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**FRANCHISE DISCLOSURE DOCUMENT**

*(Single-Unit Franchise and Area Development Rights)*



**Stretch Zone Franchising LLC  
6700 North Andrews Avenue, # 210  
Fort Lauderdale, FL 33309  
(954) 799-6419  
tzaccario@stretchzone.com  
www.stretchzone.com**



## FRANCHISE DISCLOSURE DOCUMENT

Stretch Zone Franchising LLC  
a Florida limited liability company  
6700 North Andrews Avenue, # 210  
Fort Lauderdale, FL 33309  
(954) 799-6419  
tzaccario@stretchzone.com  
www.stretchzone.com

The Stretch Zone business that you will own and operate is a business that offers advanced certified practitioner-assisted stretching to individuals, which business operates under the trade name “Stretch Zone®.”

The total investment necessary to begin operation of a single Stretch Zone business ranges from \$138,745 to \$320,099. This includes \$72,590 to \$82,050 that must be paid to the franchisor or affiliate. We and you may choose to sign an Area Development Agreement, under which you will develop multiple Stretch Zone businesses. We expect the Area Development Agreement to cover between two and six Stretch Zone businesses. The total investment necessary to begin operation under an Area Development Agreement is \$198,245 to \$528,349. This includes \$119,000 (for two Stretch Zone businesses to be developed) to \$267,750 (for six Stretch Zone businesses to be developed) that must be paid to the franchisor or affiliate.

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

You may wish to receive this Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of this Franchise Disclosure Document in different formats, contact Tony Zaccario, President and Chief Executive Officer at 6700 North Andrews Avenue, # 210, Fort Lauderdale, FL 33309 and (954) 799-6419.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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.

The date of issuance of this Franchise Disclosure Document is April 30, 2025.

## 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
<b>How much will I earn?</b>	ITEM 19 may give you information about unit 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 and Exhibit L.
<b>How much will I need to invest?</b>	ITEMS 5 and 6 list fees you will be paying to the franchisor and at the franchisor's direction; ITEM 7 lists the initial investment to open, and ITEM 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to support my business?</b>	ITEM 21 and Exhibit M include financial statements. Review these statements carefully.
<b>Is the franchise system stable and growing or shrinking?</b>	ITEM 20 summarizes the 3-year history of the number of Company-Owned and Franchised Units.
<b>Will my business be the only Stretch Zone business in my market?</b>	ITEM 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	ITEMS 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings
<b>What's it like to be a Stretch Zone franchisee?</b>	ITEM 20 and Exhibit L list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 ITEMS and all Exhibits in this Franchise 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 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 Franchise Disclosure Document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

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 be highlighted:

1. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
2. **Out-of-State Dispute Resolution.** The Franchise Agreement and Area Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration and litigation only in Florida. Out-of-state mediation and arbitration 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 Florida than in your own state.
3. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. **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.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guaranty will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
6. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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

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

Each of the following provisions is void and unenforceable if contained in any documents involving a Franchise

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

(b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel that deprives you of rights and protections provided in the Michigan Franchise Investment Law. This will not preclude you, after entering into a Franchise Agreement, from settling any claims.

(c) A provision that permits us to terminate a Franchise before the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure any failure after being given written notice of that failure and a reasonable opportunity, which need not be more than 30 days, to cure the failure.

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us 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) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area after the end of the franchise or you do not receive at least 6 months' advance written notice of our intent not to renew the Franchise.

(e) A provision that permits us to refuse to renew your 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 arbitration or litigation be conducted outside this state. This will not preclude you from entering into an agreement when the dispute arises, to conduct arbitration at a location outside this state.

(g) A provision that permits us to refuse to permit a transfer of ownership of your Franchise, except for good cause. This subsection does not prevent us from exercising a right of first refusal to purchase your franchise. Good cause includes:

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is our competitor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) Your failure or the proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing when the transfer is proposed.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subsection does not prohibit a provision that grants to us a right of first refusal to purchase the assets of your Franchise on the same terms as a bona fide third party willing and able to purchase those assets. This subsection does not prohibit a provision that grants us the right to acquire the assets of your Franchise for the market or appraised value of the assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subsection (c).

(i) A provision that permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

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

Any questions regarding the notice should be directed to State of Michigan, Consumer Protection Division, Attn: Franchise, 670 G. Mennen Williams Building, 525 West Ottawa Street, Lansing, Michigan 48909, (517) 335-7567.

Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration sections in our Franchise Agreement and Area Development Agreement (as applicable). We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement and Area Development Agreement (as applicable) will govern our relationship with you, including the specific requirements of the arbitration section.

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

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

### THE FRANCHISOR, PARENTS AND AFFILIATES

The Franchisor is Stretch Zone Franchising LLC and is referred to in this FDD as “we,” “us” and “our.” The Franchisee is the person, persons or Business Entity to whom we grant the right to purchase and operate a Franchise Business and is referred to as “you” and “your.” If the Franchisee/Developer is a Business Entity, each owner of a direct or indirect interest in the Franchisee/Developer of 20% or more must sign the applicable Guaranty included in Exhibit G. In addition, at our request, the spouse of each guaranteeing owner (as applicable) will execute the Guaranty. Unless otherwise defined in this FDD, all capitalized terms used, but not defined, in this Disclosure Document have the meanings stated in ARTICLE 18 of the Franchise Agreement, which is attached to this Disclosure Document as Exhibit C.

**Franchisor.** The name of the Franchisor is Stretch Zone Franchising LLC. We are a Florida limited liability company organized on November 25, 2015. Our principal business address is 6700 North Andrews Avenue, # 210, Fort Lauderdale, FL 33309. We conduct business under the trade name “Stretch Zone®.” We have not conducted a business of the type you will operate. We began selling Stretch Zone Franchises and Area Development Rights in June 2016. We are not in any other line of business.

**Parent.** The name of our parent is SZ PEP Holdco, LLC, a Delaware limited liability company (our “Parent”). Our Parent’s principal address is 47 Hulfish Street, Suite 305, Princeton, NJ 08542. Our Parent has not conducted a business of the type you will operate. Our Parent does not offer franchises in any line of business and does not supply products or services to you.

**Affiliates.** Our affiliate, Princeton Equity Group, LLC, a Delaware limited liability company (“PEG”), is a private equity firm with its principal address at 47 Hulfish Street, Suite 305, Princeton, New Jersey 08542. PEG does not offer franchises in any line of business and does not supply products or services to you; however, through common ownership under PEG, we have other affiliates that offer franchises for the following businesses, none of which has offered franchises in any other line of business or provides any products or services to our franchisees:

Five Star Bath, L.L.C. has offered bathroom renovation franchises since 2015 from its principal business address of 761 W. Spring Creek Pl., Springville, Utah 84663. As of December 31, 2024, it had 261 franchises in operation.

Gotcha Covered Franchising, LLC has offered window covering and treatment franchises since 2009 from its principal business address of 303 S. Broadway, Suite 200-153, Denver, Colorado 80209. As of December 31, 2024, it had 165 franchises in operation.

Ringside Development Company has offered hazardous material cleaning service franchises since 2010 from its principal business address of 761 W. Spring Creek Pl., Springville, Utah 84663. As of December 31, 2024, it had 131 franchises in operation.

1-800-Packouts Franchise LLC has offered contents restoration service franchises since 2015 from its principal business address of 761 W. Spring Creek Pl., Springville, Utah 84663. As of December 31, 2024, it had 54 franchises in operation.

Mosquito Shield Franchise, LLC has offered mosquito treatment service franchises since 2013 from its principal business address of 500 E. Washington St. #24, North Attleboro, Massachusetts 02760. As of December 31, 2024, it had 383 franchises in operation.

SB Oil Change Franchising, LLC has offered Strickland Brothers 10 Minute Oil Change franchises since 2019 from its principal business address of 301 North Main Street, Suite 2030, Winston Salem, North Carolina 27101. As of December 31, 2024, it had 66 franchises in operation.

CMY Franchising, LLC has offered yard greeting franchises since 2017 from its principal business address of 3917 Double Dome Road, Austin, TX 78734. As of December 31, 2024, it had 547 franchises in operation.

D1 Sports Franchise LLC has offered athletic performance training facility franchises since 2015, from its principal address of 7115 S. Springs Drive, Franklin, Tennessee 37067. As of December 31, 2024, it had 130 franchises in operation.

Ellie Fam LLC has offered outpatient counseling and therapy clinic franchises since 2021 from its principal business address of 1370 Mendota Heights Rd., Mendota Heights, Minnesota 55120. As of December 31, 2024, it had 240 franchises in operation.

Pirtek USA LLC has offered hydraulic and industrial hose replacement franchises since 1997 from its principal business address of 300 Gus Hipp Boulevard, Rockledge, Florida 32955. As of December 31, 2024, it had 162 franchises in operation.

BBC Holdings, LLC has offered high-intensity interval training workout franchises since 1998 from its principal address of 2214 NW 1st Pl, Miami, Florida 33127. As of December 31, 2024, it had 24 franchises in operation.

### **OUR PREDECESSOR**

Our predecessor is Stretch Zone Holdings LLC (“SZH”), a Florida limited liability company formed on March 23, 2015. Its principal business address is 6700 North Andrews Avenue, #210, Fort Lauderdale, FL 33309. SZH was our corporate parent until our Parent acquired us in March 2023. SZH previously owned, and licensed us to use (and permit our franchisees to use), the Intellectual Property, including the Trademarks. In connection with the above-referenced acquisition, we became the owner of the Intellectual Property, including the Trademarks. SZH has held a majority interest in three Stretch Zone businesses in Florida since their respective openings (one in 2016 and two in 2017). As part of the acquisition, SZH entered into a franchise agreement with us for each of these Stretch Zone businesses. (Prior to the acquisition, these businesses were considered company-owned Stretch Zone businesses for purposes of Item 20.) Stretch Zone Holdings does not offer franchises in any line of business and does not provide any products or services to our franchisees.

### **OUR AGENTS FOR SERVICE OF PROCESS**

Exhibit B contains the identities and principal business addresses of our agents for service of process in all states.

## **OUR BUSINESS AND THE FRANCHISE OFFERED**

**Our Business.** Our sole business is the offer and sale of Stretch Zone Franchises and Area Development Rights and the servicing and supporting of our Stretch Zone Franchisees. We do not operate a business of the type being franchised.

**Other Business Activities.** We have no other business activities. We have not conducted business in any other line of business and have not offered franchises in any other line of business.

**Franchise Business.** The Franchise Business you will conduct is a business offering advanced certified practitioner-assisted stretching to individuals operating under the trade name “Stretch Zone<sup>®</sup>” (the “Franchise Business”) under the terms of the Franchise Agreement included in Exhibit C. We expect that a Stretch Zone business will typically be located in a retail shopping center in premises of 1,000 to 1,500 square feet in size. We may, however, consider alternative sites, on a case-by-case basis. Under the Franchise Agreement, we will also grant you the right to operate your Franchise Business within a designated geographical area in which you will actively promote the Franchise Business and solicit new clientele (the “Limited Protected Territory”). Each Stretch Zone business offers one-on-one practitioner-assisted stretching. The Approved Services must be provided by individuals that complete our proprietary Stretch Practitioner Training Program (as detailed in Item 11). You must have at least one stretcher that has successfully completed the Stretcher Practitioner Training Program (a “Certified Stretch Zone Practitioner”) on-site at your Franchise Business during all times of operation to provide the Approved Services. We require each of your employees to sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations Manual) as a condition of employment.

Each stretcher must complete our Stretch Practitioner Training Program before he or she can become a Certified Stretch Zone Practitioner. As part of our Initial On-Site Training Program (as detailed in Item 11), we will provide our Stretch Practitioner Training Program to your initial practitioners.

**Area Development Rights.** In addition to the single-Unit Stretch Zone Franchise, we offer to certain qualified persons rights to develop at least 2 Stretch Zone Franchises within a specified Development Area as required by a Development Schedule to be negotiated by the parties under a Stretch Zone Area Development Agreement, a copy of which is included as Exhibit E. For the perimeter of the Development Area, you agree that you will not select a site that is within the limited protected territory of a Company-Owned Unit or Franchised Unit that is operating or under construction. We agree not to open a Company-Owned Unit or a Franchised Unit within the Limited Protected Territory of any of your Franchised Units even if the Limited Protected Territory extends outside the Development Area. Non-Traditional Franchised Units and locations are excluded from your Area Development Agreement and the Development Area. For each Stretch Zone Franchise you develop, you must sign our then-current form of Stretch Zone Franchise Agreement, which may differ from the Franchise Agreement included as Exhibit C, and pay the balance of the Initial Franchise Fee (if applicable). If you fail to timely achieve the Development Schedule, we may elect to terminate the Area Development Agreement. If we terminate the Area Development Agreement, you will have no right to develop and open additional Franchise Businesses under the Area Development Agreement. You may, however, keep your Franchised Units then developed or under construction, provided you are not in default under the applicable Franchise Agreements. The material terms of the then-current form of Stretch Zone Franchise Agreement may vary substantially from the Stretch Zone Franchise Agreement contained in Exhibit C. When you sign the Area Development Agreement, you also will sign the Franchise Agreement for your first Franchise Business to be developed under the Area Development Agreement. If you are not purchasing Area

Development Rights, you can ignore Exhibit E and the provisions of this Franchise Disclosure Document involving Area Development Rights.

### **GENERAL MARKET**

The general market for the products and services you offer is the adult population. You will sell the products and services to the general public. The market is not seasonal as the adult population will regularly desire our franchisees' services.

### **INDUSTRY-SPECIFIC LAWS OR REGULATIONS**

We are not aware of any laws or regulations specific to the operation of a Franchise Business that do not apply to other businesses generally or to other establishments providing stretching services. We are not presently aware of any other regulations or special permits or licenses required for you to operate your Franchise Business; however, you should inquire with your state and local authorities to ensure that your Franchise Business complies with all applicable laws and regulations.

### **COMPETITION**

You will have to compete with other businesses selling similar products and services. Competitors include physical therapists, personal trainers, chiropractors and massage therapists that may practice some form of table stretching.

## **ITEM -2 BUSINESS EXPERIENCE**

### **DIRECTORS, OFFICERS AND OTHER EXECUTIVES**

#### **TONY ZACCARIO, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Mr. Zaccario has been our President and Chief Executive Officer since December 2020. From October 2019 to December 2020 Mr. Zaccario acted as our President and Chief Operating Officer. He is located at our corporate office in Fort Lauderdale, Florida.

#### **JORDAN LEVINE, CHIEF OPERATIONS OFFICER**

Mr. Levine has been our Chief Operations Officer since June 2024. From December 2020 to May 2024, Mr. Levine was the Chief Operating Officer of Sola Salons in Denver, Colorado. From January 2019 to December 2020, Mr. Levine was the Vice President of Operations of Amazing Lash Studio in Scottsdale, Arizona. He is located at our corporate office in Fort Lauderdale, Florida.

#### **LINDSEY MCFADDEN, CHIEF MARKETING OFFICER**

Mrs. McFadden has been our Chief Marketing Officer since July 2024. From January 2024 to June 2024, Mrs. McFadden was our Senior Vice President of Marketing. From January 2023 to December 2023, Mrs. McFadden was our Vice President of Marketing. From August 2021 to June 2022, Mrs. McFadden was the Director of Operations of Wild Coffee Marketing located in Fort Lauderdale, Florida. From September 2018 to August 2021, Mrs. McFadden was a Senior Marketing Consultant at Wild Coffee Marketing. She is located at our corporate office in Fort Lauderdale, Florida.

### **KEITH TRAWICK, CHIEF INFORMATION OFFICER**

Mr. Trawick has been our Chief Information Officer since February 2017. Mr. Trawick is also the founder of KnetK LLC located in Columbus, Georgia. He is located in Columbus, Georgia.

### **AL HASKETT, VICE PRESIDENT OF FRANCHISE DEVELOPMENT**

Mr. Haskett has been our Vice President of Franchise Development since September 2024. From January 2021 to September 2024, Mr. Haskett was the Director of Network Development at Qmerit Electrification in Irvine, California. From April 2020 to December 2020, Mr. Haskett was in between positions. He is located in Waco, Texas.

### **KYLE BRUNETTE, VICE PRESIDENT OF OPERATIONS**

Mr. Brunette has been our Vice President of Operations since October 2024. From September 2021 to October 2024, Mr. Brunette was the Vice President of Operations at Techy located in Fort Lauderdale, Florida. From May 2019 to September 2021, Mr. Brunette was Brand President at United Franchise Group located in West Palm Beach, Florida. He is located at our corporate office in Fort Lauderdale, Florida.

### **JESSICA BURRAFATO, VICE PRESIDENT OF ACCOUNTING**

Ms. Burrafato has been our Vice President of Accounting January 2024. From April 2019 to December 2023, Ms. Burrafato was our Director of Accounting. She is located at our corporate office in Fort Lauderdale, FL.

## **ITEM -3 LITIGATION**

### **Predecessor Litigation**

*Michael S. Bush v. Jordan Gold a/k/a Jordan Gold; Bonnie Lane; and Stretch Zone Holdings LLC, a Florida limited liability company.* In the Circuit Court of the 17<sup>th</sup> Judicial Circuit in and for Broward County, Florida, Case No. CACE-19-020585 (07). On October 18, 2019, a former owner and General Manager of our predecessor, SZH, and our then-Chief Executive Officer, President, and Manager, Michael S. Bush, filed suit against SZH's other owners, Jordan Gold (also our founder) and Bonnie Lane, and SZH. In Count I, Mr. Bush alleged that Mr. Gold and Ms. Lane improperly resolved as members of SZH to remove Mr. Bush as SZH's General Manager and sought to have the resolution rescinded, Mr. Gold removed from his roles at SZH, and Mr. Bush reinstated with respect to his role roles at SZH. In Count II, Mr. Bush sought to have a custodian appointed to manage SZH during the pendency of the action. In Count III, Mr. Bush sought to have a receiver appointed for SZH to prepare an inventory of SZH's assets during the pendency of the action. In Count IV, Mr. Bush sought to have SZH judicially dissolved based on an allegedly fraudulent claim that Mr. Gold and Ms. Lane collectively owned 51% of SZH's membership interests, an alleged deadlock between Mr. Bush and Ms. Gold in SZH's management, and alleged irreparable injury to SZH. In Count V, Mr. Bush alleged fraud against Mr. Gold and Ms. Lane, based on their alleged fraudulent representations regarding SZH's ownership. In Count VI, Mr. Bush alleged that Mr. Gold and Ms. Lane engaged in a conspiracy and scheme to defraud Mr. Bush in connection with the above-referenced resolution. In June 2020, the Court dismissed Counts I, II, III, V, and VI and struck Mr. Bush's claim for punitive damages. The parties entered into a settlement agreement, under the terms of which SZH agreed to pay Mr. Bush \$5,250,000 as a buy-out of Mr. Bush's ownership interest in SZH. On December 14, 2020, the Court dismissed the matter with prejudice.

Except for the matter above, no litigation is required to be disclosed in this ITEM.

#### **ITEM -4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this ITEM.

#### **ITEM -5 INITIAL FEES**

##### **INITIAL FRANCHISE FEE**

Simultaneously with your execution of the Franchise Agreement, you will pay us an Initial Franchise Fee of \$59,500 for the applicable Franchise Business.

We are a member of the International Franchise Association (the "IFA") and participate in the IFA's VetFran Program. If you are an honorably discharged veteran and you meet our qualifications for purchasing a Franchise Business, for your first Franchise Business only, we will discount our standard Initial Franchise Fee by 10% (a discount of \$5,950). Under these circumstances, the Initial Franchise Fee for that Franchise Business will be \$53,550.

##### **DEVELOPMENT FEE**

We also offer to certain qualified persons rights to develop 2 or more Franchise Businesses within a Development Area under a Stretch Zone Area Development Agreement. In consideration of the Area Development Rights we grant to you, you will pay to us a Development Fee based on the number of Franchise Businesses you commit to developing. To develop 2 Franchise Businesses, the Development Fee is \$119,000, representing the Initial Franchise Fees for both Franchise Businesses. To develop 3 Franchise Businesses, the Development Fee is \$148,750, representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fee for the 3<sup>rd</sup> Franchise Business. When you sign the Franchise Agreement for your 3<sup>rd</sup> Franchise Business, you must pay the remaining 50% of the Initial Franchise Fee for the 3<sup>rd</sup> Franchise Business. To develop 4 Franchise Businesses, the Development Fee is \$178,500, representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fees for the 3<sup>rd</sup> and 4<sup>th</sup> Franchise Businesses. When you sign the Franchise Agreement for each of your 3<sup>rd</sup> and 4<sup>th</sup> Franchise Businesses, you must pay the remaining 50% of the Initial Franchise Fee for the applicable Franchise Business. To develop 5 Franchise Businesses, the Development Fee is \$238,000, representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fees for the 4<sup>th</sup> and 5<sup>th</sup> Franchise Businesses. When you sign the Franchise Agreement for each of your 4<sup>th</sup> and 5<sup>th</sup> Franchise Businesses, you must pay the remaining 50% of the Initial Franchise Fee for the applicable Franchise Business. To develop 6 Franchise Businesses, the Development Fee is \$267,750, representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fee for the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Franchise Businesses. When you sign the Franchise Agreement for each of your 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Franchise Businesses, you must pay the remaining 50% of the Initial Franchise Fee for the applicable Franchise Business. To develop 7 or more Franchise Businesses, generally, the Development Fee is equal to (a) 100% of the Initial Franchise Fees for 50% of the number of Franchise Businesses to be developed under the Area Development Agreement, plus (b) 50% of the Initial Franchise Fees for the other 50% of the number of Franchise Businesses to be developed under the Area Development Agreement, with the balance of any Initial Franchise Fee to be paid when you sign the applicable Franchise Agreement. The Development Fee is fully earned by us upon signing the Area Development Agreement.

