contractual or business relationships. Similarly, we may review all information regarding the Studio that you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given to us or that we have made regarding the Studio.

(d) Transfer of Non-Controlling Interest. You must give us an advance notice and submit a copy of all proposed contracts and other information for any proposal to admit a new Owner, remove an existing Owner, or change the distribution of ownership shown on Schedule 3 and Schedule 6, such that no Controlling Interest is transferred. We have a reasonable time (not less than 30 days) after we have received all requested information to evaluate the proposed Transfer. You and your new Owners must satisfy the conditions in Sections 18.2(c)(i), (ii), (iii), (iv), (v), (vi), (vii) and (ix), under which all new Owners will be required to execute our standard form of Guaranty, and pay us the applicable Transfer Fee as set forth in the Summary Pages. We may withhold our consent on any reasonable grounds or give our consent subject to any reasonable conditions. You acknowledge that any new Owner must submit a personal application and any information we require of prospective franchise Owners.

(e) Transfer to an Entity for Convenience. We will consent to the assignment of this Agreement to an entity that you form for the convenience of ownership, provided that: ***(a)*** the Entity has and will have no other business besides operating the Studio; ***(b)*** you provide to us a copy of the entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the entity was formed; ***(c)*** you satisfy the conditions in Sections 16.2.3 (iii), (vi), and (xi); ***(d)*** the Owners hold equity interests in the new entity in the same proportion shown on Schedule 3 and Schedule 6; and ***(e)*** you pay to us the applicable Transfer Fee as set forth in the Summary Pages.

### 18.3 Our Disclosure to Transferee

We reserve the right, without liability of any kind or nature whatsoever to you or to Owners, to make available for inspection by any intended transferee identified by you all or any part of our records, or records in our possession or under our control, relating to this Agreement, the Studio, or to the history of the relationship of the parties hereto. You hereby specifically consent to such disclosure by us and shall release and hold us harmless from and against any claim, loss, or injury resulting from an inspection of such records relating to the Studio by an intended transferee identified by you.

### 18.4 For-Sale Advertising

You shall not, without our prior written consent, place in, on or upon the area of the Studio, or in any communication media, any form of advertising relating to the sale of the Studio or the rights granted hereunder.

### 18.5 Transfer by Death or Incapacity

Upon the death or Incapacity of any Owner, the appropriate representative of such person (whether administrator, personal representative, or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in the Studio or in Franchisee to a third party approved by us. Such transfers, including transfers by will or inheritance, shall be subject to the conditions

for assignments and transfers contained in this Agreement. During such 180-day period, the Studio must remain at all times under the primary management of a Designated Principal who otherwise meets Franchisor's management qualifications.

## 19. RIGHT OF FIRST REFUSAL

### 19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity according to Section 18.5) the Studio (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

### 19.2 Franchisor's Right to Purchase

Franchisor shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to 60 days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

### 19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within 30 days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within 120 days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

### 19.4 Sales or Transfers to Family Excepted

If Franchisee proposes to sell or otherwise transfer the Studio (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family according to this Section.

## 20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individual(s) identified in Schedule 6 is/are the sole holder(s) of a legal or beneficial interest (in the stated percentages) of Franchisee.

## 21. RELATIONSHIP AND INDEMNIFICATION

### 21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint-venturer, partner, employee, servant, or independent

contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Studio operating the Studio according to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Studio by Franchisee. Any third-party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

### 21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### 21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively, "**Franchisor Indemnities**") to the fullest extent permitted by law from and against all "losses and expenses" (as hereinafter defined) resulting directly or indirectly from, as a result of, or in connection with (a) injury of any kind (including monetary, mental, or physical—including death) to any person (including your employees) or damages to any property of whatsoever kind and nature arising out of or in any manner connected with the Studio; (b) Franchisee's ownership or operation of the Studio; (c) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (d) breach of any representation, warranty, covenant, obligation, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (e) defamation of Franchisor or the System; (f) acts, errors or omissions committed or incurred in connection with the Studio; (g) any of your employees', contractors', agents', or representatives' acts, omissions, and claims; or (h) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section shall expressly survive the termination of this Agreement.

It is expressly understood and agreed that the indemnity contained in this Section covers claims by Franchisee's employees and that Franchisee expressly waives any defense to this indemnification obligation which may arise under the workers' compensation laws of any State. For the purpose of this Section, the term "**losses and expenses**" will be deemed to include damages (including compensatory, exemplary, and punitive damages); demands; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses.

### 21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit,

demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee. Franchisee agrees to not be a party to class action suit against Franchisor or any of its Affiliates under any circumstances.

## 22. GENERAL CONDITIONS AND PROVISIONS

### 22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

### 22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6.2, 7, and 17.2 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial in accordance with Section 23.

### 22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices permitted or required to be delivered pursuant to the provisions of this Agreement shall be sent to Franchisee at the address provided in the Summary Page, or at such other address as Franchisee may specify by written notice. All notices, payments and reports required by this Agreement shall be sent to Franchisor at address in the Summary Page, or at such other address as Franchisor may provide.

### 22.4 Cost of Enforcement or Defense

If Franchisor is required to enforce this Agreement in a judicial or other legal proceeding, if it is the predominantly prevailing party, it shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

### 22.5 Guaranty and Assumption of Obligations

If you are an Entity, each of your Owners must execute the Guaranty and Assumption of Obligations attached as Schedule 3 (the "**Guaranty**"). By executing the Guaranty, each Owner will be individually bound by the provisions stated in this Agreement. A violation of any provision in this Agreement by any Owner will constitute a violation of your obligations under this Agreement. The individuals executing this Agreement under the Guaranty represent that they are your sole Owners. The term "**Owner**" in this Agreement includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of a trust. If any Owner required to sign a Guaranty is a business entity, then each of owner and parent in such Owner's chain of ownership will execute the Guaranty; it being the intent of the parties that each entity and natural person holding a beneficial interest in the franchise, either directly or indirectly through one or more business entities, be considered an "Owner" under this Agreement.

### 22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

### 22.7 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

### 22.8 Severability and Modification

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable, or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

### 22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

### 22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

### 22.11 Timing

Time is of the essence. Except as in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

### 22.12 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

### 22.13 Third Party Beneficiaries

Except as otherwise clearly stated in this Agreement, no third party shall have the right to claim any of the benefits conferred under this Agreement.

### 22.14 Multiple Originals

Parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

## 23. DISPUTE RESOLUTION

### 23.1 Choice of Law

Except as to claims governed by federal law, Texas law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("**Claims**"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

### 23.2 Jurisdiction and Venue

Subject to this Section and Section 23.9 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion solely and exclusively in the state court of general jurisdiction closest to the county in which the Franchisor's principal place of business is located at the time of such action. Franchisee acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 7.6. Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

### 23.3 Jury Waiver

**THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING**.

### 23.4 Class Action Waiver

You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

### 23.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, FRANCHISEE'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF FRANCHISEE'S INITIAL FRANCHISE FEE AND ROYALTY FEES.

### 23.6 Limitation of Actions

You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

### 23.7 Prior Notice of Claims

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

### 23.8 Internal Dispute Resolution

You must first bring any Claim to our CEO, after providing notice as in Section 23.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

### 23.9 Mediation

Before you may bring any Claim against us, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA"), and split any AAA and mediator fees equally.

### 23.10 Waiver of Bond

You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

### 23.11 Attorney Fees

If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

### 23.12 Third Party Beneficiaries

Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Dispute Resolution provisions contained herein.

## 24. ACKNOWLEDGMENTS

### 24.1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received Franchisor's Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

### 24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

### 24.3 True and Accurate Information

Franchisee represents that all information in any and all applications, financial statements, and submissions to Franchisor is true, complete, and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness, and accuracy of such information.

### 24.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a TRAINING MATE studio involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

### 24.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Studio. Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

### 24.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

| **FRANCHISOR** | **FRANCHISEE** |
|---|---|
| **TRAINING MATE FRANCHISING LLC** | _____ |
| a Texas limited liability company | a/an _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date:_____ | Date: _____ |

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT**
**GENERAL RELEASE**

THIS RELEASE is made and given by _____, ("Franchisee") with reference to the following facts:

1. Franchisee, Guarantors, and Training Mate Franchising LLC (Releasee) are parties to one or more franchise agreements and a related personal guaranty agreement.