**FURNITURE, FIXTURES AND FURNISHINGS**

You must purchase from us the furniture, fixtures, and furnishings necessary to operate your Franchise Business. The cost varies from \$3,590 to \$7,100 according to local market conditions, the size of the Premises, your selections made from our approved line of items, price differences among suppliers, the location of the Premises and other related factors. We do not deliver or install these items. You are solely responsible for all related shipping and installation costs.

**INITIAL CONTRIBUTION TO MEDIA FUND**

You will make an initial Advertising Contribution of \$500 to the Media Fund.

**GRAND OPENING FEE**

Within 60 days after you sign the Franchise Agreement, you will pay us a Grand Opening Fee of \$14,950 to provide grand opening support for your Franchise Business during, approximately, the three weeks before and the three weeks after the opening of the Franchise Business. We will assist you with the grand opening plan, as outlined in the Operations Manual, to introduce your Franchise Business to the community. We will provide you with promotional support, such as social media scheduling and posting, email scheduling and sending, photography, press release writing and promotion, print assets, grand opening assets, such as ribbon and scissors, and tools to assist in the capture of content – tripod, Bluetooth microphone, etc.

**UNIFORMITY AND REFUNDABILITY OF INITIAL FEES**

None of the initial fees paid to us that are described in this Item 5 are refundable under any circumstances. These initial fees are uniform for all of our franchisees, except as otherwise provided in this Item 5.

**ITEM -6 OTHER FEES**

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Royalty Fee <sup>1</sup>	7% of Gross Revenues  Beginning on the first full calendar month, however, you must pay a minimum monthly Royalty Fee of \$900.	Deducted from ClubReady remittances twice weekly <sup>2</sup>	“Gross Revenues” means the entire amount of all your revenues generated from the ownership or operation of the Franchise Business as defined in the Franchise Agreement.
Technology Fee <sup>1</sup>	Currently \$375 per month	Deducted from ClubReady remittances <sup>2</sup>	The fee includes a listing on our Website, a store location e-mail address per location, and use of Stretch Net (our Intranet access), Career Plug, QuickBooks, Microsoft Office 365, KnetK, Factor 4, Predictive Index, Canva, and Perkyville.

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Advertising Contributions to the Media Fund <sup>1</sup>	Initial Contribution of \$500 and 2% of monthly Gross Revenues thereafter	Deducted from ClubReady remittances <sup>2</sup>	We have created the Media Fund.  We define "Gross Revenues" under Royalty Fee above.
Advertising Contributions to an Advertising Cooperative <sup>3</sup>	Not to exceed 2% of monthly Gross Revenues, which counts towards Local Advertising requirement	Within 10 days of the end of the previous calendar month	You agree that we have the right to establish a regional advertising cooperative in any DMA. Upon our request, you will immediately become a member of the Cooperative for the DMA that includes your Limited Protected Territory. Your Franchise Business does not have to be a member of more than 1 Cooperative.
Supplier Approval Cost <sup>1</sup>	Actual Costs to Us (estimated to be \$250 to \$1,500)	Immediately upon receipt of invoice	You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing
Recertification Program Fees <sup>1</sup>	\$2,000 per Franchise, regardless of the number of Certified Stretch Zone Practitioners that you have	Immediately upon receipt of invoice	On an annual basis, we will conduct additional recertification training for your Certified Stretch Zone Practitioners.
Training Fees <sup>1</sup>	Specialized training: \$800 per day per person  Regional Manager Training Program: \$515 per person (although we will not charge a separate training fee for this Program for you or your Designated Representative (as described in Item 15) if you or your Designated Representative will serve as your Regional Manager and attend this Program in connection with the Franchisee Training Program prior to opening)	Immediately upon receipt of invoice	In addition, you are responsible for (a) all wages and travel, meals, and lodging costs incurred by your personnel while attending this training; and (b) with respect to any training that is not conducted at our training facility at our corporate headquarters in Fort Lauderdale, Florida, all travel, meals, and lodging costs incurred by our personnel during this training.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	<p>Stretch Practitioner Training Program (conducted at our corporate headquarters): \$310 per person (although we will not charge a separate training fee for this Program for up to 12 of your initial practitioner candidates attending the Program as part of the Initial On-Site Training Program)</p> <p>On-Site Stretch Practitioner Training Program (conducted at your Franchise Business and offered only if you have at least four attending practitioner candidates): \$1,240</p> <p>Sales Associate Training Program: \$206 per person (although we will not charge a separate training fee for this Program for five of your initial Sales Associates)</p> <p>Front Desk Training: \$100 per person</p>		
Training Fee for Regional Master Practitioner Certification Program <sup>1</sup>	\$14,999 per person	Immediately upon receipt of invoice	Payable only if you elect to have one of your practitioners certified as a Regional Master Practitioner by attending this program

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Insurance Coverage <sup>1</sup>	Cost of the insurance, interest on the monies we advance and a 15% administrative fee	Immediately upon receipt of invoice	If you fail to maintain the insurance that we require under the Franchise Agreement, we may obtain the insurance on your behalf.
Reimbursement of Audit Costs <sup>1</sup>	Actual cost to us (estimated to range from \$2,000 to \$10,000)	Immediately upon receipt of invoice	We have the right to have an audit made of your records and conduct a physical inventory. If any inspection discloses an understatement of any reported amount of any type, in any report, of 2% or more of Gross Revenues, you will pay us the amount of the understatement and reimburse us for all expenses of the inspection (including reasonable accounting and attorneys' fees and costs).
Fines for Non-Compliance <sup>1</sup>	Varies from \$250 to \$5,000 depending on the nature of the violation	Immediately upon receipt of invoice	If we find you to be in violation of certain material terms of the Franchise Agreement that would entitle us to terminate the Franchise Agreement, we will send you a letter stating the nature of the noncomplying act and what steps you must take to cure the violation and impose this fine. If the default involves your offer or sale of unauthorized or prohibited products or services at the Franchise Business, the fine is \$500 per day until you cease offering and selling the applicable product or service. You must immediately cure the violation and pay the fine within 3 business days of receipt of our letter. If you fail to cure and pay the fine in a timely manner, we reserve the right to exercise our rights under ARTICLE 11 of the Franchise Agreement.
Deficiencies <sup>1</sup>	Actual cost to us plus a 15% administrative fee	Immediately upon receipt of invoice	If you do not satisfy your obligations under the Franchise Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations plus a 15% administrative fee.

Column 1 <b>Type of Fee</b>	Column 2 <b>Amount</b>	Column 3 <b>Due Date</b>	Column 4 <b>Remarks</b>
Our Attorneys' Fees <sup>1</sup>	Actual costs incurred	Immediately upon receipt of invoice	If we engage our legal counsel for your failure to pay when due any monies owed or to submit when due any reports, information or supporting records, or for any failure otherwise to comply with the Franchise Agreement, and our counsel sends you a Notice of Default or a Notice of Termination, you must reimburse us on demand for all of the attorney's fees and costs incur.
Renewal Fee <sup>1</sup>	50% of the then current Initial Franchise Fee	When you exercise the option	Rather than paying the new Initial Franchise Fee then in effect when you sign the Renewal Franchise Agreement, you must pay a Renewal Fee to reimburse us for our legal, administrative and other costs.
Transfer Fee <sup>1</sup>	\$10,000	When you transfer	Payable for any transfer under Section 10.2, 10.3, or 10.4 of the Franchise Agreement, except for transfers under Section 10.2(b) (Transfer to Your Business Entity).
Relocation Fee <sup>1</sup>	Our costs incurred in assisting you with relocation plus \$1,000	When you relocate	Payable if you relocate your Franchise Business.
Interest on Late Payments <sup>1</sup>	The lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.	Immediately upon receipt of invoice	If any payment under the Franchise Agreement or any other agreement between us and you is overdue for any reason, you must pay to us, on demand, interest on the overdue amount from the date it was due until paid.
Insufficient Funds Charges <sup>1</sup>	Greater of \$50 or 5% of the face value of the check, limited to the highest amount permitted by law	Immediately upon receipt of invoice	Payable if you deliver a check that is returned due to insufficient funds or is otherwise not paid
Late Charge <sup>1</sup>	\$100	Immediately upon receipt of invoice	You will pay a late charge for each payment more than 10 days overdue to cover our administrative costs in dealing with the late payment.
Liquidated Damages for Premature Termination <sup>1</sup>	A lump sum equal to the total of all Royalty Fees and Advertising Contributions for 36 months	Immediately upon receipt of invoice	Payable if we terminate the Franchise Agreement due to your default, in addition to all other amounts you owe us at the time of termination. You are also liable for pre-judgment and post-judgment interest and our attorneys'

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			fees and costs. This payment does not relieve you from your obligations that survive the termination or expiration of the Franchise Agreement.
Indemnification <sup>1</sup>	Will vary under circumstances	As incurred	You must indemnify and reimburse us and our Affiliates under the Franchise Agreement if we or they incur costs for claims arising from the development or operation of the Franchise Business, your business, your breach of the agreement or your noncompliance with any law.
Enforcement Costs <sup>1</sup>	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your Franchise Agreement, or for an alleged dispute, breach, default or misrepresentation under any provision of your Franchise Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Franchise Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Franchise Agreement, you must reimburse us for all of the Enforcement Costs we incur.

<sup>1</sup> This fee is payable to us.

<sup>2</sup> You will open a separate operating account with a bank for the Franchise Business. You will pay all Royalty Fees, Technology Fees, and other invoices due us and our Affiliates, and make Media Fund contributions, from remittances from your members that have been deposited into your operating account by ClubReady processing payments due us (the "Payment System"). You will cooperate with us to implement the Payment System within 15 days before the Opening Date. You agree to cooperate with us in maintaining the efficient operation of the Payment System, including depositing all Gross Revenues you receive into your operating account within 1 Business Day of receipt. You cannot initiate payments through the ClubReady Electronic Payment System, but we are able to initiate payments through the ClubReady Electronic Payment System for invoices that are due us.

<sup>3</sup> This fee is payable to the Cooperative. A Designated Marketing Area (“DMA”) is a geographic area defined by Nielsen Media Research Company as a group of counties that make up a particular television market. These counties comprise the major viewing audience for the television stations located in their particular metropolitan area. For the most part, the metropolitan areas correspond to the standard metropolitan statistical areas defined by the Federal Government Office of Management and Budget. The areas do not overlap, and every county in the United States belongs to only one DMA.

**AREA DEVELOPMENT AGREEMENT**

Column 1 <b>Type of Fee</b>	Column 2 <b>Amount</b>	Column 3 <b>Due Date</b>	Column 4 <b>Remarks</b>
Enforcement Costs <sup>1</sup>	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your ADA, or for an alleged dispute, breach, default or misrepresentation under any provision of your ADA, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys’ fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your ADA or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Area Development Agreement, you must reimburse us for all of the Enforcement Costs we incur.
Indemnification <sup>1</sup>	Will vary under circumstances	As incurred	You must indemnify and reimburse us and our Affiliates under the Area Development Agreement if we or they incur costs for claims arising from the development or opening of the Franchise Businesses, your business, your breach of the agreement or your noncompliance with any law.

<sup>1</sup> This fee is payable to us.

**GRANT OF SECURITY INTEREST**

As security for your obligations to us under the Franchise Agreement or any other agreement, you will grant to us a first priority security interest in the assets comprising your Franchise Business. You will sign the Security Agreement, and authorize us to record the UCC-1 Financing Statement and Rider included in Exhibit J.

**REFUNDABILITY**

All fees are nonrefundable.

**UNIFORMITY**

The expenses in this ITEM are uniformly imposed for persons currently offered a Franchise Business and/or Area Development Rights.

**ADVERTISING COOPERATIVES – VOTING POWER OF COMPANY-OWNED UNITS**

As of the date of this Disclosure Document, we have established two advertising cooperatives. Once an advertising cooperative is formed, Company-Owned Units whose limited protected territories are located within the DMA of the advertising cooperative must join the advertising cooperative and will have the same voting power as Franchised Units on all matters, including fees. The obligation of each Unit to contribute to an advertising cooperative (if formed in the applicable DMA) will not exceed 2% of monthly Gross Revenues. We will credit these contributions against your obligation for Local Advertising.

**ITEM -7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT – SINGLE UNIT FRANCHISE**

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Initial Franchise Fee <sup>1</sup>	\$59,500	Lump Sum	On signing the Franchise Agreement	Us
Prepaid Rent and Security Deposit <sup>2</sup>	\$750 to \$15,000	As Incurred	Before beginning business	Per agreement with landlord
Leasehold Improvements <sup>3</sup>	\$4,000 to \$104,400	As Incurred	Before beginning business	Various Contractors/ Suppliers
Architect's and Engineer's Fees <sup>4</sup>	\$0 to \$3,500	Lump Sum	Before beginning business	Architect/General Contractor
Furniture, Fixtures, and Furnishings <sup>5</sup>	\$3,590 to \$7,100	Lump Sum	Before beginning business	Us as the Designated Supplier
Computer System <sup>6</sup>	\$1,850 to \$2,699	As Incurred	Before beginning business	Designated Suppliers
Outdoor Signage <sup>7</sup>	\$2,000 to \$11,000	Lump Sum	Before beginning business	Landlord or Third Party Vendor
Indoor Signage and Graphics <sup>8</sup>	\$5,700 to \$10,750	Lump Sum	Before beginning business	Designated Supplier

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Utility Deposits <sup>9</sup>	\$200 to \$800	Lump Sum	Before beginning business	Utility companies
Office and Store Supplies <sup>10</sup>	\$1,055 to \$2,000	Lump Sum	Before beginning business	Third Party Vendors
Stretching Tables and Accessories <sup>11</sup>	\$29,500 to \$40,400	Lump Sum	Before beginning business	Designated Supplier
Insurance <sup>12</sup>	\$1,750 to \$4,000	Lump Sum	Before beginning business	Designated Insurance Agent
Licenses and Permits <sup>13</sup>	\$200 to \$3,000	As Incurred	Before beginning business	Governmental Authorities
Attorney's Fees <sup>14</sup>	\$1,000 to \$5,000	Lump Sum	Before beginning business	Attorney
Accountant's Fee <sup>15</sup>	\$200 to \$2,500	Lump Sum	Before beginning business	Accountant
Travel, Lodging, Meals, Etc. During Franchisee Training and Regional Manager Training Programs <sup>16</sup>	\$2,000 to \$3,000	As Incurred	Before beginning business	Airlines, Hotels and Restaurants
Initial Advertising Contribution to Media Fund <sup>17</sup>	\$500	Lump Sum	On signing the Franchise Agreement	Us
Grand Opening Fee <sup>18</sup>	\$14,950	Lump Sum	60 days after signing the Franchise Agreement	Us
Additional Funds <sup>19</sup> (3 months)	\$10,000 to \$30,000	As Incurred	During the first 3 months of operation	Third Parties
<b>TOTAL</b>	<b>\$138,745 to \$320,099</b>			

**NOTES:**

<sup>1</sup> **Initial Franchise Fee.** As stated in Item 5, however, if you qualify under our VetFran Program, we will reduce our standard Initial Franchise Fee for your first Franchise Business only to \$53,550.

<sup>2</sup> **Rent and Security Deposit.** We expect that you will lease rather than own real estate and construct a building. The typical size of the Premises is 1,000 to 1,500 square feet. We assume that the landlord will require first and last months' rent and a security deposit equal to one months' rent. In addition, rent may be subject to tax. For example, Florida imposes a 5.5% state sales tax on commercial rent. There may also be a tax imposed by a county. The tenant usually pays this tax. Lease costs will vary based upon variances in: (i) size in square feet leased; (ii) cost per square foot; (iii) amount of percentage rent, if any; (iv) the sales figure that percentage rent begins to apply (the "break point"); (v) common area maintenance costs; and (vi) merchant's association costs. These variances are determined by location, the length of the lease, the age of the leased property, local market conditions, the size of the Premises and the bargaining power of the developer or the property management company. Frequently, developers will attempt to discuss rent as a percentage of gross receipts as expressed in a cost per square foot. They are accustomed to seeing costs expressed as a percentage of gross revenues.

<sup>3</sup> **Leasehold Improvements.** You must conform the location to our then-current Trade Dress specifications. The cost of leasehold improvements for your Franchise Business will vary as a function of size, condition and location of the Premises, price differences among contractors, local wage rates and material costs, other local conditions and the nature of your leasehold improvements. The previous tenant or the landlord may have installed leasehold improvements that are very compatible and reduce your costs.

<sup>4</sup> **Architect's and Engineer's Fees.** You may retain a local architect to conform our standard plans and specification to the approved site. You may also need to engage an engineer to prepare and seal any applicable drawings that comply with local code and regulations. If the real estate space meets our criteria of a vanilla box with all numbing and electrical intact, no architect or Contractor is needed. Our Store Opening Specialists design the space and do the layout, and we need no additional walls constructed. We simply need an empty 1,000-1,200 sq. ft. space that has a bathroom. We place furniture, fixtures and equipment in place.

<sup>5</sup> **FF&E.** You must purchase from us as the Designated Supplier the furniture, fixtures, and furnishings necessary to operate your Franchise Business. The cost varies according to local market conditions, the size of the Premises, your selections made from our approved line of items, price differences among suppliers, the location of the Premises and other related factors. We do not deliver or install these items.

<sup>6</sup> **Computers.** We believe that computers and management information systems play a critical part in the performance of the Business System. We require that all new Franchise Businesses open with the Computer and POS Systems along with all communication, peripheral equipment and related accessories and Software we mandate (the "Computer and POS Systems"). You must enter into the Software Sublicense Agreement included in Exhibit K. We currently lease the Software to you for \$375 per month (i.e., the Technology Fee).

<sup>7</sup> **Outdoor Signage.** We specify the outdoor signs subject to the landlord's and local governmental agency's requirements. You will maintain the outdoor signs in a condition acceptable to us. Sometimes the cost of the outdoor signage is included in the lease.

<sup>8</sup> **Indoor Signage and Graphics.** You must purchase from our Designated Supplier Store Décor, the indoor signs and graphics. You may prepare, construct and erect the signs and graphics after obtaining approval from the applicable governmental authority and the landlord. You will maintain the interior signs and graphics in a condition acceptable to us.

<sup>9</sup> **Utility Deposits.** You will incur certain deposits with local utilities (for example, electric, telephone, gas, water, etc.). These will vary depending on the policies of the local utilities.

<sup>10</sup> **Supplies.** We will only allow office and store supplies that support the image and positioning of the Business System in the marketplace. Supplies of this nature include the format, type, decoration and style as they relate to store and office supplies, particularly in the area of stationery and forms. You agree to the importance of image and positioning to the Business System and agree to use only the supplies we specify or otherwise approve. These costs are based upon our estimate of the initial supplies.

<sup>11</sup> **Stretching Tables and Accessories.** You must purchase from our Designated Supplier, Stretch Equipment, LLC, the Stretch Zone stretching tables and the related accessories of kits, bolsters and wedges. The purchase price is not refundable, except for defective items.

<sup>12</sup> **Insurance.** As discussed in ITEM 8, we require that you carry certain insurance specified in the Operations Manual. The method and timing of payments is between you and your insurer. We require you to use R.V. Johnson Insurance as your Insurance Agent. Because the selection of the carrier, size of the Premises, location of the Premises, value of the leasehold improvements, amount of inventory, amount of wages and other related conditions vary considerably, it is difficult to estimate the ultimate cost for any given franchisee. We base this estimate on the rates in effect in Florida. The cost of workers' compensation insurance varies from state to state.

<sup>13</sup> **Licenses and Permits.** Local, municipal, county and state regulations vary on what licenses and permits you must obtain to operate the Franchise Business. In Florida, you must obtain city and county occupational licenses and a city retail license.

<sup>14</sup> **Attorney's Fees.** You may decide to form a Business Entity to operate the Franchise Business before beginning operations. You will have to comply with the fictitious, assumed, or trade name statutes of the state in which the Franchise Business will be located. These estimates include attorneys' fees, publication fees, filing fees and other costs for business entity formation, compliance with your state's fictitious or assumed name statute and review of this Franchise Disclosure Document, and lease review and negotiation, depending on the scope of representation. These fees may vary from state to state depending on each state's laws and the prevailing rates of attorneys' fees.

<sup>15</sup> **Accountant's Fees.** We recommend that you retain an accountant to advise you, including for the preparation of a business plan, tax advice on business entity formation, set up of accounting system, tax planning and compliance.

<sup>16</sup> **Travel, Lodging, Meals, Etc. During Franchisee Training and Regional Manager Training Programs.** You will be responsible for your and your personnel's traveling, living, and other expenses (including local transportation expenses), and compensation incurred in connection with attending our training programs. We assume no responsibility for your human resource-related liabilities or costs during this training. We will provide our Franchisee Training Program to you (if you are one or more individuals) or Franchise Owners (if you are a business entity) prior to opening. We also will provide our Regional Manager Training Program (which includes our Stretch Practitioner Training Program) to your Regional Manager prior to opening. We anticipate that you or your Designated Representative will serve as your Regional Manager, although you may elect to hire another individual to serve as your Regional Manager. The typical costs of training that you will bear are for

transportation, lodging, compensation and meals for the Trainees. The estimate is for items that are non-discretionary in nature. Generally, these costs vary widely as a function of the distance traveled, the accommodations and restaurants selected, the distance between the hotel and the training center and the transportation selected.

**17 Contribution to Media Fund.** You must make an initial Advertising Contribution to the Media Fund when your location opens. This Advertising Contribution will be deducted from your ClubReady Remittances.

**18 Grand Opening.** During the, approximately, three weeks before and the three weeks after the opening of the Franchise Business, we will assist you with the grand opening plan, as outlined in the Operations Manual, to introduce your Franchise Business to the community. We will provide you with promotional support, such as social media scheduling and posting, email scheduling and sending, photography, press release writing and promotion, print assets, grand opening assets, such as ribbon and scissors, and tools to assist in the capture of content – tripod, Bluetooth microphone, etc.

**19 Additional Funds.** The franchise disclosure laws require us to include this estimate of any other required expenses you will incur to operate your franchise business during the “initial phase of operations,” which is defined as a minimum of 3 months or a longer period if “reasonable for the industry.” You should have adequate working capital before beginning operating the Franchise Business. You must be able to meet your operating expenses from pre-opening, including hiring and training expenses, until the Franchise Business develops sufficient cash flow to cover all costs. These figures do not include any payments to you during the initial phase of operations. You must have sufficient personal resources to cover your living expenses. You should work with your accountant to develop a personal/family cash flow budget and determine if there is sufficient revenue on the personal level to provide for your family through the initial phase of operations.

**REFUNDABILITY**

To the best of our knowledge, except as described above, these expenditures are not refundable.

**YOUR ESTIMATED INITIAL INVESTMENT – AREA DEVELOPMENT AGREEMENT**

Column 1 <b>Type of Expenditure</b>	Column 2 <b>Amount</b>	Column 3 <b>Method of Payment</b>	Column 4 <b>When Due</b>	Column 5 <b>To Whom Payment Is To Be Made</b>
Development Fee <sup>1</sup>	\$119,000 for 2 Units to \$267,750 for 6 Units	Lump Sum	On signing the Area Development Agreement	Us
Initial Investment for 1 <sup>st</sup> Franchise Business	\$79,245 to \$260,599	As Incurred	As stated in invoices	Us and other Suppliers
<b>TOTAL</b>	<b>\$198,245 to \$528,349</b>			

<sup>1</sup> **Development Fee.** We also offer to certain qualified persons rights to develop at least 2 Franchise Businesses within a Development Area under a Stretch Zone Area Development Agreement. In consideration of the Area Development Rights we grant to you, at the time that you sign the Area Development Agreement, you will pay to us a nonrefundable Development Fee based on the number of Franchise Businesses you commit to developing.

**OUR EXPERIENCE IN COMPILING THESE ESTIMATES**

We relied on our almost nine years, and our predecessors' 19 years, of experience in the stretching business and the total investment in opening Stretch Zone businesses in compiling these estimates.

**ITEM -8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

**Franchise Agreement**

**PURCHASES FROM US, OUR DESIGNEE OR APPROVED SUPPLIERS OR UNDER OUR SPECIFICATIONS**

**PURCHASES FROM US**

At present, you must purchase solely from us the following items. We may change these items based on our experience.

**FURNITURE, FIXTURES AND EQUIPMENT**

You must purchase the furniture, furnishings and fixtures from us. We do not deliver or install these items.

**BOOKKEEPING SOFTWARE**

You must sublicense from us the QuickBooks Online accounting system.

**HIRING AND ONBOARDING SOFTWARE**

You must sublicense from us the Career Plug hiring and onboarding software.

**MICROSOFT OFFICE 365 SOFTWARE**

You must sublicense from us a Microsoft Office 365 Software.

**KNETK SOFTWARE**

You must sublicense from us KnetK Software, which is middleware software that enables marketing automation, website and data reporting and analytics, member surveys, and local website management.

**FACTOR 4 SOFTWARE**

You must sublicense from us Factor 4 gift card and loyalty program software.

**PERKVILLE SOFTWARE**

You must sublicense from us Perkrville loyalty and reward programs software.

**CANVA SOFTWARE**

You must sublicense from us Canva graphic design tool software.

**STRETCH NET SOFTWARE**

You must sublicense from us Stretch Net software (our Intranet software).

**PREDICTIVE INDEX**

You must sublicense from us Predictive Index behavioral assessments software.

**PURCHASES FROM OUR DESIGNATED SUPPLIERS**

A Designated Supplier is one particular supplier from whom you must purchase certain goods or services. At present, the following are our Designated Suppliers:

**INTERIOR SIGNAGE AND GRAPHICS**

You must purchase interior signage and graphics from Store Décor.

**COMPUTER SYSTEM**

Apple Inc. and Microsoft Corporation are the Designated Suppliers of the Computer System.

**POS SOFTWARE**

You must license from Club Ready, Inc. its proprietary ClubReady – Healthclub Management Web Based Software for check-in, ACH processing of membership fees, credit card processing, member management, and payment of royalty fees and other fees.

**UNIFORMS, MERCHANDISE AND MISCELLANEOUS SUPPLIES**

You must purchase the uniforms, merchandise and miscellaneous supplies for your employees from Jacoba Marketing or other approved vendors.

**SOCIAL MEDIA MANAGEMENT SOFTWARE**

You must use SOCi for your social media management software.

**INSURANCE**

You must purchase certain insurance that includes the risks, amount of coverage and deductibles stated in the Operations Manual through R.V. Johnson Insurance as your Insurance Agent. The types and minimum amounts of insurance you must carry are:

<b>Type of Insurance</b>	<b>Amounts</b>
Comprehensive Commercial Liability (each occurrence)	\$1,000,000
Damage to Rented Premises (each occurrence)	\$1,000,000
Medical Payments (any one person)	\$2,000
Personal and Advertising Injury	\$1,000,000
General Aggregate	\$5,000,000
Products – Completed Operations Aggregate	\$5,000,000

We may change our Designated Suppliers and/or the items you must purchase from our Designated Suppliers based on our experience.

**PURCHASES FROM APPROVED SUPPLIERS**

You must purchase or lease certain equipment, supplies, inventory, advertising materials, and other products and services used for the development and operation of your Franchise Business only from Authorized Suppliers. These Authorized Suppliers have demonstrated: (i) the ability to meet our standards and specifications for the specified items; and (ii) possess adequate quality controls and the capacity to supply your needs promptly and reliably. We will use our best reasonable efforts to negotiate agreements with Approved Suppliers that are in the best interest of all Franchise Businesses. In approving suppliers for the Business System, we may take into consideration factors like the price and quality of the products or services and the supplier’s reliability. We may concentrate purchases with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Franchised Units or Company-Owned Units. Approval of a supplier may be conditioned on requirements on the frequency of delivery, standards of service, warranty policies including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier.

**LIST OF APPROVED SUPPLIERS.**

At present, you must purchase certain items from our list of Approved Suppliers contained in the Operations Manual. We may change our list of Approved Suppliers and the items supplied based on our experience. Except for items you must purchase from us, as described above, neither we nor any of our Affiliates are Approved Suppliers.

**RELATED SUPPLIERS**

Our Chief Information Officer, Keith Trawick, holds a majority interest in one of our software licensors, KnetK LLC; otherwise, no officer of ours has an ownership interest in any third-party supplier.

**APPROVAL OF ALTERNATE SUPPLIERS**

**Criteria.** Our criteria for alternate supplier approval are not available to you.

**Contact with Alternate Suppliers.** If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services or other products or services that

are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us a written request for approval, or request the supplier to do so itself.

**Procedures for Our Approval.** We have the right to require, as a condition of our approval, that the supplier permit our representatives to inspect its facilities. If we request, the supplier will deliver samples to us or to our designated independent, certified laboratory for testing. We are not liable for damage to any sample that may result from the testing process.

**Fees.** You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (estimated to range from \$250 to \$1,500). We may also require as a condition to its approval, that the supplier present satisfactory evidence of insurance, for example, product liability insurance, protecting our Franchisees and us from all claims from the use of the item within the Business System.

**Time Period for Notices.** We will give you written notice of our approval or disapproval by regular mail within 10 days after all testing and completion of the above conditions.

**Right of Revocation.** We reserve the right to reinspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense. We reserve the right to revoke approval upon the supplier's failure to continue to meet our standards and specifications. You will receive written notification of approval or disapproval of a supplier within 7 days after we have investigated and inspected the supplier.

## **PURCHASES UNDER OUR SPECIFICATIONS**

We have developed specifications for a number of goods and services. Specifications are available upon request and include minimum standards of quality, construction, economies of scale, name recognition, appearance and function. We may change our specifications as a result from our experience and or changes in the marketplace or changes in law. We will issue any changes to all Franchisees through changes to the Operations Manual. The categories for these purchases or leases are as follows:

### **SITE SELECTION CRITERIA**

We will supply you our site selection criteria. Within 30 days after signing the Franchise Agreement, you must find a site in the Site Selection Area that you believe meets our criteria. You must send to us all material information regarding the proposed site including: (a) pictures of the site; (b) population demographics within a 3-mile radius of the site; (c) information regarding traffic counts and patterns; (d) number of parking spaces; (e) visibility from the roadways; (f) the predominant character of the neighborhood; (g) competitive businesses within the area; (h) the nature of other businesses in proximity to the site; and (i) the size, appearance and other physical characteristics of the site.

### **LEASE OF PREMISES**

Any lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when the property owner, you and we sign our form of Agreement with Landlord attached as Exhibit H. You agree that our approval or disapproval of a proposed lease does not impose any liability on us.

## **PLANS AND SPECIFICATIONS AND/OR STANDARD RECOMMENDED FLOOR PLAN**

We will loan to you our prototype architectural drawings for the Premises (which may include sample equipment layouts and floor plans) “(Drawings)” for the construction of the Premises. We also loan to you our specifications and standards pertaining to equipment, signage, fixtures, furnishings, accessory features and design and layout we make available to you. (collectively, the “Design Specifications”). The Drawings and Design Specifications may vary in their design and decor by region of the country, at our sole discretion. The Drawings and Design specifications are contained in the Operations Manual.

## **LOCAL ADVERTISING**

You must submit to us for our approval all materials used for Local Advertising unless the materials have been previously approved by us or the materials consist only of materials we provide. You are free to use your own advertising material only if you have obtained our prior written approval.

## **FINANCIAL REPORTING**

You must also provide us with regular reports and periodic financial statements in the form we specify.

## **OUR RIGHT TO DERIVE REVENUE FROM FRANCHISEE PURCHASES AND LEASES**

We and/or our Affiliates may derive revenue based on your purchases and leases, including from charging you for products and services that we or our Affiliates provide to you and from promotional allowances, volume discounts, rebates, commissions, and other payments made to us or our Affiliates by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our Affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees’ actual or prospective dealings with them, without restriction for any purposes that we or our Affiliates consider appropriate.

## **REVENUE FROM REQUIRED PURCHASES OR LEASES BY FRANCHISEES**

We derive revenue from required purchases or leases by franchisees. Our total revenue from all operations during 2024 was \$12,830,150. Of this amount, \$2,319,603 was derived from required purchases or leases by franchisees. This amount represents 18% of our total revenue from all operations during 2024. During 2024, none of our affiliates derived revenue from required purchases or leases by franchisees.

## **MAGNITUDE OF REQUIRED PURCHASES OR LEASES**

We estimate that the proportion of required purchases and leases to all purchases and leases by you of goods and services is 15% to 30% in establishing the Franchise Business and 70% to 85% in operating the Franchise Business.

## **NO PAYMENTS FROM DESIGNATED SUPPLIERS**

We did not derive revenue from Designated Suppliers for required purchases or leases Stretch Zone franchisees.

**PURCHASING OR DISTRIBUTION COOPERATIVES**

There are currently no purchasing or distribution cooperatives that you must join or in which you may participate.

**NEGOTIATION OF PURCHASE ARRANGEMENTS**

We do negotiate purchase arrangements with suppliers for your benefit and the benefit of the other franchisees. We have negotiated fee arrangements and costs for all necessary marketing and advertising materials, furniture and fixtures, leasehold improvements and signage.

**MATERIAL BENEFITS**

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

**Area Development Agreement**

There is no provision in the Area Development Agreement requiring the purchase or lease of goods or services from us, our Designated Suppliers, approved suppliers or in accordance with our specifications. For each Franchise Business developed pursuant to the Area Development Agreement, you must comply with the requirements set forth in the Franchise Agreement.

**ITEM -9 FRANCHISEE’S OBLIGATIONS**

**Franchise Agreement**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Franchise Disclosure Document ITEM</b>
a. Site selection and acquisition/lease	Section 4.1	ITEMS 6, 7, 8 and 11
b. Pre-opening purchases/leases	Sections 4.1, 4.2, 4.3, 4.4,4.5, 4.7, 4.8, 4.9, 4.11, and 4.12	ITEMS 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 4.1 and 4.2	ITEMS 7, 8 and 11
d. Initial and ongoing training	Sections 2.9, 2.11 and 2.12(f)	ITEMS 6, 7, 8 and 11
e. Opening	Section 4.10	ITEMS 7, 8 and 11
f. Fees	Sections 1.5(d), 2.9, 2.12(f) 3.1, 3.4, 3.6, 4.6(d), 4.7(d), 4.10(a), 4.22, 6.1, 8.3(b), 9.7, 10.2(b)(vi), 10.2(f)(vii), 12.8, 16.2(a)(iv) and 17.6	ITEMS 5, 6 and 7

Obligation	Section in Franchise Agreement	Franchise Disclosure Document ITEM
g. Compliance with standards and policies/Operating Manual	Sections 1.4, 1.5, 2.1, 2.2, 2.3, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 3.2, 3.3, 3.4, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.21, 4.23, 5.2, 7.1, 7.2, 7.3, 7.4, 9.1, 9.2, 9.3, 9.5, 11.2, 19.2 and ARTICLES 6 and 8	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	ARTICLES 5, 6 and 14	ITEMS 13 and 14
i. Restrictions on products/services offered	Sections 1.2(c), 1.4, 4.7, and 4.22	ITEMS 8 and 16
j. Warranty and customer service requirements	Sections 4.13 and 4.17	ITEM 8
k. Territorial development and sales quotas	Not applicable	ITEM 12
l. Ongoing product/service purchases	Sections 4.7, 4.13 4.15 and 4.21	ITEMS 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections 4.15, 4.18 and 4.21	ITEMS 6, 7 and 8
n. Insurance	ARTICLE 9	ITEMS 6, 7 and 8
o. Advertising	ARTICLE 7	ITEMS 6, 7, 8 and 11
p. Indemnification	Section 14.2	ITEMS 6 and 8
q. Owner's participation/management/staffing	Sections 2.8, 2.11, 2.12(f), 4.5, 4.6, 4,10, 4.13, 4.15 and 4.20	ITEMS 6 and 15
r. Records and reports	ARTICLE 8	ITEM 8
s. Inspections and audits	ARTICLE 8	ITEMS 6, 8 and 11
t. Transfer	ARTICLE 10	ITEMS 6 and 17
u. Renewal	Sections 16.2 and 16.3	ITEMS 6 and 17
v. Post-termination obligations	ARTICLE 12	ITEM 17
w. Non-competition covenants	ARTICLE 13	ITEM 17
x. Dispute resolution	ARTICLE 17	ITEMS 6 and 17
y. Liquidated Damages	Section 12.8	ITEM 17
z. Guaranty	Exhibit G	ITEM 1

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## Area Development Agreement

This table lists your principal obligations under the Area Development Agreement. It will help you find more detailed information about your obligations in the Area Development Agreement and in other items of this Franchise Disclosure Document.

Obligation	Section in Area Development Agreement	Franchise Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	Section 3.1	ITEMS 5 and 6
g. Compliance with standards and policies/Operating Manual	ARTICLE 4	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	Not Applicable	Not Applicable
i. Restrictions on products/services offered	Section 1.1	ITEMS 8 and 16
k. Territorial development and sales quotas	Sections 1.2, 1.3, 1.4, 1.5 and 4.1	ITEM 12
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Section 8.15	Not Applicable
q. Owner's participation/management/staffing	Not Applicable	Not Applicable
r. Records/reports	Section 4.2	Not Applicable
s. Inspections/audits	Not Applicable	Not Applicable
t. Transfer	Section 5.2	ITEMS 6 and 17
u. Renewal	Not Applicable	ITEMS 6 and 17
v. Post-termination obligations	Not Applicable	Not Applicable
w. Non-competition covenants	Not Applicable	Not Applicable

Obligation	Section in Area Development Agreement	Franchise Disclosure Document Item
x. Dispute resolution	Section 9.1	ITEMS 6 and 17
y. Guaranty	Exhibit G	ITEM 1

### ITEM -10 FINANCING

We do not offer direct or indirect financing to you. 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.

#### Franchise Agreement

#### PRE-OPENING OBLIGATIONS

After the parties sign the Franchise Agreement but before you open your Franchise Business, we will provide you with the following assistance and services, as long as you are not in default under your Franchise Agreement:

#### Site Selection Assistance. (Section 2.1 of the Franchise Agreement)

**Ownership of Site.** We do not generally own the site of the Premises for the Franchise Business and sublease it to you. An unrelated third party will own the site and lease the Premises to you.

**Selecting a Site.** We do not select the site. You must select a proposed site for your Franchise Business and obtain our written approval before you sign a lease or begin any construction.

**Site Selection Criteria.** We will supply you our site selection criteria, which include (a) population demographics within a 3-mile radius of the site; (b) information regarding traffic counts and patterns; (c) number of parking spaces; (d) visibility from the roadways; (e) the predominant character of the neighborhood; (f) competitive businesses within the area; (g) the nature of other businesses in proximity to the site; and (h) the size, appearance and other physical characteristics of the site.. Within 30 days after signing the Franchise Agreement, you must find a site in the Site Selection Area that you believe meets our criteria. You must send to us all material information regarding the proposed site including pictures of the site. We will not unreasonably withhold our approval of any site meeting our standards. We will review site approval submissions on a first-in basis but within 30 days of your submission. If we do not approve the site, you have 30 days in which to submit a new site within the Site Selection Area for our written approval.

**Time Limit.** If you fail to do so in a timely manner, or we and you cannot agree on a site within 120 days after you sign the Franchise Agreement, we have the right to terminate

the Franchise Agreement and retain 100% of the Initial Franchise Fee. You will be required to sign the Franchise Termination and Release Agreement included as Exhibit N.

**Lease Assistance.** If you intend to lease your Premises from a third party, we will advise you in your lease negotiations. Any lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when we, you and the property owner sign our form of Agreement with Landlord attached as Exhibit H. You agree that our approval or disapproval of a proposed lease does not impose any liability on us. (Section 2.2 of the Franchise Agreement.)

**Plans and Specifications.** We will loan to you our prototype architectural drawings for the Premises (which may include sample equipment layouts and floor plans) (“Drawings”) for the construction of the Premises. We also loan to you our specifications and standards pertaining to equipment, signage, fixtures, furnishings, accessory features and design and layout we make available to you. (collectively” the “Design Specifications”). The Drawings and Design Specifications may vary in their design and decor by region of the country, at our sole discretion. The Drawings and Design Specifications are contained in the Operations Manual. (Section 2.3 of the Franchise Agreement.)

**Furniture, Fixtures and Furnishings.** We will sell you the furniture, fixtures, and furnishings necessary to operate your Franchise Business. We do not deliver or install these items. (Section 2.4 of the Franchise Agreement.)