2. The following consideration is given:

_____ the execution by Franchisee of a subsequent Franchise Agreement; or

_____ the execution by Franchisee of a successor or renewal Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Franchisor's consent to Franchisee's transfer of its rights and duties under the Franchise Agreement; or

_____ Franchisee's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release of Franchisor. In consideration of Franchisor's agreement to grant to Franchisee such additional franchise rights as requested pursuant to the New Franchise Agreement, as well as other good and valuable consideration, Franchisee and Guarantors (on behalf of themselves and their respective heirs, executors, insurers, representatives, attorneys, successors, and assigns) and any individual or entity claiming by, through, or under any of the foregoing (collectively, the "**Releasing Parties**"), freely and without influence hereby fully releases, acquits, and forever discharges Franchisor, its parents, and affiliates, and each of the Franchisor's and foregoing's respective present and former officers, directors, owners, members, managers, stockholders, partners, employees, agents, attorneys, servants, representatives, predecessors, successors, and assigns, in their individual and corporate capacities ("**Released Parties**"), of and from any and all losses, damages, obligations, claims, demands, debts, accounts, covenants, promises, agreements (whether written or oral), liabilities, costs, attorneys' fees, actions, and causes of action whatsoever, whether known or unknown, direct or indirect, vested or contingent (collectively, "**Claims**") that any of the Releasing Parties now own or hold or may at any time have owned or held from the beginning of time through the Effective Date of this Amendment, including but in no way limited to, any Claims arising out of or in any way related to the Franchise Agreement, the Studio, [list all other existing agreements and studios], and any other agreements (whether oral or in writing) entered into between any of the Released Parties and any of the Releasing Parties, the relationships created thereunder, the operation and establishment of any TRAINING MATE studio connected in any way to any of the Releasing Parties ("**Releasing Parties Studios**"), and/or the offer, sale, establishment, or operation of the Releasing Parties Studios (and franchise opportunity).

4. Waiver of California Civil Code, Section 1542. The foregoing release extends to all claims, known or unknown, whether or not suspected and constitutes a waiver of each and all of the provisions of California Civil Code, Section 1542 (to the extent it would be applicable), which reads as follows: **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.**

5. Covenant Not to Sue. Franchisee and Guarantors hereby covenant and agree, on behalf of each of the Releasing Parties, that none of the Releasing Parties will commence, maintain, participate in, or

prosecute any suit or legal proceeding against Released Parties, or any of them, for Claims that any of the Releasing Parties now own or hold or may at any time have owned or held from the beginning of time through the Effective Date.

6. Representations and Warranties. Franchisee and Guarantors, on behalf of the Releasing Parties, hereby represents and warrants to Franchisor that, in entering into such release, he/she/it (i) is doing so freely and voluntarily upon the advice of counsel and business advisor of its own choosing (or declined to do so, free from coercion, duress or fraud); (ii) has read and fully understands the terms and scope of this Amendment that such party is entering into; (iii) realizes that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Amendment entered into by the party; and (iv) has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are called for to be released by this Amendment now or in the future, that he/she/it is aware of no third party who contends or claims otherwise, and that he/she/it shall not purport to assign, transfer, or convey any such claim hereafter

7. If applicable, Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

| **Franchisee/Releasor:** | **Franchisor/Releasee:**<br>**Training Mate Franchising LLC** |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**SCHEDULE 2 TO THE FRANCHISE AGREEMENT**
**AUTHORIZED LOCATION, OPENING DEADLINE, AND TERRITORY**

As of the date set forth below, the Authorized Location has been determined and, as such, the Franchise Agreement is supplemented as follows:

Section 3.1 The Authorized Location is at: _____

Section 3.2 The Opening Deadline is: _____

Section 1.2 The Territory is: _____

but excludes all Special Sites within such area.

If the Territory is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

**IN WITNESS WHEREOF**, the parties have supplemented this Schedule 2 on this ____ day of _____, 20____.

| **FRANCHISOR** | **FRANCHISEE** |
|---|---|
| TRAINING MATE FRANCHISING LLC<br>a Texas limited liability company | _____<br>a/an _____ |
| By: _____<br>Name: _____<br>Title: _____<br>Date: _____ | By: _____<br>Name: _____<br>Title: _____<br>Date: _____ |

**SCHEDULE 3 TO THE FRANCHISE AGREEMENT**
**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of_____, 20 , by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____ herewith ("**Agreement**") by Training Mate Franchising LLC ("**Franchisor**"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7, and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the Franchisor's state of formation (without giving effect to principles of conflicts of law).

Dispute Resolution. You agree to be bound by the Dispute Resolution provisions found in Section 23 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Guaranty and the dealings of the parties hereunder.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____

_____

_____

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____

_____

_____

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____

_____

_____

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

**PERSONAL GUARANTOR**

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS

_____

_____

_____

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

**SCHEDULE 4 TO THE FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

| **Landlord** | |
|---|---|
| Landlord Name: | |
| Landlord Address: | |
| Landlord Phone Number: | |

| **Franchisor** | |
|---|---|
| Franchisor Name: | Training Mate Franchising LLC |
| Franchisor Address: | 3858 Oak Lawn Avenue, Suite 430<br>Dallas, Texas 75219 |
| Franchisor Phone Number: | (323) 380-5492 |

| **Tenant** | |
|---|---|
| Tenant Name: | |
| Address of Leased Premises: | |
| Date of Lease: | |

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a TRAINING MATE studio (or any name authorized by Franchisor).

2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default ("**Default**") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord's approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the "**Assumption**"), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor's brand, subject to Landlord's approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Addendum or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Addendum, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

_____

By: _____
Name: _____
Title: _____

TENANT:

_____

By: _____
Name: _____
Title: _____

FRANCHISOR:

Training Mate Franchising LLC

By: _____
Name: _____
Title: _____
Date: _____

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT**
**ACH PAYMENT AGREEMENT**

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Training Mate Franchising LLC ("**Franchisor**") and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Franchisor or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

_____

**SCHEDULE 6 TO THE FRANCHISE AGREEMENT**
**HOLDERS OF LEGAL OR BENEFICIAL INTEREST**
**IN FRANCHISEE; OFFICERS; DIRECTORS**

**Holders of Legal or Beneficial Interest:**

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

**Officers and Directors:**

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____
_____
_____
Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

**SCHEDULE 7 TO THE FRANCHISE AGREEMENT**
**NONDISCLOSURE AGREEMENT**

This "Agreement" made as of the ____ day of _____, 20____, is by and between_____ _____, ("**Franchisee**," "**we**," "**us**," or "**our**") and _____("**Individual**," "**you**," or "**your**").

**W I T N E S S E T H:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20__ ("**Franchise Agreement**") by and between Franchisee and the Franchisor, Training Mate Franchising LLC ("**Company**"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) high intensity class-based fitness services or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings stated here, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

**1. Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, recipes compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the TRAINING MATE Business that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to Training Mate that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure according to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

**2. Confidentiality/Non-Disclosure**

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential according to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a TRAINING MATE Business.

**3. Reasonableness of Restrictions**

Individual acknowledges that each of the terms stated here, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

**4. Relief for Breaches of Confidentiality**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and/or Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

**5. Dispute Resolution**

a) **Choice of Law.** Except as to claims governed by federal law, the local law where the Studio is located governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of

the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

b) **Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters.

c) **Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

d) **Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

e) **Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

f) **Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

g) **Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

h) **Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as in Section 5(g) above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

i) **Mediation.** Before you may bring any Claim against us court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA"), and split any AAA and mediator fees equally.

j) **Waiver of Bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

k) **Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

**6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

c) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

d) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

e) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

f) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Name Printed: _____

**SCHEDULE 8 TO THE FRANCHISE AGREEMENT**
**MEMBERSHIP CONTRACT ASSIGNMENT AGREEMENT**

THIS MEMBERSHIP CONTRACT ASSIGNMENT AGREEMENT by and between the Franchisee identified below ("**Franchisee**") and Training Mate Franchising, LLC (hereinafter the "**Training Mate**").

BACKGROUND

A. Training Mate developed and owns the proprietary system ("**System**") for the operation of a high-intensity class-based fitness studio under the trademark and logo TRAINING MATE (the "**Studio**");

B. Training Mate granted Franchisee a franchise to operate a Studio pursuant to a Franchise Agreement and in accordance with the System;

C. During the term of the franchise, Franchisee will enter into membership contracts with Studio members permitting them access to the Studio facilities ("**Membership Contracts**"); and

D. As a condition to the execution of the Franchise Agreement, Training Mate requires that Franchisee collaterally assign all of its right, title and interest in the Membership Contracts to Training Mate upon expiration (without renewal) or termination of the Franchise Agreement.