**Indoor Signs and Graphics.** You will purchase from our Designated Supplier the indoor signs and graphics. We do not deliver or install these items. You may prepare, construct and erect the signs and graphics after obtaining approval from the applicable governmental authority and the landlord. You will maintain the interior signs and graphics in a condition acceptable to us. (Section 2.5 of the Franchise Agreement.)

**Uniform Requirements.** The Operations Manual includes our specifications for uniforms for your employees that you must purchase directly from our approved supplier. (Section 4.5 of the Franchise Agreement.)

**Business Planning Assistance.** We will provide you with referrals offering working capital lines of credit, term loans and/or equipment lease financing. (Section 2.6 of the Franchise Agreement.)

**Website; Intranet.** We have created a Website, [www.StretchZone.com](http://www.StretchZone.com) for use by our Franchisees and us. We will list your Franchise Business on our Website. (Section 2.7 of the Franchise Agreement.)

**Lists, Forms and Schedules.** (Section 2.8 of the Franchise Agreement.)

We will loan to you, either in hard copy form or as electronic files, the following for use in the operation of the Franchise Business:

**List of Items.** A list of equipment, fixtures, furnishings, supplies, materials, inventory and other items necessary to open and operate your Franchise Business and a list of Designed Suppliers, Approved Suppliers and product specifications.

**Specifications.** Specifications for business cards, stationary, receipts, point-of-sale materials, frequent customer cards, gift cards, reporting documents, and other business forms and materials we consider necessary for the operation of the Franchise Business that you purchase from Approved Suppliers.

**Reporting.** Requirements regarding your establishment of daily, weekly and monthly reporting systems; bookkeeping procedures; and accounting procedures, which you must adopt and implement at the Franchise Business.

**Forms.** We will supply you with our forms of membership agreement and waiver.

**Materials.** We will loan you copies of our advertising and marketing materials.

These forms and schedules are contained in the Operations Manual. You must retain your own legal counsel to review and revise these agreements and forms so they comply with all applicable federal and state laws.

**Employee Information and Assistance.** We will provide to you employee hiring information including pay scale suggestions and a standardized interviewing/selection system as described in the Operations Manual. No employee of yours is an employee of ours for any purpose whatsoever. You are solely responsible for the hiring, disciplining, supervising, promoting and firing of your employees and the establishment of their salaries as provided in Section 4.5 of the Franchise Agreement. (Section 2.9 of the Franchise Agreement.)

### **Pre-Opening Training**

**Franchisee Training Program.** We will provide our Franchisee Training Program to you (if you are one or more individuals) or Franchise Owners (if you are a business entity), prior to opening. (Section 2.10(a) of the Franchise Agreement.) We describe the details of the Franchisee Training Program under the heading TRAINING PROGRAM below.

**Regional Manager Training Program.** We will provide our Regional Manager Training Program to your Regional Manager, prior to opening. (Section 2.10(a) of the Franchise Agreement.) We anticipate that you or your Designated Representative will serve as your Regional Manager, but you may also hire another individual to serve as your Regional Manager. We describe the details of the Regional Manager Training Program under the heading TRAINING PROGRAM below.

**Access to Operations Manual.** We will give you electronic access to the Operations Manual and any supplemental manuals. Our practice is to give you access to the Operations Manual during the Franchisee Training Program. (Section 2.11 of the Franchise Agreement.)

**Pre-Opening and Grand Opening Assistance.** During the, approximately, three weeks before and the three weeks after the opening of the Franchise Business, we will assist you with the grand opening plan, as outlined in the Operations Manual, to introduce your Franchise Business to the community. We will provide you with promotional support, such as social media scheduling and posting, email scheduling and sending, photography, press release writing and promotion, print assets, grand opening assets, such as ribbon and scissors, and tools to assist in the capture of content – tripod, Bluetooth microphone, etc.

## **ASSISTANCE WE DO NOT PROVIDE**

We do not provide assistance with conforming the Business Premises to local ordinances and building codes and obtaining any required payments, and/or constructing, remodeling, or decorating the Business Premises, and or/hiring and training employees. These are your responsibility. (Section 2.20 of the Franchise Agreement.)

## **CERTIFICATE OF PERFORMANCE OF PRE-OPENING OBLIGATIONS**

After we have performed all of our pre-opening obligations and you are open for business, we may request you to sign a certification in the form included in the Operations Manual (“Certificate of Performance”) confirming our performance. If, in good faith, you do not believe that we have not completed certain of our pre-opening obligations, you will note the alleged deficiencies on Schedule A of the Certificate of Performance (List of Deficiencies to Certificate of Performance), specifically describing the obligations that you believe we have not performed. [Subsection 4.10(c) of the Franchise Agreement]

## **STATEMENT OF COSTS TO OPEN**

Within three months after you open, you will prepare and provide us with a complete and detailed written statement in the form contained in the Operations Manual containing a breakdown of all costs you incurred in the construction and operation of the Franchise Business. [Subsection 4.10(c) of the Franchise Agreement]

## **TIME TO OPEN**

The typical length of time between the signing of the Franchise Agreement and the opening of the Franchise Business can vary from 30 to 120 days. The factors that affect this period usually includes the time needed to acquire a site for your Franchise Business, to negotiate a lease, to arrange for financing, to comply with local ordinances and obtain building permits, to hire employees, weather conditions, shortages, or delayed installation of equipment, fixtures and signs and, other operational issues, etc., and the time when you complete, to our satisfaction, our Pre-Opening Training and any other pre-opening training requirements that we require. If you fail to open within 6 months of signing the Franchise Agreement, you are in material default under the Franchise Agreement and we have the right to terminate the Franchise Agreement and retain the Initial Franchise Fee. If we terminate the Franchise Agreement you must also sign the Franchise Termination and Release Agreement included in Exhibit N. [Subsection 4.10(b) of the Franchise Agreement].

## **ONGOING OBLIGATIONS AFTER OPENING**

Provided you are not in default under your Franchise Agreement, we will perform the following obligations during the operation of your Franchise Business:

**Initial On-Site Training Program.** As part of the Initial Franchise Fee, we will conduct on-site training for a minimum of 3 days (the “Initial On-Site Training Program”), in most instances conducted at your Franchise Business preferably within the first week of operation, as we consider appropriate. We describe the details of the Initial On-Site Training Program, which includes the Stretch Practitioner Training Program for your initial practitioners, under the heading TRAINING PROGRAM below. (Section 2.12 of the Franchise Agreement.)

**Assistance by Telephone or E-Mail.** We will provide you with informational assistance by telephone and e-mail through our StretchNet Portal including consultation on matters involving operations, advertising, promotion, and business methods. [Subsection 2.16(a) of the Franchise Agreement.]

**Website.** We will maintain the Website in accordance with Subsection 4.12(d) and Section 7.3(a) of the Franchise Agreement. [Subsection 2.16(b) of the Franchise Agreement.]

**E-mail Address and Accounts.** We provide you a store e-mail address, use of which is limited to Franchise Owners, the Designated Representative and your Regional Manager. We have established reasonable standards for e-mail accounts and their use, which we may periodically revise. You will have reasonable time within which to upgrade when standards change. From time-to-time, we will send important information to your Stretch Zone e-mail address. In order to stay informed on developments affecting the Business System and your Franchise Business, you agree to check your e-mail at least daily except for Sundays. You must respond to any request we send to you by e-mail that requires a response within 24 hours of your receipt of our e-mail. You must send to us an acknowledgment of receipt of our e-mail to you. [Subsection 2.16(c) of the Franchise Agreement.]

**Promotional Methods and Materials.** We will provide you with promotional methods and materials that we develop. [Subsection 2.16(d) of the Franchise Agreement.]

**Recertification Program.** On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise. Our fee is \$2,000 per Franchise, regardless of the number of Certified Stretch Zone Practitioners you have. We generally offer this program virtually but reserve the right to conduct the Program in-person. You are responsible for our representatives' travel, meals and lodging expenses, as applicable. [Subsection 2.16(f) of the Franchise Agreement.]

**Pricing Policies.** We have the right to set the prices (minimum and maximum) that you charge for the products and services that you offer at your Franchise Business, whether in connection with a sales promotion or otherwise, subject to applicable law. Such prices may vary among our franchisees, based on the demographics and marketing conditions of the DMA in which the Franchise Business is located. As of the date of this Disclosure Document, we have three pricing tiers for the prices that our franchisees may charge for products and services offered at Franchise Businesses. You must adhere to the pricing tier applicable to your Franchise Business, subject to applicable law. You cannot engage a discounting company. [Subsection 4.12(i) of the Franchise Agreement.]

**License of Intellectual Property.** Subject to the Franchise Agreement, we license to you the right to use the "Stretch Zone<sup>®</sup>" trade name and the other Intellectual Property. [Section 2.17 of the Franchise Agreement.]

**Software.** We sublicense to you the right to use the Stretch Net, Career Plug, Office 365, QuickBooks Online, KnetK, Factor 4, Predictive Index, Canva, and Perkville Software under the Software Sublicense Agreement included in Exhibit K. [Section 2.18 of the Franchise Agreement.]

## **OPTIONAL ASSISTANCE AFTER OPENING**

**Radio and Television Commercials.** We may provide a preapproved radio script and camera-ready television commercials (not including airtime) for your use in your DMA but only if they are created through funds in the Media Fund. [Subsection 2.16(e) of the Franchise Agreement.]

## **ADVERTISING PROGRAMS UNDER FRANCHISE AGREEMENT**

### **OUR ADVERTISING OBLIGATIONS**

We, in our role as Franchisor, are not obligated to use our own funds to conduct advertising in your Limited Protected Territory. Our Company-Owned Units will contribute to the Marketing Fund (described below) to the same extent as Franchised Units are required to contribute. (Section 7.5 of the Franchise Agreement).

### **PRE-GRAND OPENING AND FRANCHISE BUSINESS GRAND OPENING**

As detailed above, we will provide certain assistance in connection with the grand opening of the Franchise Business during the, approximately, three weeks before and the three weeks after the opening of the Franchise Business, and you will pay us a Grand Opening Fee of \$14,950 (as detailed in Item 6). You will engage in the grand opening plan, as outlined in the Operations Manual to introduce your Franchise Business to the community. We will provide you with promotional support, such as social media scheduling and posting, email scheduling and sending, photography, press release writing and promotion, print assets, grand opening assets, such as ribbon and scissors, and tools to assist in the capture of content – tripod, Bluetooth microphone, etc.

### **LOCAL ADVERTISING** (Section 7.1 of the Franchise Agreement)

**Your Expenditures.** You must spend a minimum of \$2,000 per month on Local Advertising of your Franchise Business within your DMA. You may not advertise outside of your DMA.

**Our Approval.** You must submit to us for our approval all materials used for Local Advertising, unless we have previously approved the materials or the materials consist of materials we have provided. All materials containing the Intellectual Property must include the applicable designation - service mark<sup>sm</sup>, trademark<sup>TM</sup>, registered<sup>®</sup> or copyright<sup>©</sup>, or any other designation we specify. If you have not received our written disapproval of materials you submitted within 10 days from the date we received the materials, then we are considered to have approved the materials. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment, the materials or advertising may injure or be harmful to the Business System. You will have 5 days after you receive of our written notice to discontinue using the materials or advertising, unless otherwise agreed in writing.

**Social Media.** You cannot engage in social media concerning the Franchise Business without our prior written consent. You must purchase social media management software from our Designated Supplier. All content on your social media regarding Stretch Zone belongs to us.

### **Regional Advertising Cooperative** (Section 7.2 of the Franchise Agreement)

You agree that we have the right to establish a Regional Advertising Cooperative in any DMA. Upon our request, you will immediately become a member of the Regional Advertising Cooperative for the DMA that includes your Exclusive Territory. Your Franchise Business does not have to be a

member of more than 1 Regional Advertising Cooperative. All Company-Owned Units within your DMA must also become members of the Regional Advertising Cooperative. Our form of Regional Advertising Cooperative Agreement as of the date of this Disclosure Document is attached as Exhibit P.

**Purposes of Regional Advertising Cooperative.** We will organize the Regional Advertising Cooperative for the exclusive purposes of administering advertising programs and developing standardized promotional materials for use by its members. The Regional Advertising Cooperative may adopt its own rules and procedures, but we must approve the rules or procedures. The rules and procedures must not restrict or expand your rights or obligations under the Franchise Agreement. Except as otherwise contained in the Franchise Agreement, and subject to our approval, any lawful action of the Regional Advertising Cooperative at a meeting attended by 67% of the members, including assessments for Local Advertising, binds you if approved by 67% of the members present.

**Our Approval of Advertising.** We must approve in writing all advertising or promotional plans or materials the Regional Advertising Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials as required by the procedure stated in Subsection 7.2(b) of the Franchise Agreement.

**Members' Contributions to Cooperative.** The Regional Advertising Cooperative has the right to require each of its members to contribute to the Regional Advertising Cooperative the same amount, but not to exceed 2% of that member's monthly Gross Revenues. We credit this amount against your obligation for Local Advertising as provided by Subsection 7.2(c) of the Franchise Agreement. Each member will submit to the Regional Advertising Cooperative, no later than the 10<sup>th</sup> day of each month for the preceding calendar month, its contribution together with all other statements or reports the Regional Advertising Cooperative or we require.

**Quarterly Reports.** The Cooperative will prepare quarterly unaudited reports of its advertising and marketing expenditures. The reports will be sent by the Cooperative to its members and to us.

**Impasses.** If an impasse occurs based on its members' inability or failure to resolve within 45 days any issue affecting the establishment or effective functioning of the Regional Advertising Cooperative, the issue, upon request of a member of the Regional Advertising Cooperative, will be submitted to us for consideration. Our resolution of the issue is final and binding on all members of the Regional Advertising Cooperative.

**Changes, Dissolution or Merger of Cooperatives.** We have the right to form, change, dissolve or merge any Cooperative.

**Internet Advertising and Marketing/Website** [Section 7.3 of the Franchise Agreement]

**Website.** We will list your Franchise on our Website. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, franchise information, product and/or service information and all other information that we may designate in writing. You will not create or maintain any website other than the website we provide.

**Domain Name.** We prohibit you from registering any domain name using the Intellectual Property and from hosting a website to promote the Franchise Business or the products or services without our prior written consent. We retain all rights to the trade names and other Intellectual Property, and any associated Internet domains used to identify the Business System.

**MEDIA FUND** (Section 7.4 of the Franchise Agreement.)

**Creation.** We have created a special fund called the “Stretch Zone Media Fund” (the “Media Fund”), into which we will deposit the Advertising Contributions described in Subsection 3.1(d) of the Franchise Agreement for the benefit of all Franchised Units and Company-Owned Units who contribute to the Media Fund.

**Administration.** We will administer the Media Fund. We use the funds in the Media Fund to pay for the costs of creating various advertising, marketing, and promotional materials that we consider beneficial to the Business System. We also use the funds in the Media Fund to pay the costs of conducting regional and/or national advertising and promotional activities (including the cost of producing advertising campaigns and marketing materials, conducting test marketing and marketing surveys, and public relations activities) that we consider beneficial to the Business System. We can charge the Media Fund for our costs for services we provide, in lieu of engaging third party agencies to provide these services. We will not use any of the funds to offer or sell Stretch Zone Franchises to prospective franchisees.

**Expenditures.** All expenditures are at our sole discretion. We may spend in any calendar year more or less than the total Advertising Contributions to the Media Fund in that year. We may loan to the Media Fund or borrow from other lenders for the Media Fund to cover deficits of the Media Fund or cause the Media Fund to invest any surplus for future use by the Media Fund. We will carry any monies not spent by the Media Fund in any particular year to fund production expenses in the next year.

**Contents and Concepts.** We retain sole discretion over all advertising, marketing and public relations programs and activities financed by the Media Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. You agree that the Media Fund may be used to pay the costs of preparing and producing associated materials and programs that we determine, including video, audio and written advertising materials employing advertising agencies; sponsorship of sporting, charitable or similar events, administering regional and multi-regional advertising programs including purchasing direct mail and other media advertising, social media programs, and employing advertising agencies to assist with marketing efforts; and supporting public relations, market research and other advertising, promotional and marketing activities.

**Advertising Contributions by Us.** Company-Owned Units are required to contribute to the Media Fund on the same basis that Franchised Units are required to contribute.

**Termination of Expenditures.** We maintain the right to terminate the collection and disbursement of the Advertising Contributions and the Media Fund. Upon termination, we will disburse the remaining funds to existing Franchised Units and Company-Owned Units on a *pro-rata* basis based on their relative amount of contributions.

**Media Placement.** The advertising funded by the Media Fund is anticipated to be placed, based on our decisions, in regional and/or national markets and it is anticipated to be placed with

television, radio, periodicals, newspapers and/or direct mail campaigns. We do not have to spend any of your contributions to the Media Fund in your Limited Protected Territory.

**Creation of Materials.** It is anticipated that most marketing materials will be prepared by our advertising department and/or a national or regional advertising agency.

**Annual Report.** We will prepare an annual report of the receipts and expenditures of the Media Fund and send a copy of the report to you upon request. We will not audit this report.

**ADVERTISING RECEIPTS AND EXPENDITURES FOR FISCAL YEAR 2024**

**Media Fund**

For the fiscal year ending December 31, 2024 the Media Fund had an opening balance of \$205,201, receipts of \$2,004,417 and made the following expenditures of \$2,082,013, leaving a closing balance of \$127,605 that is carried over to fiscal year 2025:

Media Placement	\$1,940,928	93%
Public Relations	\$115,205	6%
Administrative Expenses	\$25,880	1%
<b>TOTAL</b>	<b>\$2,082,013</b>	<b>100%</b>

**OTHER ADVERTISING INFORMATION**

We have the sole right to enforce your obligations and all other Franchisees that make Advertising and Marketing Contributions. Neither you, nor any other Franchisee obligated to make Advertising and Marketing Contributions, is a third party beneficiary of the funds nor has any right to enforce any obligation to contribute the funds. [Subsection 3.1(c) of the Franchise Agreement.]

We assume no other direct or indirect liability or obligation to you for the maintenance, direction or administration of the Media Fund, except as expressly provided in ARTICLE 7 of the Franchise Agreement.

We can charge the Media Fund for our costs for services we provide, in lieu of engaging third party agencies to provide these services. [Subsection 7.4(b) of the Franchise Agreement]

**FRANCHISEE ADVERTISING COUNCIL**

There is no advertising council composed of Franchisees.

**OTHER ADVERTISING FUNDS**

We have no other advertising funds. There may be additional advertising requirements contained in the lease of your Premises. The extent of these advertising requirements may be subject to negotiation; consequently, the extent of any advertising obligation may be unknown to us.

**ADVERTISING FOR SOLICITATION OF NEW FRANCHISE SALES**

We will not use any of the funds in the Marketing Fund for the solicitation of new franchise sales. [Subsection 7.4(b) of the Franchise Agreement]

**COMPUTER SYSTEM** (Section 4.4 of the Franchise Agreement)

**Hardware.** The Computer System consists of the following hardware:

- 21.5 iMac
- 12.9 iPad Pro
- Credit Card Reader
- High-speed modem with 30M down by 5M up
- Dell Inspiron
- Windows 10 Pro
- 8 Gig of Ram
- SSD hard Drive
- USB 2 and USB 3 ports
- 23" TouchScreen monitor

**Software.** You must use the following software:

- Club Ready
- QuickBooks Online
- Internet Service Provider software
- Business e-mail account
- Career Plug
- ADP
- KnetK
- Stretch Net
- Factor 4
- Predictive Index
- Canva
- Perkville
- Microsoft Office 365
- Stretch Zone University (our learning management software)

**Cost of the Computer System.** The cost of the Computer System ranges from \$1,850 to \$2,699.

**Ongoing Maintenance, Repairs, Upgrades or Updates.** We are not obligated to provide you with ongoing maintenance, repairs, upgrades or updates. You must make periodic upgrades and updates to the Computer System's software that we require for your Franchise Business. There are no contractual limitations on the frequency and cost of this requirement. The computer manufacturer or local dealers may offer to you a hardware maintenance agreement for the Computer System. We do not know the cost of any hardware maintenance agreement. Club Ready offers to you limited software support as part of its license fee. You may incur additional charges for services outside the scope of this software support agreement. The annual costs of any optional or required maintenance, upgrade, upgrading, or support contracts for the Computer System is estimated to be \$200.

**Type of Data Generated and Stored.** The Computer System's principal functions are to provide you with lead management, new customer additions, redemption of programs purchased, payroll, scheduling and, reporting and billing. The Computer System will collect employee and

customer information including name, address, e-mail, phone number, billing information, program terms and customer usage.

**Our Independent Access to Your Data.** We will have independent electronic access via the Internet to the information that the Computer System generates. There are no contractual limitations on our right to access this information about your Franchise Business. You agree that we have the right to retrieve all data and information from your Computer System, as we consider necessary.

## **OPERATIONS MANUAL**

After you have signed your Franchise Agreement, we will loan you a copy of our Operations Manual. The Table of Contents of the Operations Manual, as of December 31, 2024 is included in Exhibit O. The Operations Manual totals 128 pages.

## **FRANCHISE AGREEMENT**

### **TRAINING PROGRAM**

There are six distinct mandatory training programs. You must use our learning management software, Stretch Zone University, to book these training programs.

- **Franchisee Training Program:** We provide the Franchisee Training Program before opening at our training facility at our corporate headquarters in Fort Lauderdale, Florida. This is to be completed by you (if you are one or more individuals) or Franchise Owners (if you are a Business Entity) within 30 days of signing the Franchise Agreement. The Initial Franchise Fee covers the Franchisee Training Program for the individuals identified above.
- **Regional Manager Training Program:** This is to be completed by any individual who will act as your Regional Manager. (Generally, we anticipate that you or your Designated Representative will act as your Regional Manager and attend this Program in connection with the Franchisee Training Program before opening at our training facility in Fort Lauderdale. You may, however, elect to hire another individual to act as your Regional Manager.) Regional Managers in training are required to complete the mandatory pre-requisites of both Stretch Practitioner Training and Sales Associate Training. We provide the Regional Manager Training Program (which includes the Stretch Practitioner Training Program described below) at our training facility at our corporate headquarters in Fort Lauderdale, Florida. If you or your initial Designated Representative will act as your Regional Manager and will attend this Program in connection with the Franchisee Training Program, the Initial Franchise Fee covers the Regional Manager Training Program for you or your Designated Representative. For any other individual attending the Regional Manager Training Program (including any replacement Designated Representative who will serve as your Regional Manager), you must pay us a training fee of \$515 per person for this training.
- **Initial On-Site Training Program:** We provide the Initial On-Site Training Program during the week in which the Franchise Business opens. This training will be completed by your Sales Associates and you (if you are one or more individuals) or Franchise Owners (if you are a Business Entity). Upon completion, you will sign a Certificate of Completion, which is included in the Manual. See also the description

of the Stretch Practitioner Training Program, which is conducted for your initial practitioners during the Initial On-Site Training Program, below. The Initial Franchise Fee covers the Initial On-Site Training Program, except as provided in the description of the Stretch Practitioner Training Program below.

- Stretch Practitioner Training Program:** This will be completed by each employee who will provide stretch services at the Franchise Business and your Regional Manager. We provide a portion of the Stretch Practitioner Training Program virtually for your initial practitioners. Practitioners will attend this virtual training course via Stretch Zone University as a prerequisite. Contingent on completing and passing the virtual course, a two-day in-person Stretch Training is attended. During the in-person Stretch Training, practitioners must pass two practical exams to be deemed a certified stretch practitioner. The Initial Franchise Fee covers the Stretch Practitioner Training Program for up to 12 of your initial practitioner candidates attending as part of the Initial On-Site Training Program. You otherwise must pay us a training fee of \$310 per person for this training. As stated in Item 6, we also will provide, at your request, the Stretch Practitioner Training Program at your Franchise Business if you have a minimum of four practitioners who will attend. The training fee for this on-site Stretch Practitioner Training is \$1,240.
- Sales Associate Training Program:** This is to be completed by each employee who will be a Sales Associate at the Franchise Business and your Regional Manager. We provide the Sales Associate Training Program for your initial Sales Associates. Sales Associates will attend this virtual training course via Stretch Zone University prior to the opening. The Grand Opening Fee covers the Sales Associate Training Program for up to five of your initial Sales Associates. Thereafter, you must pay us a training fee of \$206 per person for this training.
- Virtual Front Desk Training:** This is to be completed by all front desk employees and is provided virtually via Stretch Zone University. You must pay us a training fee of \$100 for each person for this training.

**Franchisee Training Program**

Column 1  <b>Subject</b>	Column 2  <b>Hours of Classroom Training</b>	Column 3  <b>Hours of On-The-Job Training</b>	Column 4  <b>Location</b>
Store Opening Process	1.5	0	Our Training Facility in Fort Lauderdale, Florida
Grand Opening and Marketing Vendors	1	0	Our Training Facility in Fort Lauderdale, Florida
Lunch with Store Opening Specialists	1	0	Our Training Facility in Fort Lauderdale, Florida
QuickBooks and Understanding Your Remit	.5	0	Our Training Facility in Fort Lauderdale, Florida
Franchisee Scorecard and StretchNet	1	0	Our Training Facility in Fort Lauderdale, Florida
Franchisee Checklist	.5	0	Our Training Facility in Fort Lauderdale, Florida

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location</b>
Hiring and Managing Your Team	1	0	Our Training Facility in Fort Lauderdale, Florida
Understanding Your Platforms: CareerPlug, Knetk, Predictive Index, ClubReady and Stretch Zone University	1.5	0	Our Training Facility in Fort Lauderdale, Florida
<b>TOTAL HOURS</b>	<b>8</b>	<b>0</b>	

**Regional Manager Training Program**

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location</b>
Introductions	.5	0	Our Training Facility in Fort Lauderdale, Florida
Labor Models	2.5	0	Our Training Facility in Fort Lauderdale, Florida
Recruiting Top Talent	1.5	0	Our Training Facility in Fort Lauderdale, Florida
Onboarding and Stretch Zone University	1	0	Our Training Facility in Fort Lauderdale, Florida
Lead Generation	2.5	0	Our Training Facility in Fort Lauderdale, Florida
Studio Metrics	2	0	Our Training Facility in Fort Lauderdale, Florida
Studio Management	2.5	0	Our Training Facility in Fort Lauderdale, Florida
Financial Management	2	0	Our Training Facility in Fort Lauderdale, Florida
Marketing Tools and Platforms	1.5	0	Our Training Facility in Fort Lauderdale, Florida
<b>TOTAL HOURS</b>	<b>16</b>	<b>0</b>	

**Initial On-Site Training Program**

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The- Job Training	Column 4 Location
Club Ready	0	4	Your Franchise Business
Member Scenarios	0	1	Your Franchise Business
Daily Checklist	0	2	Your Franchise Business
Member Relations	0	2	Your Franchise Business
Telephone Inquiries	0	2	Your Franchise Business
DPR	0	1	Your Franchise Business
Demo Observation	0	12	Your Franchise Business
<b>TOTAL HOURS</b>	<b>0</b>	<b>24</b>	

**Stretch Practitioner Training Program Program**

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The- Job Training	Column 4 Location*
The Story of Stretch Zone	.5	0	Online Course via Stretch Zone University
The Science Behind the Stretch	1	0	Online Course via Stretch Zone University
Anatomy and Physiology	.5	0	Online Course via Stretch Zone University
Intro to Equipment, Sequencing and the 7-Step Stretch	1	0	Online Course via Stretch Zone University
Warm-Up	1	0	Online Course via Stretch Zone University
Red Cell	2	0	Online Course via Stretch Zone University
Blue Cell	1	0	Online Course via Stretch Zone University
Yellow Cell	1.5	0	Online Course via Stretch Zone University
Green Cell	1.5	0	Online Course via Stretch Zone University
Aqua Cell	1	0	Online Course via Stretch Zone University
Orange Cell	1.5	0	Online Course via Stretch Zone University
Pink Cell	1	0	Online Course via Stretch Zone University

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location*</b>
Purple Cell	1.5	0	Online Course via Stretch Zone University
Black Cell	2	0	Online Course via Stretch Zone University
Gray Cell	1	0	Online Course via Stretch Zone University
White Cell	1	0	Online Course via Stretch Zone University
Modifications, Contraindication and Scenarios	3	0	Online Course via Stretch Zone University
Protocols and Stretch Variation	2	0	Online Course via Stretch Zone University
Hands on Practice – Lower Body	9	0	Our Training Facility in Fort Lauderdale, Florida*
Lower Body Practical Exam	3	0	Our Training Facility in Fort Lauderdale, Florida*
Hands on Practice – Upper Body Protocols	3	0	Our Training Facility in Fort Lauderdale, Florida*
Upper Body Practical Exam	1	0	Our Training Facility in Fort Lauderdale, Florida*
<b>TOTAL HOURS</b>	<b>40</b>	<b>0</b>	

\* We conduct the Stretch Practitioner Training Program for your initial practitioners, however, at your Franchise Business as part of the Initial On-Site Training Program.

### Sales Associate Training Program

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location</b>
SA Demo Training	8	0	Online Course via Stretch Zone University
ClubReady Tutorials	4	0	Online Course via Stretch Zone University
Telephone Inquiries	1	0	Online Course via Stretch Zone University
Hospitality and Member Experience	1	0	Online Course via Stretch Zone University
Maximizing Retention	1	0	Online Course via Stretch Zone University

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location</b>
Daily Checklists	1	0	Online Course via Stretch Zone University
<b>TOTAL HOURS</b>	<b>16</b>	<b>0</b>	

**Virtual Front Desk Training Program**

Column 1 <b>Subject</b>	Column 2 <b>Hours of Classroom Training</b>	Column 3 <b>Hours of On-The-Job Training</b>	Column 4 <b>Location</b>
Telephone Script	1.5	0	Zoom
Club Ready Client Bookings	.5	0	Zoom
Club Ready Reporting	.5	0	Zoom
Agreements and Process Payments	.5	0	Zoom
Marketing Platforms	.5	0	Zoom
Stretch Net	.5	0	Zoom
<b>TOTAL HOURS</b>	<b>4</b>	<b>0</b>	

**Regional Master Practitioner Certification Training Program:** You may nominate one of your employees to become a Regional Master Practitioner. A Regional Master Practitioner may conduct the Stretch Practitioner Training Program for employees of the Franchise Business and any other Stretch Zone business that you own and operate and, subject to our approval, for employees of other Stretch Zone businesses, with all such training to be scheduled through Stretch Zone University. A Regional Master Practitioner candidate must apply to this Program, and we must approve that application prior to the candidate’s commencing the Program. In order to be certified as a Regional Master Practitioner, the candidate must attend and successfully complete, as determined by us in our sole discretion, the Regional Master Practitioner Certification Training Program, as well as the Stretch Practitioner Training Program and the Sales Associate Training Program.

**Training Schedule and Location.** We conduct the training classes on an “as-needed” basis at our training facility at our corporate headquarters in Fort Lauderdale, Florida, remotely, and/or at your Franchise Business, depending on the applicable training program. The Franchisee Training Program will occur with 30 days of signing the Franchise Agreement. The Initial On-Site Training Program (including the Stretch Practitioner Training Program for your initial practitioners) will generally occur the week of opening.

**Instructional Materials.** The instructional materials include the Operations Manual and the Stretching Manual.

**Experience of Instructors.** We maintain a training staff.

**Taylor Carr** – Ms. Carr has been training individuals in stretching and sales for the past 7 years.

**Michael Ehmann** - Mr. Ehmann has been training individuals in stretching for the past 5 years.

**Nathaniel Lance** – Mr. Lance has been training individuals in stretching for the past 4 years.

**Brandon Notlkamper** – Mr. Noltkamper has been training individuals in stretching for the past 3 years.

**Logan Dawson** – Mr. Dawson has been training individuals in stretching for the past 2 years.

**Meredith Roberts** – Ms. Roberts has been training individuals in stretching for the past 2 years.

**Shannon Lundy** – Ms. Lundy has been training individuals in stretching for the past 2 years.

**Brittany Reynolds** – Ms. Reynolds has been training individuals in stretching for the past 2 years.

**Stephen Parker** – Mr. Parker has been training individuals in stretching for the past 2 years.

**Shane Walker** – Mr. Walker has been training individuals in stretching for the past year.

**Kathleen McCann** – Ms. McCann has been training individuals in stretching for the past year.

**Nikolaus Dene** – Mr. Dene has been training individuals in stretching for the past year.

**Melissa Alonso** – Ms. Alonso has been training individuals in stretching for the past year.

**Fees and Expenses During Training.** We will provide the Franchisee Training Program for you (if you are one or more individuals) or Franchise Owners (if you are a business entity), the Regional Manager Training Program for you or your initial Designated Representative if you or your initial Designated Representative will act as your Regional Manager and attend this Program in connection with the Franchisee Training Program, the Sales Associate Training Program for up to five of your initial Sales Associates, and the Initial On-Site Training Program (including the Stretch Practitioner Program for up to 12 of your initial practitioner candidates) at no additional charge, but you must pay the applicable training fee that we specify for any additional individuals that we permit to attend such training programs and for the training of any replacement personnel. You also agree to pay the training fees that we periodically specify for any ongoing training and evaluation programs that we provide. You will be responsible for your personnel's travel, living and other expenses

(including local transportation expenses) and compensation incurred in connection with attendance at any and all training courses and programs, conventions or work at any Stretch Zone business that is part of their development. You also will be responsible for our personnel's travel, living, and other expenses (including local transportation expenses) incurred in connection with our personnel's providing training at any location other than at our training facility at our corporate headquarters in Fort Lauderdale, Florida. You will not, however, be required to pay for such expenses of our personnel in conducting the Initial On-Site Training Program. [Section 2.15 of the Franchise Agreement.]

**Execution of Confidentiality and Non-Competition Agreement.** Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations Manual) as a condition of our approval. [Subsection 2.10(a) of the Franchise Agreement.]

### **ADDITIONAL TRAINING PROGRAMS OR REFRESHER COURSES**

**Recertification Program.** On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise. Our fee is \$2,000 per Franchise, regardless of the number of Certified Stretch Zone Practitioners you have. We generally offer this Program virtually but reserve the right to conduct the Program in-person. [Subsection 2.16(f) of the Franchise Agreement.]

**Replacement Regional Manager Training.** If the Regional Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) of the Franchise Agreement due to death, disability, termination of employment or for any other reason, you, your Designated Representative, or a Franchise Owner will satisfy these obligations until you designate a new Regional Manager who has successfully completed our then-current training requirements (for which you must pay us the applicable training fees). You are solely responsible for the expenses associated with training of any replacement Regional Manager, including the then-prevailing standard training fees we charge. [Subsection 4.6(d) of the Franchise Agreement.]

### **ENGLISH LANGUAGE PROFICIENCY**

We conduct our training in English. The Operations Manual and other materials we provide to you are written in English. Our written and oral communications with you will be in English. We are planning to implement an English language proficiency requirement. We anticipate that once implemented, before attending training, a person whose native language is not English, or who does not meet other criteria, will first need to score sufficiently high, as determined solely by us, on a professionally administered English language proficiency examination. If you are not fluent in English, then it might be in your best interest to take the English language proficiency examination before coming to our offices for an interview or before applying for a franchise. We do not anticipate requiring certain persons to take an English language proficiency examination, including persons who attended and graduated from an accredited college or university in an English-speaking country, where the course of study was taught in English, or who meet other similar criteria that we from time to time establish.

## **Area Development Agreement**

### **PRE-OPENING OBLIGATIONS**

We have no pre-opening obligations to you under the Area Development Agreement. We will approve the locations of future Franchised Units in accordance with our then-current standards and criteria for sites and Limited Protected Territories.

### **ONGOING OBLIGATIONS AFTER OPENING**

We have no ongoing obligations to you under the Area Development Agreement.

### **OPTIONAL ASSISTANCE AFTER OPENING**

We do not offer to you any optional assistance after you open.

### **ADVERTISING PROGRAMS UNDER AREA DEVELOPMENT AGREEMENT**

There are no advertising programs under the Area Development Agreement.

### **TRAINING FOR DEVELOPERS**

There are no separate training programs for Developers.

## **ITEM -12 TERRITORY**

### **Franchise Agreement**

### **No EXCLUSIVE TERRITORY**

You will not receive an exclusive territory. You may face competition from other Franchised Units, Company-Owned Units, or from other channels of distribution or competitive brands that we control.

### **LOCATION OF FRANCHISED UNIT**

The Franchise Business is to be operated at a specific location you select that we approve in accordance with the terms of the Franchise Agreement. If you have not found a specific location before the parties sign the Franchise Agreement it is your responsibility to find a location for the Franchise Business that we approve.

### **No MINIMUM TERRITORY**

You are not obtaining any minimum territory.

### **RELOCATION RIGHTS**

You may not change the location without our written consent and compliance with our relocation procedures.

**Loss of Lease.** If you lease the Premises and the lease expires or terminates before the expiration of the Franchise Agreement (provided termination is not due to your default), we permit

you 30 days to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1 of the Franchise Agreement. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign a new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

**Casualty.** If the Premises are substantially destroyed by fire or other casualty, we permit you 30 days to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1 of the Franchise Agreement. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign the new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

**Condemnation.** You will give us notice of any proposed taking of the Premises by eminent domain, as soon as possible. We permit you 30 days from the date you have to vacate the Premises to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1 of the Franchise Agreement. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign the new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

**Relocation Fee.** If you must relocate your Franchise Business, you will reimburse us for our costs incurred in assisting you with relocation plus pay us a relocation fee of \$1,000.

#### **NO OPTIONS, RIGHTS OF FIRST REFUSAL OR SIMILAR RIGHTS**

Except for any Area Development Rights you have also purchased, you have no option to purchase an additional Franchise Business, no right of first refusal to purchase an additional Franchise Business and no similar rights to acquire additional Franchise Business in the Limited Protected Territory or any contiguous territory.

#### **LIMITED PROTECTED TERRITORY**

We grant you a Limited Protected Territory that we define in Section 18.1 of the Franchise Agreement and designate on the Map attached as Exhibit A to the Franchise Agreement, if the Premises exist that we have approved. If the Premises do not exist at this time, we will describe the Limited Protected Territory in the Approved Location Addendum attached as Exhibit D. During the Initial Term, if you are not in default, we agree not to open the premises of a Company-Owned Unit within your Limited Protected Territory or franchise another Stretch Zone Franchise having premises

located within your Limited Protected Territory, except for Non-Traditional Locations. This does not mean that there might not be overlap with a Company-Owned Unit's or another Franchised Unit's Limited Protected Territory as long as the premises of the Company-Owned Unit or the other Franchised Unit is not physically located in your Limited Protected Territory. You may not advertise outside of your DMA.

We (and any Affiliates that we may have from time to time) will, at all times, have the right to engage in any activities that we or they consider appropriate that are not expressly prohibited by the Franchise Agreement, whenever and wherever we or they desire, including:

(a) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions that we consider appropriate, Units (as applicable) at any locations outside the Limited Protected Territory and Non-Traditional Locations within or outside the Limited Protected Territory;

(b) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions that we consider appropriate, any businesses that are similar or dissimilar to Units that either are not primarily identified by the Trademarks or do not use the Business System at any locations, whether within or outside the Limited Protected Territory;

(c) exercising all rights relating directly or indirectly to the Trademarks, and all products and services associated with any of the Trademarks, in connection with any methods of distribution, except as specifically stated in the first paragraph of this Section. This includes providing, and granting rights to others to provide (except as specifically stated in the first paragraph of this Section), products and services to customers and other third parties that are similar or dissimilar to, or competitive with, any products and services provided at Units, whether identified by the Trademarks or other trademarks or service marks, regardless of the method of distribution (including through our Website, other retail outlets, shipping and delivery), including temporary locations, such as events occurring for a limited duration; and

(d) acquiring the assets or ownership interests of, or being acquired (regardless of the form of transaction) by, one or more businesses providing products and services similar or dissimilar to those provided at Units, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Limited Protected Territory.

#### **CONDITIONS TO CONTINUED LIMITED PROTECTED TERRITORY.**

**Minimum Performance Standard.** We expressly condition the grant of your Limited Protected Territory upon your successful penetration of the market in your Limited Protected Territory. You agree to promote actively and aggressively the services offered at your Franchise Business within your Limited Protected Territory. Beginning in your 2nd full business year of operation and each full business year thereafter, the Franchise Business must generate at least \$240,000 in annual Gross Revenues. To cure this default you must pay us an "Underperformance Fee" equal to 6% of the difference between your actual Gross Revenues and \$240,000. If you fail to do this within 30 days on completion of your year-end financial statements, we have the option of exercising any of our rights under the Franchise Agreement including: (i) eliminating your rights in your Limited Protected Territory; or (ii) terminating the Franchise Agreement. This minimum performance standard is not a financial performance representation and does not infer that you will experience Gross Revenues of any particular level.

**Our Right to Modify the Limited Protected Territory.** We may not unilaterally alter your Limited Protected Territory. The parties may alter the Limited Protected Territory by a written amendment to the Franchise Agreement signed by the parties. If you breach the Franchise Agreement and fail to timely cure, we may reduce the size of your Limited Protected Territory or terminate the Franchise Agreement.