AGREEMENT

In consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. Upon expiration (without renewal) or termination of the Franchise Agreement, and to secure continuity and stability of Studio operations, Franchisee hereby sells, assigns, transfers and conveys to Training Mate all of its rights, title and interest in and to all Membership Contracts; provided, however, such Assignment will not be effective unless and until the Franchise Agreement has expired or is terminated in accordance with the provisions thereof and Training Mate has delivered to Franchisee written notice of its acceptance of the assignment. Upon such assignment, Training Mate will assume no liability for monies owed or other liabilities relating to the Membership Contracts that have accrued prior to the effective date of the assignment.

2. Representation and Warranties of the Franchisee. Franchisee hereby represents, warrants and covenants to Training Mate that:

(a) As of the effective date of the Assignment, all of Franchisee's obligations under the Memberships Contracts have been satisfied;

(b) As of the date hereof, Franchisee has full power and legal right to enter into, execute, deliver and perform this Agreement;

(c) This Agreement is a legal and binding obligation of Franchisee, enforceable in accordance with the terms hereof;

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Franchisee is a party or by which Franchisee is bound, and no consent of nor approval by any third party is required in connection herewith; and

(e) Franchisee has the specific power to assign and transfer its right, title and interest in its Membership Contracts and Franchisee has obtained all necessary consents to this Assignment.

3. Cancellation. Notwithstanding the foregoing, Training Mate may, in its sole discretion and at any time prior to effectiveness of the assignment, declare this Agreement and the assignment contemplated hereunder null and void.

4. Miscellaneous. The validity, construction and performance of this Assignment is governed by the laws of the State of Texas. All agreements, covenants, representations and warranties made herein will survive the execution hereof. All rights of Training Mate inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the Effective Date.

| **FRANCHISOR** | **FRANCHISEE** |
|---|---|
| TRAINING MATE FRANCHISING LLC<br>a Texas limited liability company | _____<br>a/an _____ |
| By: _____<br>Name: _____<br>Title: _____ | By: _____<br>Name: _____<br>Title: _____ |
| **Effective Date**: _____ | Date: _____ |

**SCHEDULE 9 TO FRANCHISE AGREEMENT**
**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

**CALIFORNIA ADDENDUM**
**TO THE FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Agreement**") dated _____, by and between Training Mate Franchising LLC, a Texas limited liability company ("**Franchisor**" and "**us**"), and _____ ("**Franchisee**" and "**you**").

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Section 16.2 is deleted and in its place are substituted the following:

**16.2.1 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 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;

(f) The franchisee, after curing any failure in accordance with Section 16.2.2 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The Studio or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other 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 Studio, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**16.2.2 Termination by Us with Opportunity to Cure**. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

Sections 24.1 – 24.5 of the Franchise Agreement are deleted.

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

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of $58,000 with Merchants Bonding Company (Mutual) and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

| **FRANCHISOR** | **FRANCHISEE** |
|---|---|
| **TRAINING MATE FRANCHISING LLC** | _____ |
| a Texas limited liability company | a/an _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date:_____ | Date: _____ |

**NEW YORK ADDENDUM**
**TO THE FRANCHISE AGREEMENT**

This Addendum to the Franchise Agreement (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Agreement (the "**Agreement**") dated _____, by and between Training Mate Franchising LLC, a Texas limited liability company ("**Franchisor**"), and _____("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Agreement, the provisions contained in this Amendment shall control. Defined terms contained in the Agreement shall have the identical meanings in this Amendment.

1. Releases. The following language is added to the end of Sections 4.2.6, 4.2.8, 18.2(c)(viii), and 18.2(c)(x) of the Agreement:

   "Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied."

2. Termination by Franchisee. The following language is added to Section 16:

   "You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York."

3. Assignment. The following language is added to the end of Section 18.2(b) of the Agreement:

   "However, to the extent required by applicable law, no assignment will be made except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under this Agreement."

4. Modification of the System. The following language is added to the end of Section 10.2 of the Agreement:

   "Modifications to the Operations Manual will not unreasonably affect your obligations, including economic requirements, under this Agreement."

5. Applicable Law. The following language is added to the end of Section 23.2 of the Agreement:

   "However, the governing choice of law shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York."

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

7. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.

8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

| **FRANCHISOR** | **FRANCHISEE** |
|---|---|
| **TRAINING MATE FRANCHISING LLC** | _____ |
| a Texas limited liability company | a/an _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date:_____ | Date: _____ |

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# AREA DEVELOPMENT AGREEMENT

# TRAINING MATE FRANCHISING LLC
# AREA DEVELOPMENT AGREEMENT

**AREA DEVELOPMENT AGREEMENT**

**SUMMARY PAGES**

| | |
|---|---|
| **EFFECTIVE DATE:** | _____ |
| **DEVELOPER:** | _____ |
| **ADDRESS FOR NOTICES:** | _____ |
| | _____ |
| **TELEPHONE NUMBER:** | _____ |
| **E-MAIL ADDRESS:** | _____ |
| **DESIGNATED PRINCIPAL:** | _____ |
| **INITIAL FRANCHISE FEE FOR EACH STUDIO TO BE DEVELOPED:** | $50,000 (Studio 1), $45,000 (Studio 2), and $40,000 (Studio 3 or more) |
| **DEVELOPMENT FEE:** | $_____ (calculated as $50,000 for the first Studio, plus 100% of the initial franchise fee for each subsequent Studio to be developed) |
| **DEVELOPMENT AREA:** | Refer to Attachment A |
| **NUMBER OF STUDIOS TO BE DEVELOPED:** | _____ |
| **FRANCHISOR ADDRESS FOR NOTICES:** | Training Mate Franchising LLC<br>3858 Oak Lawn Ave., Ste. 430<br>Dallas, Texas 75219<br>Attention: CEO<br><br>With a copy to:<br><br>Maral M. Kilejian, Esq.<br>Haynes and Boone, LLP<br>2801 N Harwood St., Suite 2300<br>Dallas, Texas 75201<br>Facsimile: (972) 692-9030 |

_____ _____

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**TRAINING MATE FRANCHISING LLC**
**AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement ("**Agreement**") made effective as of _____ ("**Effective Date**") by and between Training Mate Franchising LLC, a Texas limited liability company with its current principal office in Dallas, Texas (the "**Franchisor**"); and _____ _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the "**Developer**").

**BACKGROUND**

A. Franchisor and its Affiliates have developed and own a distinctive business method, format, system and plan ("**System**"), identified by the "TRAINING MATE" Marks, for the establishment, development, and operation of fitness studios that offer high intensity guided workouts that combine strength, cardio and core training in a fast-paced, high-energy environment ("**Studios**").

B. The distinguishing characteristics of the System include, without limitation, valuable know-how, information, trade secrets, confidential information, training and exercise methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, the sale of branded products, research and development connected with the operation and promotion of Training Mate Studios; and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing, all of which we may change, improve, and further develop (collectively, "**Brand Standards**"). Developer hereby acknowledges and agrees that: (i) the System and Franchisor's related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals are proprietary and confidential.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, without limitation, to the mark "TRAINING MATE" and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the "**Marks**"). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Marks, expertise, and System. Franchisor continues to develop, use, and control the use of the Marks in order to identify for the public the source of services and products marketed under this Agreement and under the System, and to represent the System's high standards of quality, appearance, and service.

D. Franchisor grants qualified third parties the right to develop a certain number of Studios within a defined development area (the "**Development Area**") in accordance with the terms of this Agreement to which Developer must be strictly adhere, with each Studio within the Development Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current form of franchise agreement (each, a "**Franchise Agreement**").

E. Developer recognizes the benefits from receiving the right to operate a Studio utilizing the System and desires to: (i) become a multi-unit operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Studios within the Development Area as set forth in this Agreement (each, a "**Studio**"), and Franchisor has approved such

application in reliance on Developer's representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's brand standards manual and other System standards and specifications, are essential to the operation of all Studios and the System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## AGREEMENT

1. Development Area; Development Schedule and Obligations. Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish the cumulative number of Studios within the Development Area as set forth in Attachment A and each at a specific site approved by Franchisor within the Development Area ("**Franchised Location**"), provided Developer opens and begins operations of such Studios in strict accordance with the mandatory Development Schedule described in Attachment A and otherwise subject to the terms and conditions set forth herein.