**ALTERNATE METHODS OF DISTRIBUTION.**

We do not employ alternate methods of distribution, including the Internet, to make sales within your Limited Protected Territory using the Principal Trademark or to make sales within your Limited Protected Territory of products and services under trademarks other than the Principal Trademark.

**NO COMPENSATION TO YOU**

We will not compensate you for any of these sales made within your Limited Protected Territory.

**RESTRICTIONS ON ADVERTISING AND OPERATING OUTSIDE OF LIMITED PROTECTED TERRITORY**

You will not solicit business from consumers outside your DMA, including through other channels of distribution, such as the Internet, catalog, sales, telemarketing, or other direct marketing. You must operate the Franchise Business only at the location described in Section 1.2 of the Franchise Agreement. You do not have the right to use other channels of distribution to provide services to customers without our prior written consent.

**OUR OPERATION OF A SIMILAR BUSINESS UNDER A DIFFERENT MARK**

Neither we nor any affiliate operate or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

**Area Development Agreement**

**NO MINIMUM TERRITORY**

You are not obtaining any minimum territory as a Developer but we grant you a Development Area described below.

**RELOCATION RIGHTS**

There are no written conditions under the Area Development Agreement allowing you to relocate the Franchise Business.

**DEVELOPMENT AREA**

We grant you a Development Area that will be described in the Map attached as Exhibit A to the Area Development Agreement. The Development Area is usually based on a city or county basis, or a Designated Marketing Area depending on the number of Franchised Units to be developed.

**NO EXCLUSIVE RIGHTS TO DEVELOPMENT AREA**

We do not grant to you exclusive rights within the Development Area. You may face competition from other Franchised Units, Company-Owned Units, or from other channels of distribution or competitive brands that we control. We grant you the right to construct, open and operate Franchise Businesses within the Development Area pursuant to a Development Schedule under which you must open a specified number of Franchise Business within a specified time. The Development Area will usually be a city or county. We will grant each Franchised Unit you open within the Development Area a Limited Protected Territory under the applicable franchise agreement. For the perimeter of the Development Area, you agree that you will not select a site that is within the limited protected territory of a Company-Owned Unit or Franchised Unit that is operating or under construction.

**APPROVAL OF LOCATIONS FOR FUTURE UNITS**

We must approve the location for all future Franchised Units that you develop and the Limited Protected Territory (to be granted under the applicable franchise agreement) for each of these Franchised Units. Our then current standards for sites and territories will apply.

**ALTERNATE METHODS OF DISTRIBUTION**

We do not currently employ alternate methods of distribution, including the Internet, to make sales within your Development Area using the Principal Trademark or to make sales within your Development Area of products and services under trademarks other than the Principal Trademark. Under the Area Development Agreement, however, there are no limits on our ability to do so in the future, subject to the restrictions in any then-existing franchise agreement between you and us.

**NO COMPENSATION TO YOU**

We will not compensate you for any sales made within your Development Area.

**ITEM -13 TRADEMARKS**

**FEDERAL REGISTRATIONS ON PRINCIPAL REGISTER**

We own the following marks including the Principal Trademark that are registered on the Principal Register of the United States Patent and Trademark Office, which marks we license to you for your use in operating the Franchise Business under the Franchise Agreement:

<b><u>Mark</u></b>	<b><u>International Class</u></b>	<b><u>Registration Date</u></b>	<b><u>Number</u></b>
	041	October 22, 2019	5888538
STRETCH ZONE	016, 028, 035 and 041	October 15, 2013	4416970
STRETCH BACK THE YEARS	041	December 31, 2013	4458104

All required affidavits and renewals for the marks above have been filed or will be filed.

#### **MATERIAL DETERMINATIONS AND PROCEEDINGS**

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There is no currently pending infringement, opposition or cancellation proceeding in which we unsuccessfully sought to prevent registration in order to protect the Principal Trademark and other marks that we license to you.

#### **PENDING MATERIAL FEDERAL OR STATE LITIGATION**

There is no currently pending material federal or state court litigation involving our use of, or ownership rights in, the Principal Trademark or other marks.

#### **CURRENTLY EFFECTIVE AGREEMENTS**

There are no agreements currently in effect that significantly limit our rights to license the use to Franchise Businesses of the Principal Trademark, the other Intellectual Property and Business System in any manner material to you.

#### **OUR INDEMNIFICATION OF YOU FOR CLAIMS**

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademark or any of the other marks and Intellectual Property, or if you become aware of any use of, or claims to, any of the Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Intellectual Property. You must sign all documents, render all assistance, and do all acts that our attorneys consider necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property. We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any of the Intellectual Property in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

#### **MODIFICATION OF PRINCIPAL TRADEMARK**

If we deem it advisable to modify or discontinue the use the Principal Trademark or any of the other Intellectual Property and/or use an additional or substitute Principal Trademark including: (i) due to the rejection of any pending application for registration; (ii) revocation of any existing registration of any of the Intellectual Property; (iii) the rights of senior users; (iv) our negligence; (v) a radical change in direction of the Business System we unilaterally cause or mandate; or (vi) the modification or discontinuation of the use of any of the Intellectual Property is due to a continuing need to modernize the Business System, you are liable for all expenses in substituting the modified

or new Intellectual Property in your Franchise Business. You are obligated to do so within 30 days of our request.

### **SUPERIOR PRIOR RIGHTS OR INFRINGING USES**

There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Principal Trademark. However, our registration of the Principal Trademark does not prohibit others from using the Principal Trademark or confusingly similar variations of the Principal Trademark who may have established prior rights to the use of the Principal Trademark, or confusingly similar variations of the Principal Trademark, in those territories where neither we nor our Franchisees have operated or advertised under the Principal Trademark and that are not within the natural zone of expansion for future Franchised Units or Company-Owned Units; provided others do so in good faith and without actual knowledge of our existence or our Franchisees' use of the Principal Trademark. We would therefore be unable to prohibit the use of the Principal Trademark by others who had prior use of the Principal Trademark or confusingly similar variations of the Principal Trademark when we first used them. If others establish prior rights to the Principal Trademark in certain territories, we may be restricted in our ability to use and license the use of the Principal Trademark when expanding into those territories. An unrelated company, Saucony IP Holdings LLC, a Massachusetts limited liability company, owns U.S. Trademark Registration No. 3276217 for the words "Stretch Zone" for International Class 035 for footwear and does not infringe on our trademark rights.

### **Area Development Agreement**

You are not granted the right to use the Trademarks under the Area Development Agreement. The right to use the Trademarks can only be acquired by the execution of a separate Franchise Agreement for each Franchise Business to be opened and operated under the Development Agreement.

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

### **PATENTS**

We own the following approved and registered patent that is material to the Franchise Business.

*Design Patent - Serial Number US 10,238,525 B2 filed on September 9, 2015 and approved on March 26<sup>th</sup>, 2019 for a Strap Attachment Apparatus for a table comprising a strap attachment apparatus for a treatment table including a spanning belt formed of flexible material secured across opposite sides of said table with a pair of anchors connected at opposite ends of the spanning belt for attachment to the table. The anchors include body strap retainers that support at least one body strap. The body strap is movable on the retainers to adjust the position of the straps to fit a person on the treatment table while the anchors remain fixed to the table. The patent term is for 15 years from the date of filing.*

You must use the patent in accordance with the terms of the Franchise Agreement. If we develop any other patents material to the Franchise Business, we reserve the right to license them to you subject to the terms of the Franchise Agreement.

## **COPYRIGHTS**

We claim all common law copyrights covering various materials used in our Business System and in the operation of Company-Owned Units and Franchised Units, including the Operations Manual, advertising, promotional literature, or any other works protectable under the copyright laws. In addition, we own or have the right to use other original and derivative copyrightable works such as architectural designs, plans, specifications, photographs and décor. We do not license the copyrights in these materials to you under the Franchise Agreement, but we consent to your use in accordance with the terms of the Franchise Agreement.

We have not registered these copyrights in the United States Registrar of Copyrights, but we may do so in its sole discretion. We prohibit you from attempting to register with the United States Copyright Office any works you create relative to the Franchise Business. You will not otherwise claim authorship or exclusive ownership of any of the works.

We give you electronic access to you the Operations Manual as discussed in ITEM 11.

## **MATERIAL DETERMINATIONS**

There are not currently any effective determinations of the United States Patent and Trademark Office, United States Copyright Office, or a court regarding any of our Copyrights.

## **CURRENTLY EFFECTIVE AGREEMENTS**

There are no currently effective agreements between us and third parties pertaining to our Copyrights that will or may significantly limit your use of our copyrighted materials.

## **OUR INDEMNIFICATION OF YOU FOR CLAIMS**

If there is any claim of copyright infringement, unfair competition or other challenge to your right to use of any Copyright, or if you become aware of any use of, or claims to, any Copyright by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Copyright. You must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Copyright or otherwise to protect and maintain our interests in the Copyright. We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any Copyright in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

## **MODIFICATION**

If we deem it advisable to modify or discontinue use of any copyrighted work and/or use one or more new or derivative copyrighted works, you must do so and our sole obligation in this event is to reimburse you for your tangible costs (for example, changing materials) of complying with this obligation.

## **INFRINGEMENT USES**

We are not aware of any infringing uses that could materially affect your use of the patents or copyrights in the state where your Franchise Business is to be located.

## **PROPRIETARY RIGHTS IN CONFIDENTIAL INFORMATION AND TRADE SECRETS**

The Operations Manual, the Materials, the Assessment Programs and other copyrighted materials we make available to you contain confidential and proprietary information and are our trade secrets. We possess and will continue to develop and acquire confidential and proprietary information, and trade secrets. The confidential information consists of the following categories of information, methods, techniques, procedures and knowledge we, our affiliates, or our Franchisees develop (collectively, the “Confidential Information”) including: (a) our methods, techniques, tools, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of the experience in our development, operation and franchising; (b) our marketing and promotional programs for Franchise Businesses; (c) knowledge of specifications for and knowledge of our suppliers of certain materials, equipment, furniture and fixtures for a Franchise Business; and (d) knowledge of our customer lists, operating results and financial performance.

We will disclose to you the Confidential Information required for the operation of the Franchise Business during our training programs, in the Operations Manual, and in the guidance and assistance that we furnish you, and you may learn of additional Confidential Information. You may disclose the Confidential Information to your employees or other persons only to the extent reasonably necessary and provided the person has signed our form of Confidentiality and Non-Competition Agreement contained in the Operations Manual before disclosure. You agree, during and after the Initial Term, that you, your Franchise Owners, employees and independent contractors will: (i) not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the body stretching concept; (ii) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term; (iii) not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form or electronic form; and (iv) adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information. You agree that any suggestions you make that we incorporate into the Business System are our exclusive property.

We also consider our Trade Dress (that is, elements of the Stretch Zone method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and state law.

Nothing contained in the Franchise Agreement prohibits you from using the Confidential Information in the operation of your Franchise Business under the terms of your Franchise Agreement.

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

### **YOUR PERSONAL PARTICIPATION**

You are not our employee. You are your own boss running your own business subject to our rights under your Franchise Agreement. You acknowledge and agree that your Franchise Business is not a “passive” investment. We recommend that you be active in the operation of your Franchise Business, but we do not require any personal “on-premises” participation by you. As discussed

below, however, you must designate an individual to serve as your Regional Manager. You must also have at least one Certified Stretch Zone Practitioner. You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of the Franchise Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire another individual to serve as your Regional Manager.

### **BUSINESS ENTITY FRANCHISEE**

If you are a Business Entity, we recommend that one or more of the Franchise Owners participate personally in the direct operation of the Franchise Business, but we do not require any personal “on-premises” participation by a Franchise Owner. As discussed below, however, you must designate an individual to serve as your Regional Manager. At least one person must be a Certified Stretch Zone Practitioner. You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of the Franchise Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire another individual to serve as your Regional Manager. Under the Franchise Agreement and the Area Development Agreement, each owner of a direct or indirect interest in you of 20% or more must sign the applicable Guaranty attached as Exhibit G, under the terms of which those owners promise to be personally bound, jointly and severally, by all of the applicable agreement’s provisions. In addition, at our request, the spouse of each guaranteeing owner (as applicable) will execute the Guaranty.

### **DESIGNATED REPRESENTATIVE**

If the Franchise Agreement is signed by 2 or more individuals or by a Business Entity, you agree to designate in writing 1 individual or a Franchise Owner as the Designated Representative upon signing the Franchise Agreement. We have the right to rely solely on instructions of the Designated Representative concerning the operation of the Franchise Business until we receive a duly signed written notice changing the Designated Representative.

### **REGIONAL MANAGER**

**Your Management Responsibility.** You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of the Franchise Agreement and the Operations Manual. You must designate an individual to serve as your Regional Manager. We anticipate that you or your Designated Representative will serve as your Regional Manager; however, you may hire another individual to serve as your Regional Manager. The Regional Manager must complete our then-current training requirements to our satisfaction. You acknowledge that, if you choose to operate the Franchise Business using a Regional Manager that you hire (i.e., other than you or your Designated Representative), you may experience lower sales and/or higher costs than other Franchised Units managed by owner/operators.

**Regional Manager.** The Regional Manager must devote his or her best reasonable full-time efforts to the management and operation of your Franchise Business. You agree that your Franchise Business requires the day-to-day supervision of the Regional Manager at all times your Franchise Business is open for business. The Regional Manager must complete our Regional Manager Training Program (including our Stretch Practitioner Training Program) and Sales Associate Training Program before managing your Franchise Business, unless we otherwise agree in writing.

**Change in Regional Manager.** If the Regional Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) of the Franchise Agreement due to death, disability, termination of

employment or for any other reason, you, your Designated Representative, or a Franchise Owner will satisfy these obligations until you designate a new Regional Manager who has successfully completed our then-current training requirements (for which you must pay us the applicable training fees). You are solely responsible for the expenses associated with training any replacement Regional Manager, including the then-prevailing standard training fees we charge.

**Equity Interest.** If you hire an individual (i.e., other than you or your Designated Representative) to serve as your Regional Manager, that individual does not have to own an equity interest in the Business Entity.

### **RESTRICTIONS ON REGIONAL MANAGER AND OTHER EMPLOYEES**

Your Regional Manager and other employees having access to our Operations Manual and other Confidential Information must sign the Confidentiality and Non-Competition Agreement included in the Operations Manual.

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

### **USE OF THE PREMISES**

You must use your Premises only for the operation of your Franchise Business. You must keep your Franchise Business open for business and in normal operation for the minimum hours and days as we reasonably require in the Operations Manual or otherwise in writing except as may be limited by local law or the landlord's rules and regulations.

### **APPROVED PRODUCTS AND SERVICES**

You must sell or offer for sale only the products and services that meet our uniform standards of quality and quantity, and we have expressly approved for sale in the Operations Manual or otherwise in writing at retail to customers from your Franchise Business. You may not sell any items for redistribution or resale. You must: (i) offer for sale all approved products and services; (ii) refrain from any deviation from our standards and specifications for providing or selling the approved products and services without our written consent; and (iii) discontinue selling and offering for sale any product or service as we, in our discretion, disapprove in writing. We have the right to change the authorized products and services at any time based on our experience.

### **SALES RESTRICTIONS**

We do not restrict you in the type of customers to whom you may sell approved products or services. We may suggest but do not dictate the prices you charge for the products you sell the services you render. All your sales must be retail sales occurring at the Premises. You must not sell any items for redistribution or resale. You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent.

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

### THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Franchise Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 16.1	The initial term of the Franchise Agreement is 10 years beginning on the Agreement Date.
b. Renewal or extension of the term <sup>1</sup>	Section 16.2	You have the right to renew for an unlimited number of additional terms of 10 years each.
c. Requirements for you to renew or extend <sup>1</sup>	Sections 16.2 and 16.3 <sup>(1)</sup>	<ol style="list-style-type: none"> <li>1. You must give us timely written notice of your intention to exercise the option;</li> <li>2. You must not be in default of your Franchise Agreement or any other agreement with us or our Affiliates;</li> <li>3. You will sign a Renewal Franchise Agreement that may impose materially different terms and conditions than those in your original Franchise Agreement.</li> <li>4. You will not pay another Initial Franchise Fee but you will pay a Renewal Fee of half of the then Franchise Fee;</li> <li>5. You must sign a Franchise Termination and Release Agreement of all claims against us and its affiliates, and their respective officers, directors, shareholders, agents and employees, the form included in Exhibit N;</li> <li>6. You must be entitled to continue to occupy your Premises for the entire Renewal Term or must obtain our approval of a new location for your Franchise Business within your Limited Protected Territory but not within the Limited Protected territory of a Company-Owned Unit or another Franchised Unit in accordance with the Franchise Agreement.</li> <li>7. You must complete to our reasonable satisfaction, all maintenance, refurbishing, renovating and upgrading we require;</li> <li>8. If renovation or maintenance of your Franchise Business is not possible or feasible, you must relocate your Franchise Business within your Limited Protected Territory but not within the limited protected territory of a Company-Owned Unit or another Franchised Unit.</li> </ol> <p style="margin-left: 40px;">If you have not met all of the conditions stated in the Franchise Agreement, we may elect not to enter into a Successor Franchise Agreement. If, within 5 days of notice from us that you have elected not to enter into a Successor Franchise Agreement, you request our permission for you to sell your Franchise Business, then</p>

Provision	Section in Franchise Agreement	Summary
		<p>for a 180-day period following this notice (this notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have grounds to otherwise terminate the Initial Term), we will permit you to sell your Franchise Business to a purchaser subject to our right of first refusal. This transfer must be in compliance with the provisions of Subsection 10.2(f) of the Franchise Agreement and all the other applicable terms of the Franchise Agreement. During this period, you must continue to operate your Franchise Business.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract. "Renewal" under the Franchise Agreement means signing our then-current franchise agreement, which could contain materially different terms (including those relating to territory and fees).</p>
d. Termination by you <sup>1</sup>	Not Applicable	You may terminate under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 11.1, 11.2 and 11.3	We may only terminate your Franchise Agreement with cause. If we terminate your Franchise Agreement we may also terminate the Area Development Agreement if you have signed one.
g. "Cause" defined – curable defaults	Section 11.3	<p>You may cure any non-monetary default other than those specified in Sections 11.1 and 11.2 of your Franchise Agreement within 30 days of written notice from us of the default.</p> <p>If you fail to cure, we may terminate your Franchise Agreement, and we may also terminate the Area Development Agreement if you have signed one.</p>
h. "Cause" defined – non-curable defaults <sup>1</sup>	Sections 11.1 and 11.2	<p>The following defaults may not be cured:</p> <ol style="list-style-type: none"> <li>1. Insolvency or general assignment for creditors;</li> <li>2. Filing in bankruptcy;</li> <li>3. Adjudication of bankruptcy;</li> <li>4. Filing for appointment of a receiver or custodian;</li> <li>5. Appointment of a receiver or custodian;</li> <li>6. Filing for composition with creditors;</li> <li>7. Judgment of \$25,000 or more remains unsatisfied;</li> <li>8. Execution of levy;</li> <li>9. Filing of foreclosure suit;</li> <li>10. Sale of your assets after levy;</li> <li>11. Abandonment;</li> <li>12. Threat to public safety remains uncorrected;</li> <li>13. Failure to maintain cleanliness or sanitation;</li> <li>14. Conviction of any offense that might materially adversely affect the Business System;</li> </ol>

Provision	Section in Franchise Agreement	Summary
		<p>15. You deny us our right of inspection or audit;  16. You engage in deleterious conduct;  17. Unauthorized assignment;  18. Breach of confidentiality or noncompetition provisions of your Franchise Agreement;  19. You knowingly maintain false books or records;  20. Failure to timely transfer on your death or incapacity;  21. Uncured default under your lease;  22. You misuse any of the Intellectual Property; or  23. Three or more notices of default for same or similar default during any 12 consecutive months.</p> <p>If you fail to cure, we may terminate your Franchise Agreement, and we may also terminate the Area Development Agreement if you have signed one.</p>
i. Your obligations on termination/non-renewal <sup>1</sup>	Sections 13.1(a)(ii), 14.2 ARTICLES 6 and 12 <sup>(4)</sup>	<p>You must:</p> <ol style="list-style-type: none"> <li>1. Not compete with us or any of our Franchise Businesses for 24 months after the end of your Franchise Agreement within 50 miles of any Franchise Business or Company-Owned Unit then in operation or under contract.</li> <li>2. Indemnify us from any losses or damages we sustain as a result of your Franchise Business;</li> <li>3. Maintain confidentiality of all our Confidential Information;</li> <li>4. Cease operating your Franchise Business;</li> <li>5. Pay all amounts you owe to us;</li> <li>6. Comply with our option to purchase your Franchise Business;</li> <li>7. Distinguish your Premises from any indicia of the Business System;</li> <li>8. Avoid unfair competition with us;</li> <li>9. Return all Intellectual Property to us;</li> <li>10. Discontinue use of the Principal Trademark;</li> <li>11. Assign your lease to us at our option;</li> <li>12. Pay us liquidated damages; and</li> <li>13. If you are an Area Developer, you may lose your Development Rights</li> </ol>
j. Assignment of contract by us	Section 10.1	We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under the Franchise Agreement to any person without your consent or approval.
k. "Transfer" by you defined	Sections 10.2 and 10.3	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Franchise Agreement or in your Franchise Business. A transfer of less than 25% of the voting rights or ownership interests

Provision	Section in Franchise Agreement	Summary
		and a transfer to any other original Franchise Owner is not considered a transfer.
l. Our approval of transfer by you	Sections 10.2 and 10.3	We have the right to approve or disapprove of any transfers.
m. Conditions for our approval of transfer	Sections 10.2 and 10.3	<ol style="list-style-type: none"> <li>1. You must give us written notice</li> <li>2. We do not exercise our right of first refusal;</li> <li>3. You are not in default under any agreement you have with us or any Affiliate;</li> <li>4. The transferee must satisfactorily complete our application procedures;</li> <li>5. We must interview and approve the transferee;</li> <li>6. The transferee must sign a new franchise agreement that may impose materially different terms and conditions than those in your original Franchise Agreement but the transferee will not have to pay a new Initial Franchise Fee;</li> <li>7. You or the transferee must pay a transfer fee of \$10,000;</li> <li>8. The transferee must properly assume all your obligations, including your lease;</li> <li>9. You must sign a Franchise Termination and Release Agreement of us attached as Exhibit N;</li> <li>10. The transferee must successfully complete our Franchisee Training Program and our other then-current training requirements.</li> <li>11. The parties must sign our transfer form.</li> </ol> <p style="margin-left: 40px;">Your buyer will be asked to sign a contract with materially different terms and conditions than your original contract.</p>
n. Our right of first refusal to acquire your business	Section 10.5	We have the option to purchase on the same terms as contained in the Offer. We will give you written notice of election within 30 days after our receipt of the Offer notice and all required information.
o. Our option to purchase your business	Section 12.4	We have the right (but not the duty), exercisable upon written notice to you given within 30 days after termination of the Franchise Agreement, to purchase for cash any assets of your Franchise Business at the fair market value.
p. Your death or disability	Section 10.4	Must transfer to an approved transferee within six months.
q. Non-competition covenants during the term of the franchise <sup>1</sup>	Subsection 13.1(a)(i)	<p>You may not:</p> <ol style="list-style-type: none"> <li>1. Influence any Business Associate of us to modify its relationship with us;</li> <li>2. Have any involvement with any Competitive Business;</li> </ol> <p>or</p>

Provision	Section in Franchise Agreement	Summary
		<p>3. Interfere with our business or any of our other Franchise Businesses.</p> <p>These provisions are subject to state law.</p>
<p>r. Non-competition covenants after the franchise is terminated or expires<sup>1</sup></p>	<p>Subsection 13.1(a)(ii)</p>	<p>You may not, for 24 months after the end of your Franchise Agreement:</p> <ol style="list-style-type: none"> <li>1. Influence any Business Associate of us to modify its relationship with us;</li> <li>2. Have any involvement with any Competitive Business, within 50 miles of any Franchise Business then in operation or under contract; or</li> <li>3. Interfere with our business or any of our other Franchise Businesses.</li> </ol> <p>These provisions are subject to state law.</p>
<p>s. Modification of the agreement</p>	<p>Sections 6.3, 13.1(e) and 19.2</p>	<p>Your Franchise Agreement may not be modified without the consent of both you and us except:</p> <ol style="list-style-type: none"> <li>1. We may change the contents of the Operations Manual;</li> <li>2. We may modify the Business System; and</li> <li>3. A court may modify any provision of your Franchise Agreement in accordance with applicable law.</li> </ol>
<p>t. Integration/merger clause</p>	<p>Section 19.14</p>	<p>Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim the representations we made in this FDD. Any representations or promises outside the FDD and Franchise Agreement may not be enforceable.</p>
<p>u. Dispute resolution by arbitration or mediation<sup>1</sup></p>	<p>ARTICLE 17</p>	<p>All disputes must be resolved first by informal dispute resolution and, if unsuccessful, by mediation and, if mediation is not successful, then by arbitration except claims involving:</p> <ol style="list-style-type: none"> <li>1. The Intellectual Property;</li> <li>2. Any lease or sublease of real property;</li> <li>3. Your obligations upon termination or expiration of your Franchise Agreement;</li> <li>4. Any transfers;</li> <li>5. Matters involving claims of danger, health or safety; and</li> <li>6. Requests for restraining orders, injunctions or similar procedures.</li> </ol> <p>You waive your rights to a jury trial and claims for punitive damages.</p>
<p>v. Choice of forum<sup>1</sup></p>	<p>Section 17.5</p>	<p>Subject to state law, any informal dispute resolution, mediation or arbitration proceeding must be conducted where our principal office is located when the demand is requested. Any litigation to enforce the Franchise Agreement must be filed in the courts where our principal</p>

Provision	Section in Franchise Agreement	Summary
		office is located when litigation is filed (currently Broward County, Florida).
w. Choice of law <sup>1</sup>	Section 17.6	Except to the extent governed by the United States Trademark Act of 1946, the United States Copyright Act or the United States Arbitration Act, and subject to applicable state law, the Franchise Agreement is interpreted under the laws of Florida.

<sup>1</sup> See Exhibits A and F to this Franchise Disclosure Document for certain state-specific requirements.

### **THE DEVELOPMENT RELATIONSHIP**

**This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the Area Development Agreement attached to this Franchise Disclosure Document.**

Provision	Section in Area Development Agreement	Summary
a. Length of Area Development Rights term	Section 3.2	The term of the Area Development Agreement expires, unless earlier terminated, on the earlier of: (i) the date that the last Franchise Business required to be opened under the Development Schedule actually opens; or (ii) the date that such Franchise Business is required to be opened under the Development Schedule.
b. Renewal or extension of the term <sup>1</sup>	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you <sup>1</sup>	Not Applicable	You may terminate under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 7.2	We may only terminate your Area Development Agreement with cause.
g. "Cause" defined – curable defaults	Section 7.3	You have 30 days or any longer period as applicable law may require, after written notice of default to cure any default and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the right to terminate the Area Development Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under the Area Development Agreement. Upon

Provision	Section in Area Development Agreement	Summary
		<p>termination or expiration of the Area Development Agreement, all your Area Development Rights cease rights cease. We are then free to open Company-Owned Businesses or franchise Stretch Zone Franchises to others within your former Development Area but outside any Limited Protected Territories granted to you under Franchise Agreements for Franchise Businesses you are currently operating or are under construction, provided you are not in otherwise in default under any Franchise Agreement.</p>
<p>h. "Cause" defined – non-curable defaults</p>	<p>Section 7.2</p>	<p>We may terminate the Area Development Agreement by giving you written notice of termination if we terminate any Franchise Agreement between the parties due to your default, after we have given you written notice of default if notice is required, and afforded you an opportunity to cure if you have a right to cure.</p>
<p>i. Your obligations on termination/ nonrenewal</p>	<p>Sections 4.1 and 7.4</p>	<p>Upon termination or expiration of the Area Development Agreement, all your Area Development Rights cease rights cease. If we terminate the Area Development Agreement for your failure to meet the Development Schedule, you will retain all rights under the Franchise Agreements for the Franchise Businesses you have under lease, construction or in operation at that time, as long as you are not otherwise in default under those Franchise Agreements. You must comply with your post-termination and post-expiration obligations under the Franchise Agreements and those obligations that survive the termination or expiration of the Franchise Agreements including the obligations of indemnification, confidentiality and non-competition.</p>
<p>j. Assignment of contract by us</p>	<p>Section 5.1</p>	<p>We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under the Area Development Agreement to any person without your consent or approval.</p>
<p>k. "Transfer" by you defined</p>	<p>Section 5.2</p>	<p>Transfer means any sale, assignment, transfer, conveyance or gift of any direct or indirect interest in your Area Development Agreement. A transfer of less than 50% of the equity interests in Business Entity that signed the Area Development Agreement and a transfer to any other original owners of the Area Development Agreement is not considered a transfer.</p>
<p>l. Our approval of transfer by you</p>	<p>Section 5.2</p>	<p>You must obtain our prior written approval of any transfers.</p>
<p>m. Conditions for our approval of transfer</p>	<p>Section 5.2</p>	<p>You may transfer the Area Development Agreement to a Business Entity you own but you continue to remain personally liable for all of your obligations under the</p>

Provision	Section in Area Development Agreement	Summary
		Area Development Agreement. You may not transfer the Area Development Agreement.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term	Not Applicable	Not Applicable
r. Non-competition covenants after the agreement is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	Section 9.2	Your Area Development Agreement may not be modified without the consent of both you and us except: 1. We may change the contents of the Manuals; 2. We may modify the Business System; and 3. A court may modify any provision in accordance with applicable law.
t. Integration/merger clause	Section 8.11	Only the terms of the Area Development Agreement and other written agreements are binding (subject to applicable state law). Nothing in the Area Development Agreement or in any other related written agreement is intended to disclaim the representations we made in this FDD. Any representations or promises outside the FDD and the Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation <sup>1</sup>	Section 9.1	All disputes must be resolved first by informal dispute resolution and, if unsuccessful, by mediation and, if mediation is not successful, then by arbitration except claims involving: 1. The Intellectual Property; 2. Any lease or sublease of real property; 3. Your obligations upon termination or expiration of your Area Development Agreement; 4. Any transfers; 5. Matters involving claims of danger, health or safety; and 6. Requests for restraining orders, injunctions or similar procedures. You must waive your rights to a jury trial and claims for punitive damages.

Provision	Section in Area Development Agreement	Summary
v. Choice of forum <sup>1</sup>	Section 9.1	Subject to state law, any informal dispute resolution, mediation or arbitration proceeding must be conducted where our principal office is located when the demand is requested. Any litigation to enforce the Area Development Agreement must be filed in the courts where our principal office is located when litigation is filed (currently Broward County, Florida).
w. Choice of law <sup>1</sup>	Section 9.1	Except to the extent governed by the United States Trademark Act of 1946, the United States Copyright Act or the United States Arbitration Act, and subject to applicable state law, the Development Agreement is interpreted under the laws of Florida.

<sup>1</sup> See Exhibits A and F to this Franchise Disclosure Document for certain state-specific requirements.

#### **ITEM -18 PUBLIC FIGURES**

Effective January 2021, we entered into a Celebrity Endorsement Agreement with Brees Company, Inc., a Delaware corporation (“BCI”), for the services of Drew Brees, the former quarterback in the National Football League with the New Orleans Saints. Mr. Brees has become a public figure identified with physical conditioning, including stretching exercises. Mr. Brees endorses the Stretch Zone Franchise concept. BCI, on behalf of Mr. Brees, has agreed to make him available to provide marketing services for Stretch Zone and granted us the right and license to use the Drew Brees name, nickname, initials, autograph, facsimile signature, photograph, likeness, and/or endorsement in connection with the advertisement, promotion, sale and operation of Stretch Zone Franchises. In exchange for Mr. Brees’ endorsement and the above-referenced licenses, we agreed (a) to pay BCI a guaranteed minimum \$250,000 annual payment; (b) to grant Mr. Brees the right to be on the Management Committee; (c) to grant Mr. Brees Unit Appreciation Rights; (d) to grant Mr. Brees Area Development Rights for 20 Franchises to be located in the greater New Orleans, Indianapolis and San Diego; and (e) to grant Mr. Brees a Right of First Refusal for Franchises to be located in Orange County, California. Effective June 2023, the Agreement was amended to (i) extend the term by approximately four years to December 31, 2028, (ii) amend the compensation to a guaranteed minimum \$500,000 annual payment, and (iii) issue certain Class C units of our Parent to Mr. Brees.

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

This Item 19 presents information about the financial performance during our fiscal year ended December 31, 2024 (“Fiscal Year 2024”) of certain Franchise Businesses.

**AVERAGE GROSS REVENUES BY QUARTILE  
FOR FRANCHISE BUSINESSES  
FOR FISCAL YEAR 2024**

<b>Quartiles</b>	<b>Average Gross Revenues</b>	<b>Median Gross Revenues</b>	<b>Lowest Gross Revenues</b>	<b>Highest Gross Revenues</b>
Top Quartile	\$507,663	\$472,306	\$400,634	\$1,102,834
2nd Quartile	\$346,476	\$350,534	\$299,367	\$399,261
3rd Quartile	\$265,893	\$265,053	\$234,504	\$298,703
Bottom Quartile	\$192,138	\$190,740	\$136,152	\$233,188
<b>Total</b>	<b>\$328,042</b>	<b>\$307,794</b>	<b>\$136,152</b>	<b>\$1,102,834</b>

**MATERIAL BASES FOR THE HISTORICAL FPRS:**

The following are the 6 elements comprising a “material” basis for the historical financial performance representations:

1. **Group Measured** – The group measured includes all Franchised Units that have been operating for 12 or more months, out of a total of 377 Franchised Units there were operational as of December 31, 2024.

<b>Month</b>	<b>Franchised Outlets in System</b>	<b>Franchised Outlets Represented</b>
January 2024	330	293
February 2024	330	293
March 2024	330	293
April 2024	330	293
May 2024	330	293
June 2024	330	293
July 2024	330	293
August 2024	330	293
September 2024	330	293
October 2024	330	293
November 2024	330	293
December 2024	330	293

2. **Time Period Measured** – The time period measured is calendar year 2024.
3. **Number of Units Measured** – The number of units measured is 330.
4. **Number of Units Reporting** – The number of units reporting is 293.
5. **Number of Percentage of Units** – The number and percentage of units that achieved the stated level of performance is 293 units of 330 units currently operating.

6. **Distinguishing Characteristics** - The distinguishing characteristics of the group measured are time in operation and Franchised Units.

- We had to exclude the operation results of 37 units, due to not being able to report accurate annual revenues due to non-compliance.

**NOTES TO ITEM 19:**

1. **Some Franchise Businesses have sold or earned this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.**
2. "Gross Revenues" means the entire amount of all of the revenues from the ownership or operation of the Franchise Business, including the proceeds of any business interruption insurance, whether the revenues are evidenced by cash, credit, checks, or gift certificates (unless exempted by us), and the fair market value of any services, property, or other means of exchange, except the amount of any sales taxes that are collected and paid to the taxing authority (based on the cash method of accounting). We allow the deduction of cash refunded, credit given to customers, and receivables uncollectible from customers in computing Gross Revenues to the extent that the cash, credit or receivables were previously included in Gross Revenues on which Royalty Fees and Advertising Contributions were paid. Gross Revenues are considered received at the time the goods, products, merchandise or services from which Gross Revenues are derived are delivered or rendered, or at the time that the relevant sale takes place, whichever occurs first.
3. These sales figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenues figures to obtain your net income or profit.
4. We calculated the figures in the table in this financial performance representation using financial reports submitted by our franchisees.
5. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.
6. We encourage you to contact our existing franchisees to discuss their experiences with our franchise system and their Franchise Businesses.

Other than in this Item 19, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned (as applicable) or franchised outlets. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Tony Zaccario, President and CEO at 6700 North Andrews Avenue #210, Fort Lauderdale, Florida 33309, 954-799-6419, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM -20 OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System wide Unit Summary  
For Years 2022 to 2024**

Column 1 <b>Unit Type</b>	Column 2 <b>Year</b>	Column 3 <b>Units at the Start of the Year</b>	Column 4 <b>Units at the End of the Year</b>	Column 5 <b>Net Change</b>
Franchised	2022	153	240	+87
	2023	240	330	+90
	2024	330	377	+47
Company-Owned	2022	3	3	0
	2023	3	0	-3
	2024	0	0	0
<b>Total Units</b>	<b>2022</b>	<b>156</b>	<b>243</b>	<b>+87</b>
	<b>2023</b>	<b>243</b>	<b>330</b>	<b>+87</b>
	<b>2024</b>	<b>330</b>	<b>377</b>	<b>+47</b>

**Table No. 2  
Transfers of Units from Franchisees to New Owners (other than Us)  
For Years 2022 to 2024**

Column 1 <b>State<sup>1</sup></b>	Column 2 <b>Year</b>	Column 3 <b>Number of Transfers</b>
Alabama	2022	1
	2023	2
	2024	3
Arizona	2022	2
	2023	1
	2024	9
Arkansas	2022	0
	2023	0
	2024	1
California	2022	1
	2023	0
	2024	0
Connecticut	2022	0
	2023	1
	2024	0
Colorado	2022	0
	2023	3
	2024	2

Column 1	Column 2	Column 3
State <sup>1</sup>	Year	Number of Transfers
Florida	2022	10
	2023	3
	2024	31
Georgia	2022	5
	2023	2
	2024	8
Idaho	2022	0
	2023	0
	2024	2
Illinois	2022	0
	2023	4
	2024	0
Louisiana	2022	0
	2023	0
	2024	1
Maryland	2022	0
	2023	0
	2024	2
Massachusetts	2022	0
	2023	0
	2024	3
Missouri	2022	1
	2023	0
	2024	1
Nebraska	2022	0
	2023	0
	2024	2
New Jersey	2022	0
	2023	1
	2024	1
Nevada	2022	0
	2023	4
	2024	3
North Carolina	2022	0
	2023	4
	2024	7
Ohio	2022	0
	2023	0
	2024	2
Oklahoma	2022	0
	2023	0
	2024	2

Column 1	Column 2	Column 3
State <sup>1</sup>	Year	Number of Transfers
South Carolina	2022	2
	2023	2
	2024	0
Tennessee	2022	0
	2023	3
	2024	2
Texas	2022	7
	2023	0
	2024	10
Washington	2022	0
	2023	0
	2024	1
Wisconsin	2022	0
	2023	0
	2024	6
Virginia	2022	0
	2023	1
	2024	0
<b>Total</b>	<b>2022</b>	<b>29</b>
	<b>2023</b>	<b>31</b>
	<b>2024</b>	<b>99</b>

**Table No. 3**

**Status of Franchise Units  
For Years 2022 to 2024**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Units at Start of Year	Units Opened	Terminations	Non-Renewals	Re-acquired by Us	Ceased Operations-Other Reasons	Units at End of the Year
Alabama	2022	3	2	0	0	0	0	5
	2023	5	3	0	0	0	0	8
	2024	8	2	0	0	0	0	10
Alaska	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Arizona	2022	5	3	0	0	0	0	8
	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	0	8

Col. 1 State	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
Arkansas	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
California	2022	2	1	0	0	0	0	3
	2023	3	3	0	0	0	0	6
	2024	6	3	0	0	0	0	9
Colorado	2022	8	1	0	0	0	0	9
	2023	9	1	0	0	0	0	10
	2024	10	3	0	0	0	0	13
Connecticut	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Delaware	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Florida	2022	41	13	0	0	0	0	54
	2023	54	18**	0	0	0	0	72**
	2024	72	9	0	0	0	0	81
Georgia	2022	13	2	0	0	0	0	15
	2023	15	5	0	0	0	0	20
	2024	20	3	0	0	0	0	23
Idaho	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Illinois	2022	2	5	0	0	0	0	7
	2023	7	4	0	0	0	0	11
	2024	11	0	0	0	0	0	11
Indiana	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Iowa	2022	0	1	0	0	0	0	1
	2023	1	3	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Kansas	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Kentucky	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5

Col. 1 State	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
Louisiana	2022	2	4	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	1	0	0	0	0	7
Maryland	2022	0	6	0	0	0	0	6
	2023	6	3	0	0	0	0	9
	2024	9	1	0	0	0	0	10
Massachusetts	2022	1	2	0	0	0	0	3
	2023	3	2	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Michigan	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	1	0	0	0	0	6
Minnesota	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Mississippi	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Missouri	2022	2	1	0	0	0	0	3
	2023	3	2	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Nebraska	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nevada	2022	4	2	0	0	0	0	6
	2023	6	1	0	0	0	0	7
	2024	7	0	0	0	0	0	7
New Jersey	2022	3	0	0	0	0	0	3
	2023	3	2	0	0	0	0	5
	2024	5	1	0	0	0	0	6
New Mexico	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
New York	2022	1	3	0	0	0	0	4
	2023	4	5	0	0	0	0	9
	2024	9	2	0	0	0	0	11
North Carolina	2022	6	4	0	0	0	0	10
	2023	10	4	0	0	0	0	14
	2024	14	1	0	0	0	0	15

Col. 1 State	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
Oklahoma	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
	2024	3	3	0	0	0	0	6
Oregon	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
	2024	3	2	0	0	0	0	5
Ohio	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Pennsylvania	2022	4	2	0	0	0	0	6
	2023	6	1	0	0	0	0	7
	2024	7	2	0	0	0	0	9
South Carolina	2022	9	3	0	0	0	0	12
	2023	12	4	0	0	0	0	16
	2024	16	1	0	0	0	0	17
Tennessee	2022	5	3	0	0	0	0	8
	2023	8	2	0	0	0	0	10
	2024	10	1	0	0	0	0	11
Texas	2022	21	9	0	0	0	0	30
	2023	30	6	0	0	0	0	36
	2024	36	5	0	0	0	0	41
Utah	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Virginia	2022	1	1	0	0	0	0	2
	2023	2	4	0	0	0	0	6
	2024	6	2	0	0	0	0	8
Washington	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
West Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Wisconsin	2022	0	7	0	0	0	0	7
	2023	7	1	0	0	0	0	8
	2024	8	0	0	0	0	0	8
<b>Totals</b>	<b>2022</b>	<b>153</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240</b>
	<b>2023</b>	<b>240</b>	<b>90**</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>330**</b>
	<b>2024</b>	<b>330</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>377</b>

\*\* In March 2023, we were acquired by our Parent. At that time, SZH held a majority ownership interest in three Stretch Zone businesses in Florida, which were then categorized as company-owned units in Table 4 below. In connection with the acquisition, SZH, along with the minority owner in the businesses, entered into a franchise agreement with us for each of these three businesses, which are now categorized as franchise units in Table 3 above.