1.1. Development Area Exclusivity. Except for sales in Special Sites, as defined below, and except to make effective any transfers by Developer or its Affiliate, so long as Developer in compliance with the terms of this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, or franchise other persons to establish or operate, a TRAINING MATE studio which is located within the Development Area. Except as specifically provided in the preceding sentence, Developer's rights under this Agreement are not exclusive, and Developer shall not have the right to sublicense, sublease, subcontract, or enter into any management agreement providing for the right to operate a Studio or to use the System. Franchisor retains the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Developer any rights therein:

1.1.1 To own, acquire, establish, and/or operate, and license others to establish and operate, Studios outside the Development Area;

1.1.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other marks or other systems, whether such businesses are the same, similar, or different from the Studio, at any location within or outside the Development Area;

1.1.3 To sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any products or services which bear any marks, including the Marks, whether within or outside the Development Area;

1.1.4 To produce, license, distribute and market TRAINING MATE® branded food products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to the Studio) through any distribution channel, at wholesale or retail, including through the Internet, retail stores, direct mail advertising, and other distribution methods; and

1.1.5 To develop, own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Marks and the System, full Studios, satellite units, limited service or non-permanent facilities or studios in "**Special Sites**," meaning, Studios at these locations within or outside your Development Area: (1) military bases; (2) public transportation facilities, including, without limitation, airports, railway stations, limited access highway travel plazas and other transportation terminals; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) hotels, resorts or similar short-term lodging; (6) apartment or condominium complexes; and (7) corporate office buildings or office parks.

1.2. No Right to Use Marks or System. This Agreement is not a Franchise Agreement, and does not grant Developer any right to use or to franchise the use of TRAINING MATE® branded and proprietary food products, the Marks, or the System.

2. Development Fee. Developer shall pay Franchisor a development fee equal to the Development Fee indicated on the Summary Pages for the right to develop the foregoing Studios within the Development Area under this Agreement. The Development Fee is fully earned upon payment and is not refundable under any circumstances; and payable to Franchisor immediately on Developer's execution of this Agreement. The parties agree and acknowledge that the Development Fee is comprised of the franchise fee payable in connection with: (i) the initial Studio that Developer is granted the right to open within the Development Area under this Agreement (the "**Initial Studio**"); and (ii) each additional Studio that Franchisor has granted Developer the right to open hereunder (each, an "**Additional Studio**").

3. Initial Franchise Agreement. Contemporaneously with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the Initial Studio that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's direct and indirect owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. Additional Franchise Agreements. Developer agrees and acknowledges that it must enter into Franchisor's then-current form of Franchise Agreement for each Additional Studio that Developer is required to open under this Agreement.

5. Development Obligations. Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Studios during each of the development periods defined in the Development Schedule (each, a "**Development Period**"); and (ii) has the minimum cumulative number of Studios open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 9.2 of this Agreement (and any future development rights granted hereunder). The parties agree and acknowledge that if there is more than one developer or franchisee looking to secure a site for a TRAINING MATE® Studio within the Development Area, the parties will follow the Franchisor's prescribed process and procedure for how sites will be reviewed and offered to such franchisees/developers (including Developer) within the Development Area, as Franchisor sets forth in its confidential brand standards manual(s) or otherwise.

6. Conditions Precedent to Franchisor's Obligations. Franchisor shall not be required to execute any Franchise Agreement with Developer or Developer's Affiliates if, at the time scheduled for execution, Developer or Developer's Affiliates (or either of their respective guarantors, officers, or Owners) shall be in default of any of the terms or provisions of this Agreement or of any other agreement between Franchisor or its Affiliates and Developer and its Affiliates, or if Developer or its Affiliates are not operating its Studios in compliance with Franchisor's brand standards manuals.

7. Confidentiality. Developer shall not, during or after the term of this Agreement, communicate, divulge, or use for the benefit of anyone else, any Confidential Information, knowledge, or know-how concerning the methods of development or operation of a Studio which may be communicated to Developer or of which Developer may be apprised by virtue of its association with Franchisor. In addition to any other such Confidential Information, Franchisor's brand standards manuals and site selection criteria shall be deemed to be confidential. Developer shall divulge such Confidential Information only to such of its employees as must have access to it in order to perform their employment responsibilities. Any and all matters, information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement. Developer acknowledges that any failure to

comply with the requirements of this Section 7 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 7. In addition, any employee of Developer who may have access to any Confidential Information of Franchisor shall execute covenants that they will maintain the confidentiality of information they receive in connection with their association with Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

"**Confidential Information**" means all trade secrets, and other elements of the System; all customer information; all information contained in the brand standards manuals; Franchisor's standards and specifications for all services and products offered at TRAINING MATE® Studio; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Studio which may be communicated to Developer, or of which Developer may be apprised, by virtue of Developer's operation under the terms of the this Agreement, and all other information that Franchisor designates or that Developer otherwise acquires in operating its business under the System.

8. Non-Competition Covenants.

8.1. Non-Competition During Term of Agreement. Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer (or, if Developer is a corporation, limited liability company, or partnership, all Owners of Developer) covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (or, if Developer is a corporation, limited liability company, or partnership, all Owners of Developer) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal entity:

(a) Divert or attempt to divert any present or prospective to TRAINING MATE® Studio customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(b) Directly or indirectly, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with a Competitive Business, other than TRAINING MATE® studio operated pursuant to a then-currently effective franchise agreement with us at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

The term "**Competitive Business**" means *(i)* any fitness studio (including, but not including a fitness studio that offers high intensity class-based fitness services or a business similar to TRAINING MATE studios) in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate, or TRAINING MATE franchisees, or *(ii)* any business granting franchises or licenses to others to operate the type of business specified in clause (i).

8.2. Non-Competition After Execution or Termination of Agreement. Beginning on the date of: *(i)* a transfer permitted under this Agreement; *(ii)* expiration of this Agreement; *(iii)* termination of this Agreement (regardless of the cause for termination); or *(iv)* a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 8.2. and

continuing for an uninterrupted period of two years thereafter, Developer shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a Competing Business which operates, is located, or is intended to be located, within the Development Area and a 5-mile radius from the borders of the Development Area.

If this Section 8.2 is found unenforceable, either in whole or in part, by a court of law, or other official proceeding, we shall still be entitled to equitable relief. If any of your Owners ceases to be an owner of the Developer for any reason during the franchise term, the foregoing covenant shall apply to the departing owner for a two-year period beginning on the date such person's interest in Developer is transferred, assigned, or sold.

The two year time period described in this Section 8.2 will be tolled during any period of noncompliance.

8.3. Exceptions to Non-Compete Covenants. Sections 8.1 and 8.2 shall not apply to ownership by Developer of a less than 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

8.4. Reducing Scope of Covenants. Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.1 and 8.2, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

8.5. Enforceability of Covenants Not Affected by Developer Claims. Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8.

8.6. Irreparable Injury to Franchisor. Developer agrees and acknowledges that Developer's failure to comply with the provisions of Section 8 will result in irreparable' harm and injury to Franchisor and to the Marks without any adequate remedy at law, and Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8 as well as to pay all damages, *ex*penses, court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, and/or damages resulting from a violation of, the requirements of Section 8 of this Agreement.

8.7. Covenants from Individuals. Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Developer) from all Owners. Every covenant required by this Section 8.7 shall be in a form approved by Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.8. Reasonable in Scope. The covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Developer, since Developer has other considerable skills, experience and education which afford Developer the opportunity to derive income from other endeavors.

9. Term and Termination.

9.1. Term. This Agreement will begin on the Effective Date and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the day the final Studio is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Studio that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in

connection with a "Territory" associated with a Studio that Developer has opened and begun operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Studios).

9.2. Termination with Notice and Without Opportunity to Cure. Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Studios within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period and fails to cure such default within 30 days of receiving notice thereof; (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's obligations under this Agreement is terminated or subject to termination by Franchisor pursuant to the terms of that Franchise Agreement (where, for example, there is a noncurable default under such Franchise Agreement or a default which remains uncured beyond its applicable cure period); or (v) if Developer fails to pay the Development Fee or any other amounts due to Franchisor or its Affiliates and fails to cure such default within 7 days of receiving notice thereof.

9.3. Franchisor's Options at Termination. Upon any default under Section 9.2 of this Agreement, Franchisor may immediately take anyone or more of the following actions, by written notice to Developer: (i) terminate this Agreement and all rights granted to Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the number of Studios required to be developed under this Agreement; (iv) eliminate, modify, or reduce the Development Area or the number of Studios to be developed.

10. Reservation of Rights. Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

11. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a general partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

12. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Marks or System.

13. Notices. All notices, requests, and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the respective parties at the addresses set forth on the Summary Pages, (which may be changed by written notice).

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to this state's conflict of laws principles.

15. Internal Dispute Resolution. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution

procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

16. Mediation. The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor, Developer, and each Owner agree to submit any claim, controversy or dispute between Franchisor or its Affiliates (and Franchisor's and its Affiliate's respective owners, officers, directors, agents, representatives and/or employees) and you or your Affiliates (and your Owners, agents, representatives and/or employees) arising out of or related to ***(a)*** this Agreement or any other agreement between Franchisor and you, ***(b)*** Franchisor's relationship with you, or ***(c)*** the validity of this Agreement or any other agreement between Franchisor and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal. "**Affiliate**" means an affiliate of a named person identified as any person or entity that is controlled by, controlling or under common control with such named person.

16.1. The mediation shall be conducted by a mediator agreed upon by Franchisor and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("**AAA**") in accordance with its rules governing mediation. Mediation shall be held at the offices of the agreed-to mediator in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

16.2. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring such claim, controversy or dispute in accordance with the Agreement. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

16.3. Notwithstanding the foregoing provisions of this Section 16, the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to Franchisor pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("**Excepted Claims**"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

17. Jurisdiction and Venue. Subject to Section 16 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to the county in which the Franchisor's principal place of business is located at the time of such action. Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 16. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

18. Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

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

DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

20. WAIVER OF CLASS ACTIONS. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE STUDIO, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

21. Waiver of Punitive Damages. Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

22. Attorneys' Fees. If either party institutes any arbitration, judicial, mediation, or other legal proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

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

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

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

26. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each direct and indirect individual and entity owner of Developer ("**Owner**") shall execute the Personal Guaranty and Undertaking attached as Attachment C. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Personal Guaranty and Undertaking.

27. Successors. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 11 of this Agreement.

28. Additional Documentation. Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

29. No Right to Offset. Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

30. Entire Agreement. This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Development Area; no promises, inducements, or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications, or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions, and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

31. Survival of Obligations After Expiration or Termination of Agreement. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

32. Incorporation of Background. The Background section of this Agreement is hereby incorporated by reference into the body of this Agreement.

33. Counterparts; Electronic Signature. This Agreement may be executed by the parties simultaneously in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. This Agreement, including all Attachments, may be signed with full force and effect using electronic signatures. By signing via electronic signature Developer consents to the legally binding terms and conditions of this Agreement and represents that Developer the authorized signatory indicated in each signature block.

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

| **FRANCHISOR** | **DEVELOPER** |
|---|---|
| TRAINING MATE FRANCHISING LLC<br>a Texas limited liability company | |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date:_____ | Date: _____ |

**TRAINING MATE FRANCHISING LLC**
**CALIFORNIA AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment to Area Development Agreement (this "**Amendment**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Area Development Agreement (the "**Agreement**") dated _____, by and between Training Mate Franchising LLC, a Texas limited liability company ("**Franchisor**"), and _____("**Developer**"). Where and to the extent that any of the provisions of this Amendment are contrary to, in conflict with or inconsistent with any provision contained in the Agreement, the provisions contained in this Amendment shall control. Defined terms contained in the Agreement shall have the identical meanings in this Amendment.

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

2. Sections 20000 through 20043 of the California Business and Professions Code provide rights to you concerning nonrenewal and termination of the Area Development Agreement. The Federal Bankruptcy Code also provides rights to you concerning termination of the Area Development Agreement upon certain bankruptcy-related events. To the extent the Area Development Agreement contains a provision that is inconsistent with these laws, these laws will control.

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 reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

| **FRANCHISOR** | **DEVELOPER** |
|---|---|
| TRAINING MATE FRANCHISING LLC | _____ |
| a Texas limited liability company | a/an _____ |
| By:_____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**TRAINING MATE FRANCHISING LLC**
**NEW YORK AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment to Area Development Agreement (this "**Amendment**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Area Development Agreement (the "**Agreement**") dated _____, by and between Training Mate Franchising LLC, a Texas limited liability company ("**Franchisor**"), and _____("**Developer**"). Where and to the extent that any of the provisions of this Amendment are contrary to, in conflict with or inconsistent with any provision contained in the Agreement, the provisions contained in this Amendment shall control. Defined terms contained in the Agreement shall have the identical meanings in this Amendment.

1. Releases. The following language is added to the end of Section 11 of the Agreement:

   ", provided, however, that all rights Developer enjoys and any causes of action arising in Developer's 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied."

2. Termination by Developer. The following language is added to Section 9:

   "You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York."

3. Assignment. The following language is added to the end of Section 11 of the Agreement:

   "However, to the extent required by applicable law, no assignment will be made except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under this Agreement."

4. Applicable Law. The following language is added to the end of Section 14 of the Agreement:

   "However, the governing choice of law shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York."

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

6. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.

7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

[*Signature Page Follows*]

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

| **FRANCHISOR** | **DEVELOPER** |
|---|---|
| TRAINING MATE FRANCHISING LLC | _____ |
| a Texas limited liability company | a/an _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**TRAINING MATE FRANCHISING LLC**
**AREA DEVELOPMENT AGREEMENT**

**ATTACHMENT A**
**DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Development Area. The Development Area, as referred to in Section 1 of the Area Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas: _____
_____.

2. Development Schedule. The Development Schedule referred to in Section 5 of the Area Development Agreement is as follows:

| Studio No. | Franchise Agreement Execution Date | Studio Opening Date |
|---|---|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

**IN WITNESS WHEREOF**, the parties hereof have executed this Attachment A as of the dates shown below but effective for all purposes as of the Effective Date.

**FRANCHISOR**
TRAINING MATE FRANCHISING LLC
a Texas limited liability company

By:_____
Name: _____
Title: _____
Date: _____

**DEVELOPER**
_____
a/an _____

By: _____
Name: _____
Title: _____
Date: _____

**TRAINING MATE FRANCHISING LLC**
**AREA DEVELOPMENT AGREEMENT**

**ATTACHMENT B**
**ENTITY INFORMATION**

If the developer is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of _____.

(1) Developer is a _____, formed under the laws of the state of _____.

(2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the Developer's charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) You promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.

(4) The name and address of each of Owner:

| NAME | ADDRESS | NUMBER OF SHARES OR PERCENTAGE INTEREST |
|---|---|---|
| | | |
| | | |
| | | |

(5) The address where the Developer's Financial Records, and other records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

_____.

**FRANCHISOR**
TRAINING MATE FRANCHISING LLC
a Texas limited liability company

By:_____
Name: _____
Title: _____
Date: _____

**DEVELOPER**
_____
a/an _____

By: _____
Name: _____
Title: _____
Date: _____

**TRAINING MATE FRANCHISING LLC**
**AREA DEVELOPMENT AGREEMENT**

**ATTACHMENT C**
**PERSONAL GUARANTY AND UNDERTAKING**

1. I have read the Area Development Agreement dated _____, 20____ ("**Development Agreement**"), between Training Mate Franchising LLC ("**Franchisor**") and the "Developer" identified in the Development Agreement (the "**Developer**").

2. I own a direct or indirect beneficial interest in the Developer, and would be considered an "**Owner**" within the definition contained in Area Development Agreement.

3. I understand that, were it not for this Personal Guaranty and Undertaking ("**Guaranty**"), Franchisor would not have agreed to enter into the Area Development Agreement with the Developer.

4. In consideration of, and as an inducement to, the execution of the Development Agreement by Franchisor, I hereby personally and unconditionally guarantee to Franchisor, and its successors and assigns, for the term of the Agreement (including extensions) and thereafter as provided in the Agreement, that: ***(1)*** _____ ("**Developer**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (including any amendments or modifications of the Development Agreement); and ***(2)*** that I shall personally be bound by and personally liable to Franchisor for the breach of each and every provision in the Development Agreement (including any amendments or modifications of the Development Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the non-competition, confidentiality, and transfer requirements.

5. I hereby waive: ***(1)*** acceptance and notice of acceptance by Franchisor of the foregoing undertakings; ***(2)*** notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; ***(3)*** protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; ***(4)*** any right I may have to require that an action be brought against Developer or any other person as a condition of liability; ***(5)*** all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty; and ***(6)*** any and all other notices and legal or equitable defenses to which he may be entitled.

6. I further consent and agree that: ***(1)*** my direct and immediate liability under this guaranty shall be joint and several, both with Developer and among other guarantors; ***(2)*** I shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; ***(3)*** such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; ***(4)*** such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims (including the release of other guarantors), none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Developer or its owners, and for so long as Franchisor has any cause of action against Developer or its owners; and ***(5)*** this guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Developer, and I hereby waive notice of any and all renewals, extensions, modifications, amendments, or transfers.

7. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Developer has pledged other security

or if one or more other persons have personally guaranteed performance of the Developer's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

8. I agree that the provisions contained in Sections 11-14 of the Area Development Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

9. I hereby waive (a) all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and (b) California Civil Code Sections 2899 and 3433.

10. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE AREA DEVELOPMENT AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE AREA DEVELOPMENT AGREEMENT**.

11. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

12. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by facsimile or other electronic system; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

Executed on the date set forth below:

**GUARANTOR(S)**

Dated: _____

_____
Name: _____
Address for notices: _____
_____
Email: _____

Dated: _____

_____
Name: _____
Address for notices: _____
_____
Email: _____

**EXHIBIT F**

**FINANCIAL STATEMENTS**

# Balance Sheet

## Training Mate Franchising LLC
## As of April 30, 2024

| | APR 30, 2024 |
|---|---|
| **Assets** | |
| **Current Assets** | |
| **Cash and Cash Equivalents** | |
| Chase Checking - 1773 | 19,986.84 |
| **Total Cash and Cash Equivalents** | **19,986.84** |
| Accounts Receivable | 8,592.14 |
| **Total Current Assets** | **28,578.98** |
| **Total Assets** | **28,578.98** |
| **Liabilities and Equity** | |
| **Liabilities** | |
| **Current Liabilities** | |
| Credit Card - Chase - 1583 | 64.94 |
| Credit Card - Chase - 8479 | 1,837.52 |
| Due to/from Training Mate Four | (11,500.00) |
| Due to/from Training Mate LLC | (113,650.00) |
| **Total Current Liabilities** | **(123,247.54)** |
| **Total Liabilities** | **(123,247.54)** |
| **Equity** | |
| Current Year Earnings | (12,079.73) |
| Owners Contribution | (17,185.64) |
| Retained Earnings | 181,091.89 |
| **Total Equity** | **151,826.52** |
| **Total Liabilities and Equity** | **28,578.98** |

# Income Statement (Profit and Loss)

## Training Mate Franchising LLC
## For the 4 months ended April 30, 2024

| | JAN-APR 2024 |
|---|---|
| **Income** | |
| Commission Income | 11,723.40 |
| **Total Income** | **11,723.40** |
| **Gross Profit** | **11,723.40** |
| **Operating Expenses** | |
| Automobile Expenses | 6,975.58 |
| Bank Service Charges | 210.00 |
| Consulting & Accounting | 3,200.00 |
| Dues & Subscriptions | 923.00 |
| Interest Expense | 110.44 |
| Legal Expenses | 4,500.00 |
| Meals | 3,571.59 |
| Office Expenses | 1,734.47 |
| Repairs and Maintenance | 47.25 |
| Travel | 2,530.80 |
| **Total Operating Expenses** | **23,803.13** |
| **Operating Income** | **(12,079.73)** |
| **Net Income** | **(12,079.73)** |

# TRAINING MATE FRANCHISING, LLC.

## Financial Statements

## December 31, 2023

**(With Independent Auditors'
Report Thereon)**

**SMITH, BUZZI & ASSOCIATES, LLC.**
CERTIFIED PUBLIC ACCOUNTANTS
9430 SUNSET DRIVE, SUITE 300
MIAMI, FLORIDA 33173
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Members of
Training Mate Franchising, LLC.

***Report on the Financial Statements***

We have audited the financial statements of Training Mate Franchising, LLC., which comprise the balance sheet as of December 31, 2023 and the related statements of operations and members' equity and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position Training Mate Franchising, LLC. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Training Mate Franchising, LLC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Training Mate Franchising, LLC.'s ability to continue as a going concern for the year ended December 31, 2023.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Training Mate Franchising, LLC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Training Mate Franchising, LLC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Smith, Buzzi & Associates, LLC.

Miami, Florida
April 9, 2024

TRAINING MATE FRANCHISING, LLC.

Balance Sheet

December 31, 2023

| Assets | |
|---|---|
| Cash | $ 32,282 |
| Accounts receivable | 3,673 |
| Due from affiliate | 40,150 |
| Total assets | $ 76,105 |

| Liabilities and Members' Equity | |
|---|---|
| Liabilities: | |
| Accrued expenses | $ 2,699 |
| Deferred franchise fee | 26,331 |
| Total liabilities | 29,030 |
| Members' Equity | 47,075 |
| Total Members' Equity | 47,075 |
| Total Liabilities and Members' Equity | $ 76,105 |

See accompanying notes to financial statements.

TRAINING MATE FRANCHISING, LLC.

Statement of Operations and Members' Equity

For the Year Ended December 31, 2023

| | |
|---|---|
| Revenues: | |
| Franchise sales | 53,669 |
| Commissions | 17,492 |
| Other income | 3,271 |
| Total revenues | 74,432 |
| Expenses: | |
| Automobile expense | 1,485 |
| Bank fees | 250 |
| Consulting fees | 3,500 |
| Dues and subscriptions | 353 |
| Interest | 72 |
| Professional fees | 10,500 |
| Meals | 2,272 |
| Office expenses | 1,636 |
| Travel | 3,066 |
| Total expenses | 23,134 |
| Net income | 51,298 |
| Contributions | 11,686 |
| Members' Equity (deficit), beginning of year | (15,909) |
| Members' Equity, end of year | $ 47,075 |

See accompanying notes to financial statements.

TRAINING MATE FRANCHISING, LLC.

Statement of Cash Flows

For the Year Ended December 31, 2023

| | |
|---|---|
| Cash flows from operating activities: | |
| Net income | $ 51,298 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Amortization | - |
| (Increase) decrease in assets: | |
| Accounts receivable | (3,673) |
| Due from affiliate | (40,150) |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued expenses | 2,699 |
| Deferred franchise fee | 26,331 |
| Franchise deposits | (16,100) |
| Net cash provided by operating activities | 20,405 |
| Cash flows from investing activities: | |
| Fixed asset dispositions, net | - |
| Net cash used by investing activities | - |
| Cash flows from financing activities: | |
| Contributions | 11,686 |
| Distributions | - |
| Net cash provided by financing activities | 11,686 |
| Net increase in cash and cash equivalents | 32,091 |
| Cash and cash equivalents, beginning of year | 191 |
| Cash and cash equivalents, end of year | $ 32,282 |
| Supplementary disclosure of cash flow information: | |
| Cash paid during the year for: | |
| Interest | $ 72 |
| Income taxes | $ - |

See accompanying notes to financial statements.

## 1. ***Summary of Significant Accounting Policies***

Training Mate Franchising, LLC. ("Company") was formed in the State of Texas in January 2022. The principal purpose of the Company is to offer and sell franchises that provide High Intensity Interval Training (HIIT) combining cardio and resistance exercises.

Following is a description of significant risks facing the Company and how those risks are minimized:

***Legal/Regulatory Risk*** – The risk that changes in the legal or regulatory environment in which the Company operates can create additional loss, costs, or expenses not anticipated by the Company in pricing its services. That is, regulatory initiatives may create costs for the Company beyond those currently recorded in the financial statements or assumed in pricing. The Company attempts to minimize this risk by reviewing legislative and other regulatory changes and adjusting rates whenever possible.

***Concentration Risk*** – All of the Company's fees were derived from services rendered to customers. Accordingly, the Company could be affected by adverse conditions that may occur from time to time in the marketplace.

***Credit Risk*** – The risk that customers that may owe the Company money, will not pay. The Company attempts to minimize this risk by actively monitoring collections of receivables.

### a) ***Method of Accounting***

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

### b) ***Property and Equipment***

Property and equipment are stated at cost. Depreciation is computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation is computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

***1. Summary of Significant Accounting Policies – (Cont.)***

**c) *Franchise Revenues***

Income is principally comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from initial franchise fees as well as royalties collected from franchisees.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial "franchise fee" is distinct from the franchise license. A portion of the initial franchise fee is allocated to certain distinct performance obligations and is recognized as revenue when the Company has determined it has provided substantially all of its material obligations required to recognize revenue related to those distinct performance obligations. Initial franchise fees generally consist of pre-opening services determined by Franchisor that are separate and distinct (typically upfront and not brand specific) such as training, site selection, etc. and could be provided by a third party. Other components of the fee are deferred and recognized as other obligations of the agreement or conditions relating to the sale have been substantially performed or satisfied by the franchisor.

The individual franchise agreements typically have a 10 year initial term and provide the franchisee with an opportunity to enter into renewal terms subject to certain conditions.

The Company recognizes revenue when all of the following four criteria are met:

- persuasive evidence of a sales arrangement exists
- all material obligations have been provided
- the sales price is fixed or determinable and
- collectability is probable

Deferred revenue represents cash received from franchisees for franchise fees and area development fees for which revenue recognition criteria has not been met.

As of December 31, 2023, the Company has recorded deferred franchise fees of $26,331 relating to stores to be opened in future years or unamortized fees relating to open stores. These amounts are included in deferred revenues.

***1. Summary of Significant Accounting Policies – (Cont.)***

**d) *Accounts Receivable***

Trade accounts receivable consist of amounts due for franchise sales, are carried at their estimated collectible amounts and trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The Company uses the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of December 31, 2023, a total of $0 in accounts were reserved.

**e) *Income Taxes***

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members.

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

**f) *Cash Flows***

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

***1. Summary of Significant Accounting Policies – (Cont.)***

**g) *Pervasiveness of Estimates***

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

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the balance sheet, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

**h) *Long-Lived Assets***

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

**i) *Concentrations, Risks and Uncertainties***

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial stability.

**j) *Fair Value***

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

## 2. Accounts Receivable

At December 31, 2023, the Company is owed $3,673 from the sale of franchises. The Company is to receive the outstanding balance of the franchise fees at the commencement of operations of the sold franchises.

Management constantly evaluates balances due for assessing collectability.

## 3. Property and Equipment

Property and equipment at December 31, 2023, consists of the following:

| | |
|---|---|
| Computer | $ - |
| Office furniture and equipment | - |
| | - |
| Less accumulated depreciation | - |
| | $ - |

Depreciation expense for the year ended on December 31, 2023 amounted to $0.

## 4. Due from Affiliate

The Company is owed $40,150 for costs paid on behalf of its affiliates for franchising costs. The amount is non-interest bearing and has no definite date of repayment.

## 5. Franchise Sales and Agreements

The Company started offering franchises in May 2022.

The Company enters into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

## *6. Subsequent Events*

Management has evaluated subsequent events through April 9, 2024, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

# TRAINING MATE FRANCHISING, LLC.

## Financial Statements

## December 31, 2022

**(With Independent Auditors'
Report Thereon)**

**SMITH, BUZZI & ASSOCIATES, LLC.**
CERTIFIED PUBLIC ACCOUNTANTS
9425 SUNSET DRIVE, SUITE 180
MIAMI, FLORIDA 33073
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Members of
Training Mate Franchising, LLC.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Training Mate Franchising, LLC., which comprise the balance sheet as of December 31, 2022 and the related statements of operations and members' equity and cash flows for the period from May 4, 2022 ("Inception date") to December 31, 2022 and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Training Mate Franchising, LLC., as of December 31, 2022 and the results of its operations and its cash flows for the period from May 4, 2022 ("Inception date") to December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Smith, Buzzi & Associates, LLC.

Miami, Florida
June 1, 2023

TRAINING MATE FRANCHISING, LLC.

Balance Sheet

December 31, 2022

| | |
|---|---|
| **Assets** | |
| Cash | $ 191 |
| Total assets | $ 191 |
| **Liabilities and Members' Equity** | |
| Liabilities | |
| Franchise deposits | $ 16,100 |
| Deferred franchise fee | - |
| Total liabilities | 16,100 |
| Members' Equity (Deficit) | (15,909) |
| Total Members' Equity (Deficit) | (15,909) |
| Total Liabilities and Members' Equity (Deficit) | $ 191 |

See accompanying notes to financial statements.

TRAINING MATE FRANCHISING, LLC.

Statement of Operations and Members' Equity (Deficit)

For the Period from May 4, 2022 ("Inception date") to December 31, 2022

| | |
|---|---|
| Revenues: | |
| Franchise sales | - |
| Royalties | - |
| Total revenues | - |
| Expenses: | |
| Bank charges | 15 |
| Franchising fee | 12,000 |
| Supplies expense | 8,394 |
| Total expenses | 20,409 |
| Net income (loss) | (20,409) |
| Contributions, net | 4,500 |
| Members' Equity, beginning of period | - |
| Members' Equity (Deficit), end of period | $ (15,909) |

See accompanying notes to financial statements.

TRAINING MATE FRANCHISING, LLC.

Statement of Cash Flows

For the Period from May 4, 2022 ("Inception Date") to December 31, 2022

| | |
|---|---|
| Cash flows from operating activities: | |
| Net income (loss) | $ (20,409) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Amortization | - |
| (Increase) decrease in assets: | |
| Accounts receivable | - |
| Increase (decrease) in liabilities: | |
| Franchise deposits | 16,100 |
| Net cash used by operating activities | (4,309) |
| Cash flows from investing activities: | |
| Fixed asset dispositions, net | - |
| Net cash used by investing activities | - |
| Cash flows from financing activities: | |
| Contributions, net | 4,500 |
| Net cash provided by financing activities | 4,500 |
| Net increase in cash and cash equivalents | 191 |
| Cash and cash equivalents, beginning of period | - |
| Cash and cash equivalents, end of period | $ 191 |
| Supplementary disclosure of cash flow information: | |
| Cash paid during the period for: | |
| Interest | $ - |
| Income taxes | $ - |

See accompanying notes to financial statements.

## *1. Summary of Significant Accounting Policies*

Training Mate Franchising, LLC. ("Company") was formed in the State of Texas in January 2022. The principal purpose of the Company is to offer and sell franchises that provide High Intensity Interval Training (HIIT) combining cardio and resistance exercises.

### a) *Method of Accounting*

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

### b) *Property and Equipment*

Property and equipment are stated at cost. Depreciation is computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation is computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### c) *Franchise Revenues*

Income is principally comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from initial franchise fees as well as royalties collected from franchisees.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial "franchise fee" is distinct from the franchise license. A portion of the initial franchise fee is allocated to certain distinct performance obligations and is recognized as revenue when the Company has determined it has provided substantially all of its material obligations required to recognize revenue related to those distinct performance obligations. Initial franchise fees generally consist of pre-opening services determined by Franchisor that are separate and distinct (typically upfront and not brand specific)

***1. Summary of Significant Accounting Policies – (Cont.)***

**c) *Franchise Revenues/Deferred Revenues – (Cont.)***

such as training, site selection, etc. and could be provided by a third party. Other components of the fee are deferred and recognized as other obligations of the agreement or conditions relating to the sale have been substantially performed or satisfied by the franchisor.

The Company recognizes revenue when all of the following four criteria are met:

- persuasive evidence of a sales arrangement exists
- all material obligations have been provided
- the sales price is fixed or determinable and
- collectability is probable

The individual franchise agreements typically have a set year initial term, but provide the franchisee with an opportunity to enter into renewal terms subject to certain conditions.

Deferred revenue represents cash received from franchisees for franchise fees for which revenue recognition criteria has not been met. At December 31, 2022, $0 in deferred franchise revenues were recorded.

**d) *Accounts Receivable***

Trade accounts receivable consist of amounts due for franchise sales, are carried at their estimated collectible amounts and trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The Company uses the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of December 31, 2022, a total of $0 in accounts were reserved.

**e) *Income Taxes***

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation (“LLC”) for all its taxable years. An LLC is not subject to corporate income tax. The Company’s taxable income or loss and tax credits pass through to the members.

***1. Summary of Significant Accounting Policies – (Cont.)***

**e) *Income Taxes (Cont.)***

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

**f) *Cash Flows***

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

**g) *Pervasiveness of Estimates***

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

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the balance sheet, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

***h*) *Long-Lived Assets***

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

***1. Summary of Significant Accounting Policies – (Cont.)***

**i) *Concentrations, Risks and Uncertainties***

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial stability

**j) *Fair Value***

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

***2. Accounts Receivable***

At December 31, 2022, the Company is owed $0 from the sale of franchises. Management constantly evaluates balances due for assessing collectability.

***3. Property and Equipment***

Property and equipment at December 31, 2022, consists of the following:

| | |
|---|---|
| Computer | $ - |
| Office furniture and equipment | - |
| | - |
| Less accumulated depreciation | - |
| | $ - |

Depreciation expense for the period ended on December 31, 2022 amounted to $0.

## *4. Franchise Deposits*

As of December 31, 2022, the Company has received $16,100 in prepayment deposits for the future sales of three franchises. The deposits are fully refundable until execution of the franchising agreement between both parties.

## *5. Franchise Sales and Agreements*

The Company started offering franchises in May 2022.

The Company enters into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

## *6. Subsequent Events*

Management has evaluated subsequent events through June 1, 2023, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

# TRAINING MATE FRANCHISING, LLC

## Financial Statements

## May 4, 2022

(With Independent Auditors'
Report Thereon)

**SMITH, BUZZI & ASSOCIATES, LLC.**
CERTIFIED PUBLIC ACCOUNTANTS
9430 SUNSET DRIVE, SUITE 300
MIAMI, FLORIDA 33303
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Members of
Training Mate Franchising, LLC

***Report on the Financial Statements***

We have audited the accompanying financial statements of Training Mate Franchising, LLC, which comprise the balance sheet as of May 4, 2022 and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Training Mate Franchising, LLC as of May 4, 2022 in conformity with accounting principles generally accepted in the United States of America.

Smith, Buzzi & Associates, LLC.

Miami, Florida
May 5, 2022

TRAINING MATE FRANCHISING, LLC

Balance Sheet

May 4, 2022

| | |
|---|---|
| **Assets** | |
| Cash | $ 25,000 |
| Total assets | $ 25,000 |
| **Liabilities and Members' Equity** | |
| Liabilities | |
| Deferred franchise fee | $ - |
| Total liabilities | - |
| Members' Equity | 25,000 |
| Total Members' Equity | 25,000 |
| Total Liabilities and Members' Equity | $ 25,000 |

See accompanying notes to financial statements.

## *1. Summary of Significant Accounting Policies*

Training Mate Franchising, LLC ("Company") was formed in the State of Texas in January 2022. The principal purpose of the Company is to offer and sell franchises that provide High Intensity Interval Training (HIIT) combining cardio and resistance exercises.

### a) *Method of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

### b) *Property and Equipment*

Property and equipment will be stated at cost. Depreciation will be computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation will be computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment will be capitalized. Expenditures for maintenance and repairs will be charged to expense as incurred.

### c) *Franchise Revenues*

Income will principally be comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from area franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial "franchise fee" is distinct from the franchise license. Franchise fees related to licenses are deferred over the life of the agreement. Other components of the fee are deferred and recognized as other obligations of the agreement or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Generally, these services include training, support in approving franchisee's site selection and delivery of franchisee's initial inventory for use in the operations of the franchise. Franchise fees are recognized as revenue when all material services and conditions have been substantially completed or satisfied and no other material conditions or obligations related to the determination of substantial performance exist. These services, as defined above, are substantially complete prior to opening of a store. Revenue is recognized when the store opens.

***1. Summary of Significant Accounting Policies – (Cont.)***

**d) *Accounts Receivable***

Trade accounts receivable will consist of amounts due for franchise sales, will be carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are to be periodically evaluated for collectibility based on past credit history with customers and their current financial condition.

The Company will use the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of May 4, 2022, a total of $0 in accounts were reserved.

**e) *Income Taxes***

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members.

**f) *Cash Flows***

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

**g) *Pervasiveness of Estimates***

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

## 1. ***Summary of Significant Accounting Policies*** **– (Cont.)**

### h) ***Long-Lived Assets***

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

### i) ***Concentrations, Risks and Uncertainties***

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial responsibility.

### j) ***Fair Value***

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

## 2. ***Property and Equipment***

Property and equipment at May 4, 2022, consists of the following:

| | |
|---|---|
| Computer | $ - |
| Office furniture and equipment | - |
| | - |
| Less accumulated depreciation | - |
| | $ - |

Depreciation expense for the period ended on May 4, 2022 amounted to $0.

## *3. Franchise Sales and Agreements*

The Company will start offering franchises in May 2022. As the Company has not started offering franchises, no franchises have been recorded as sold.

The Company will enter into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

## *4. Subsequent Events*

Management has evaluated subsequent events through May 5, 2022, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

**EXHIBIT G-1**
**LIST OF CURRENT FRANCHISEES**

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets as of our last fiscal year end:

**LIST OF CURRENT FRANCHISEES**
***AS OF DECEMBER 31, 2023***

| Franchisee | Street Address | City | ST | Zip | Phone |
|---|---|---|---|---|---|
| Tobia and Annie Iaccarino | 1405 W Kenneth Road | Glendale | CA | 91201 | (475) 228-3039 |
| Chris Rodgers and Naomi Szloboda | 1922 S Pacific Coast Hwy | Redondo Beach | CA | 90277 | (310) 882-6837 |

**LIST OF FRANCHISEES WITH SIGNED**
**FRANCHISE AGREEMENT BUT OUTLET NOT OPENED**
***AS OF DECEMBER 31, 2023***

| Franchisee | Street Address | City | ST | Zip | Phone |
|---|---|---|---|---|---|
| Stoked Koala, LLC | 8670 Washington Blvd | Culver City | CA | 90232 | (310) 876-1379 |
| Mirabito Investments LLC | 9015 Looksee Lane | Austin | TX | 78744 | (737) 249-8552 |
| JFRG Wellness LLC Jacqueline Futrell | 1936 Kearney Court | Dallas | TX | 75702 | (571) 213-0414 |

***We identify any franchisees that were area developers with an asterisk (there are none in the List above).**

**EXHIBIT G-2**
**LIST OF FORMER FRANCHISEES**

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

**EXHIBIT H**
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**THIS COMPLIANCE QUESTIONNAIRE AND ITS RESPONSES, IF COMPLETED, ARE VOID AS TO CALIFORNIA, HAWAII, ILLINOIS, MARYLAND, MINNESTOA, NEW YORK, VIRGINIA, AND WASHINGTON FRANCHISEES.**

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

Yes__ No__ l. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?

Yes__ No__ 2. Do you understand all the information contained in the Franchise Agreement?

Yes__ No__ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?

Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document?

Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?

Yes__ No__ 6. Do you understand the risks of developing and operating this franchise?

Yes__ No__ 7. Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?

Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors?

Yes__ No__ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?

Yes__ No__ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes__ No__ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?

Yes__ No__ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any 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 or Washington Franchise Investment Protection Act.

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

By signing below, you are representing that you have responded truthfully to the above questions.
**[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, MD, MN, NY, VA, WA]**

_____
Name of Applicant (please print)

_____
Signature

Date: _____

**Explanation of any negative responses (Refer to Question Number):**

# EXHIBIT I

# STATE ADDENDA TO THE DISCLOSURE DOCUMENT

**CALIFORNIA ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT**

**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.**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60-day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

If the franchise agreement requires binding arbitration, this provision may not be enforceable under California law.

The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

OUR WEBSITE CAN BE FOUND AT www.trainingmate.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL

PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

The highest interest rate allowed by law in California is ten percent (10%) annually.

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

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

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of $58,000 with Merchants Bonding Company (Mutual) and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

**NEW YORK ADDENDUM**
**TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

B. No such party has pending actions other than routine litigation incidental to the business that 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 ten years 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; this proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": "You may terminate the agreement on any grounds available by law."

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

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

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**EXHIBIT J**
**STATE EFFECTIVE DATES**

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

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

| State | Effective Date |
|---|---|
| California | July 15, 2024, as amended _____, 2024 |
| New York | Pending |

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

## EXHIBIT K

## 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 Training Mate Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Training Mate Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The franchisor is Training Mate Franchising LLC, located at 3858 Oak Lawn Avenue, Suite 430, Dallas, Texas 75219. Its telephone number is 323-380-5492.

Issuance Date: May 21, 2024, as amended July 16, 2024

The following is the name, principal business address, and telephone number of the franchise seller offering the franchise:

| | | |
|---|---|---|
| X | Luke Milton, 3858 Oak Lawn Avenue, Suite 430, Dallas, Texas 75219 | (323) 380-5492 |
| | | |

We authorize the respective state agencies identified on Exhibit B to receive service of process for us in the particular state.

I have received a Franchise Disclosure Document dated May 21, 2024, as amended July 16, 2024, including the following exhibits on the date listed below:

A. List of State Administrators
B. State Agents for Service of Process
C. Franchise Agreement
    - Schedule 1-General Release
    - Schedule 2-Authorized Location, Opening Deadline, and Territory
    - Schedule 3- Guaranty and Assumption of Obligations
    - Schedule 4-Lease Addendum
    - Schedule 5-ACH Payment Agreement
    - Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors
    - Schedule 7- Nondisclosure Agreement
    - Schedule 8- Membership Contract Assignment Agreement
    - Schedule 9-State Addenda to the Franchise Agreement
D. Operations Manual Table of Contents
E. Area Development Agreement

Appendix A-Development Territory
Appendix B-Development Schedule
Appendix C-State Addenda to the Area Development Agreement

F. Financial Statements
G-1 List of Current Franchisees
G-2 List of Former Franchisees
H. Franchisee Disclosure Questionnaire
I. State Addenda to the Disclosure Document
J. State Effective Dates
K. Receipts

Please sign and print your name below, date, and return one copy of this receipt to Training Mate Franchising LLC and keep the other for your records.

_____ _____

Date of Receipt Print Name

_____

Signature

## 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.

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| | |
|---|---|
| _____ | _____ |
| Date of Receipt | Print Name |
| | _____ |
| | Signature |