**Table No. 4**

**Status of Company-Owned Units  
For Years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Units at Start of Year	Column 4 Units Opened	Column 5 Units Reacquired From Franchisee	Column 6 Units Closed	Column 7 Units Sold to Franchisee	Column 8 Units at End of the Year
Florida	2022	3	0	0	0	0	3
	2023	3	0	0	3*	0	0*
	2024	0	0	0	0	0	0
<b>Totals</b>	<b>2022</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2023</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3*</b>	<b>0</b>	<b>0*</b>
	<b>2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* In March 2023, we were acquired by our Parent. At that time, SZH held a majority ownership interest in three Stretch Zone businesses in Florida, which were then categorized as company-owned units in Table 4 above. In connection with the acquisition, SZH, along with the minority owner in the businesses, entered into a franchise agreement with us for each of these three businesses, which are now categorized as franchise units in Table 3 above.

**Table No .5**

**Projected Openings as of December 31, 2024**

Column 1 State	Column 2 Franchise Agreements Signed But Unit Not Open	Column 3 Projected New Franchise Units In the Next Fiscal Year	Column 4 Projected New Company Owned Units in the Next Fiscal Year
Alabama	3	2	0
Arizona	1	3	0
California	4	11	0
Colorado	2	2	0
Connecticut	1	4	0
Florida	5	5	0
Georgia	3	5	0
Idaho	0	0	0
Illinois	0	3	0

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Unit Not Open	Projected New Franchise Units In the Next Fiscal Year	Projected New Company Owned Units in the Next Fiscal Year
Iowa	1	0	0
Indiana	0	2	0
Kansas	0	1	0
Kentucky	0	0	0
Maryland	1	5	0
Massachusetts	1	10	0
Michigan	1	2	0
Minnesota	0	6	0
Mississippi	1	1	0
Missouri	0	1	0
Nebraska	0	2	0
Nevada	0	4	0
New Jersey	1	2	0
New Mexico	0	2	0
New York	5	5	0
North Carolina	3	1	0
Ohio	2	2	0
Oklahoma	0	2	0
Oregon	1	3	0
Pennsylvania	4	3	0
Rhode Island	0	2	0
South Carolina	1	2	0
Tennessee	0	3	0
Texas	9	5	0
Utah	0	3	0
Virginia	2	1	0
Washington	0	2	0
West Virginia	1	1	0
Wisconsin	0	0	0
<b>TOTALS</b>	<b>53</b>	<b>108</b>	<b>0</b>

**LIST OF CURRENT FRANCHISEES**

Exhibit L contains the names, addresses and telephone numbers of all 430 Franchise Businesses under a Franchise Agreement with us as of December 31, 2024, 377 that are operational and 53 that are not yet operational.

**LIST OF FORMER FRANCHISEES**

Exhibit L also contains the names, last known home addresses and home telephone numbers of the Franchise Businesses that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most

recently completed fiscal year or who have not communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document.

### **YOUR CONTACT INFORMATION**

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

### **CONFIDENTIALITY AGREEMENTS**

During the last 3 fiscal years, several current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

### **TRADEMARK-SPECIFIC FRANCHISEE ORGANIZATIONS**

The name, address, telephone number, e-mail address, and Web address (to the extent known) of each trademark-specific franchisee organization associated with the franchise system:

None

## **ITEM -21 FINANCIAL STATEMENTS**

Attached as Exhibit M are our:

1. Unaudited Balance Sheet dated March 31, 2025 and Unaudited Profit and Loss Statement for the 3-month period from January 1, 2025 to March 31, 2025; and
2. Audited financial statements for fiscal years ending December 31, 2024, December 31, 2023, and December 31, 2022.

Our fiscal year ends December 31.

## **ITEM -22 CONTRACTS**

The following contracts, agreements and other relevant documents are attached as Exhibits to this Franchise Disclosure Document:

- C Franchise Agreement
- D Approved Location Addendum to Franchise Agreement
- E Area Development Agreement
- F State Addenda to Agreements (if applicable)
- G Guaranty
- H Agreement with Landlord
- I Telephone Number and Directory Advertising Assignment Agreement

- J Security Agreement, UCC-1 Financing Statement and Rider
- K Software Sublicense Agreement
- N Franchise Termination and Release Agreement
- P Form of Regional Advertising Cooperative Agreement

**ITEM -23 RECEIPTS**

You will find copies of a detachable Receipt attached as Exhibit P at the very end of this Franchise Disclosure Document. It is not a binding contract. This merely verifies that you have received this Franchise Disclosure Document. Please complete and sign both copies. Keep a copy of your files and mail the other copy to us.

## **EXHIBIT A – STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

The States of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin require that we amend the Franchise Disclosure Document and Franchise Agreement to conform to their state's franchise laws as part of the state's registration and approval of the franchise offering. We must do this before we offer or sell any franchises intended to be operated in those states or to residents of these states. If we have registered in any of these states, attached are the applicable Addendum to Franchise Disclosure Document in this Exhibit and Addenda to Franchise Agreement and Area Development Agreement (in Exhibit F) that apply only to residents of that state and/or where the Stretch Zone Franchise will be operated in that state.

## **CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

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.

1. 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 fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.
2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
3. The California Franchise Investment Law requires that a copy of all proposed agreements involving the sale of the Franchise be delivered together with the Franchise Disclosure Document (“FDD”).
4. ITEM 3 is amended to add: Neither we, nor any person in ITEM 2 of the FDD 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. § 78 *et seq.*, suspending or expelling these persons from membership in that association or exchange.
5. ITEM 6 is amended to add that the maximum interest rate in California is 10% annually.
6. ITEM 17: The following additional paragraphs are added:
  - (a) California Business and Professions Code §§ 20000 through 20043 provides you rights concerning transfer, termination or nonrenewal of a Franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law controls.
  - (b) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.*)
  - (c) 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.

(d) The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

(e) The Franchise Agreement requires binding arbitration. The arbitration will occur in Broward County, Florida with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code § 20040.5, Code of Civil Procedure § 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(f) The Franchise Agreement requires application of the laws of the State of Florida. This provision may not be enforceable under California law.

(g) You must sign a Franchise Termination and Release Agreement if you renew or transfer your Franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise (California Corporation Code §§ 31000 through 31516).

9. Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act. (Business and Professions Code §§ 2000 through 20043).

10. 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](http://www.dfpi.ca.gov)

## **HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. The following is added to the Cover Page:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

2. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Hawaii Department of Commerce and Consumer Affairs imposed this deferral requirement due to our financial condition.

ITEM 5 – Initial Fees is amended to add the following applicable language at the end of the applicable section of Item 5:

### **INITIAL FRANCHISE FEE**

The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

### **DEVELOPMENT FEE**

The Development Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Area Development Agreement and the Franchise Agreement for the 1<sup>st</sup> Franchise Business.

3. ITEM 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language:

Upon termination or refusal to renew the Franchise Business, we will compensate you for the fair market value your inventory, supplies, equipment and furnishings purchased from us or a supplier we designated. We will not compensate you for your personalized materials that have no value to us. If we refuse to renew your Franchise Business because we desire to convert your Franchise Business to a Company-Owned Unit, we, in addition to the remedies provided in this paragraph, will compensate you for the loss of goodwill. We may deduct from this compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment, and furnishings, and may offset from this compensation any moneys due us.

**ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

ITEM 5 – Initial Fees is amended to add the following applicable language at the end of the applicable section of Item 5:

**INITIAL FRANCHISE FEE**

The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

**INITIAL CONTRIBUTION TO MEDIA FUND**

The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

**DEVELOPMENT FEE**

The Development Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and the Franchise Agreement for the 1<sup>st</sup> Franchise Business.

2. In ITEM 7, the Initial Franchise Fee row of the Single Unit Franchise table and the Development Fee row of the Area Development Agreement table (and the accompanying note to each) are amended as follows:

**ITEM 7 – ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Column 1 <b>Type of Expenditure</b>	Column 2 <b>Amount</b>	Column 3 <b>Method of Payment</b>	Column 4 <b>When Due</b>	Column 5 <b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee <sup>1</sup>	\$59,500	Lump Sum	When we have fulfilled our pre-opening obligations to you and you are open for business	Us

<sup>1</sup> **Initial Franchise Fee.** See ITEM 5 INITIAL FEES for a description of the Initial Franchise Fee.

**YOUR ESTIMATED INITIAL INVESTMENT - AREA DEVELOPMENT AGREEMENT**

Column 1 <b>Type of Expenditure</b>	Column 2 <b>Amount</b>	Column 3 <b>Method of Payment</b>	Column 4 <b>When Due</b>	Column 5 <b>To Whom Payment Is To Be Made</b>
Development Fee <sup>1</sup>	\$119,000 (2 Units) to \$267,750 (6 Units)	Lump Sum	When we have fulfilled our pre-opening obligations to you and your 1 <sup>st</sup> Franchise Business is open for business	Us

<sup>1</sup> **Development Fee.** See ITEM 5 INITIAL FEES for a description of the Development Fee.

3. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.

4. ITEM 17, (v) and (w), respectively, are amended to add the following paragraphs:

(v) Section 4 of the Illinois Franchise Disclosure Act dictates that any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of this State is void as to any cause of action that otherwise is enforceable in this State, but a Franchise Agreement may provide for arbitration in a forum outside of this State.

(w) Any governing law or choice of law clause granting authority to a state other than Illinois effectively negates the Illinois Franchise Disclosure Act. The Franchise Agreement will be interpreted and construed under Illinois law.

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

## **MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. Based on our financial information submitted, the Maryland Commissioner of the Securities Division has imposed a deferral of initial fees until we have performed all of our pre-opening obligations and you are open for business,

ITEM 5 is amended to add the following applicable language to the end of the applicable section of Item 5:

### **INITIAL FEES**

All fees paid to the Franchisor by the Franchisee, including payments for goods and services received from the Franchisor before the business opens, shall be deferred pending satisfaction of all of the Franchisor's pre-opening obligations to the Franchisee.

### **INITIAL CONTRIBUTION TO MEDIA FUND**

The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

### **DEVELOPMENT FEE**

In addition, all Development Fees and initial payments by Developers shall be deferred until the first Franchise under the Area Development Agreement opens.

2. ITEM 17(c)(7) is amended to add the following sentence:

The Franchise Termination and Release Agreement required as a condition of renewal, sale and/or assignment/transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. ITEM 17(h) is amended to add the following sentence:

The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

4. ITEM 17(m)(3) is amended to add the following sentence:

The Franchise Termination and Release Agreement required as a condition of renewal, sale and/or assignment/transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. ITEM 17(u) is amended to add the following sentence:

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

6. ITEM 17(v) is amended to replace the existing Summary language with the following sentence:

You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the Franchise. All other claims and those claims that must be submitted to arbitration must be filed in the courts where our principal business address is located when the action is filed.

7. 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.

## **MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. Based on our financial information submitted, the Minnesota Department of Commerce has imposed a deferral of initial fees until we have performed all of our pre-opening obligations and you are open for business,

ITEM 5 and ITEM 7 are amended to add the following applicable language to the end of the applicable section of Items 5 and 7:

### **INITIAL FEES**

All fees paid to the Franchisor by the Franchisee, including payments for goods and services received from the Franchisor before the business opens, shall be deferred pending satisfaction of all of the Franchisor's pre-opening obligations to the Franchisee.

### **INITIAL CONTRIBUTION TO MEDIA FUND**

The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

### **DEVELOPMENT FEE**

In addition, all Development Fees and initial payments by Developers shall be deferred until the first Franchise under the Area Development Agreement opens.

2. ITEM 13 is amended by the addition of the following language to the original language:

Minnesota considers it unfair to not protect the Franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g). The Franchisor will protect the Franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

3. ITEMS 17(c) and (g) are amended by addition of the following language:

With respect to Franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

4. ITEMS 17(c) and (m) are amended by addition of the following language:

Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Franchisee to assent to a Franchise Termination and Release Agreement.

5. ITEMS 17(q) and (r) are amended by addition of the following language:

The Franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400. Also, a court will determine if a bond is required.

6. ITEM 17(u) is amended by addition of the following language:

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

7. ITEMS 17(v) and (w) are amended by the addition of the following language:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) the Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

8. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

## **NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B 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 language is added to the end of Item 3 of the Franchise Disclosure Document:

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 are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-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 Item 5 of the Franchise Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

4. The following language is added to the end of the “Summary” sections of Item 17(c), titled Requirements for a franchisee to renew or extend, and Item 17(m), titled 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.

5. The following language replaces the “Summary” section of Item 17(d) of the Franchise Disclosure Document, titled Termination by franchisee:

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

6. The following language 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.

7. 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.

8. 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 earliest of the first personal meeting or 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.

**NEW YORK MATERIAL FACT STATEMENT**

WE REPRESENT THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

## **NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The North Dakota Division of Securities imposed this deferral requirement due to our financial condition.

ITEM 5 – Initial Fees is amended by adding the following applicable language to the end of the applicable section of Item 5:

### **INITIAL FRANCHISE FEE**

The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

### **DEVELOPMENT FEE**

The Development Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and the Franchise Agreement for the 1<sup>st</sup> Franchise Business.

2. ITEM 17(c) is amended to delete the requirement that you must sign and deliver to us a Franchise Termination and Release Agreement in our favor as part of the renewal of the Franchise.
3. ITEM 17(m) is amended to delete the requirement that you must sign and deliver to us a Franchise Termination and Release Agreement in our favor as part of the transfer of the Franchise.
4. ITEM 17(o) is amended to add the following paragraph:

If the parties cannot agree on fair market value within a reasonable time, an independent appraiser will be selected by both parties. If the parties are unable to select an appraiser together, then one will be chosen by us, one by you and the two appraisers will select a third.
5. ITEMS 17(q) and (r) are amended to state that: “Covenants not to complete as mentioned in these ITEMS are generally considered unenforceable in the State of North Dakota.
6. ITEM 17(u) is amended is provide that the site of mediation, arbitration or litigation be agreeable to all parties.
7. ITEM 17(v) is amended to state that any litigation or arbitration proceeding begun for the purpose of enforcing the Franchise Agreement will be filed in the courts and arbitration board located in the State of North Dakota.
8. ITEM 17(w) is amended to change the governing law from Florida to North Dakota.

**RHODE ISLAND ADDENDUM FRANCHISE DISCLOSURE DOCUMENT**

1. ITEM 17(v) is amended to add the following sentence:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void as to a claim otherwise enforceable under this Act.

**SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The South Dakota Department of Labor and Regulation, Division of Insurance, Securities Regulation has determined that our financial condition is not adequate to fulfill its obligations to Franchisees at this time. Therefore, the Office requires that we defer the Initial Franchise Fees pursuant to SDCL 37-5B-5 until such time the franchise is operational.

## VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by Franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement.

2. ITEM 17(h) is amended to read as follows:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for us to cancel a Franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement or Area Development Agreement does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. ITEM 17(x) is amended to read as follows:

Virginia law applies.

4. Risk Factor:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$138,745 to \$320,099. This amount exceeds the franchisor's member's deficit as of December 31, 2024, which is (\$54,245,123).

**VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR  
DEVELOPMENT RIGHTS**

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Development Fee owed by Developers to the Franchisor until the Franchisor has completed its pre-opening obligations under the Development Agreement.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

In light of our limited operating history, the Department of Financial Institutions has imposed a deferral of initial fees until we have performed all of our pre-opening obligations and you are open for business,

ITEM 5 is amended by adding the following applicable language to the end of the applicable section of Item 5:

**INITIAL FRANCHISE FEE**

The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you have begun doing business.

**INITIAL CONTRIBUTION TO MEDIA FUND**

The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

**DEVELOPMENT FEE**

Because Franchisor has material pre-opening obligations with respect to each Franchise Business the Franchisee opens under the Area Development Agreement, payment of the Development Fee will be released proportionately with respect to each Franchise Business opened and is deferred until the Franchisor is met all its pre-opening obligations under the Franchise Agreement and Franchisee is open for business with respect to each such location.

In ITEM 7, the Initial Franchise Fee row of the Single Unit Franchise table and the Development Fee row of the Area Development Agreement table (and the accompanying note to each) are amended as follows:

**ITEM 7 – ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Initial Franchise Fee <sup>1</sup>	\$59,500	Lump Sum	When we have fulfilled our pre-opening obligations to you and you have begun doing business	Us

<sup>1</sup> **Initial Franchise Fee.** See ITEM 5 INITIAL FEES for a description of the Initial Franchise Fee.

**YOUR ESTIMATED INITIAL INVESTMENT - DEVELOPMENT AGREEMENT**

Column 1 <b>Type of Expenditure</b>	Column 2 <b>Amount</b>	Column 3 <b>Method of Payment</b>	Column 4 <b>When Due</b>	Column 5 <b>To Whom Payment Is To Be Made</b>
Development Fee <sup>1</sup>	\$119,000 (2 Units) to \$267,750 (6 Units)	Lump Sum	Payable proportionately we have fulfilled our pre-opening obligations to you and each Franchise Business is open for business	Us

<sup>1</sup> **Development Fee.** See ITEM 5 INITIAL FEES for a description of the Development Fee.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys'

fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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

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

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**EXHIBIT B -LIST OF STATE ADMINISTRATORS AND AGENTS FOR  
SERVICE OF PROCESS**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104
<b>Hawaii</b>	Business Regulation Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities 335 Merchant Street Room 203 Honolulu, HI 96813
<b>Illinois</b>	Illinois Attorney General 500 S. Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
<b>Indiana</b>	Indiana Secretary of State Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>Maryland</b>	Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 Saint Paul Place Baltimore, MD 21202
<b>Michigan</b>	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 6 <sup>th</sup> Floor Lansing, MI 48933 (517) 335-7567	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 6 <sup>th</sup> Floor Lansing, MI 48933
<b>Minnesota</b>	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East Suite 280 St. Paul, MN 55101-2198

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>New York</b>	NYS Department of Law Financial Investor Protection Bureau 28 Liberty, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8236	Secretary of State 99 Washington Avenue Albany, NY 12231
<b>North Dakota</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510
<b>Oregon</b>	Oregon Division of Financial Regulation 350 Winter Street NE, Suite 410 Salem, Oregon 97301 Salem, Oregon 97301 (503) 378-4140	Oregon Division of Financial Regulation 350 Winter Street NE, Suite 410 Salem, Oregon 97301 Salem, Oregon 97301 (503) 378-4140
<b>Rhode Island</b>	Chief Securities Examiner Division of Securities John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407 (401) 462-9500	Director of Rhode Island Department of Business Regulation John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501
<b>Virginia</b>	State Corporate Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street 1 <sup>st</sup> Floor Richmond, VA 23219
<b>Washington</b>	Administrator Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (362) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501
<b>Wisconsin</b>	Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-9555	Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT C - FRANCHISE AGREEMENT**



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**STRETCH ZONE FRANCHISE AGREEMENT**

**between**

**Stretch Zone Franchising LLC,  
a Florida limited liability company**

**(Franchisor)**

**and**

\_\_\_\_\_

**(Franchisee)**

**Dated:** \_\_\_\_\_

**Site Selection Area:** \_\_\_\_\_

**Approved Location:** \_\_\_\_\_

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**EXHIBIT A – MAP OF LIMITED PROTECTED TERRITORY**



## **STRETCH ZONE FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (this "Agreement") is signed on \_\_\_\_\_ between Stretch Zone Franchising LLC, a Florida limited liability company, as the Franchisor, and \_\_\_\_\_, as the Franchisee.

We have written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that this Agreement covers before you sign it. In this Agreement, we refer to Stretch Zone Franchising LLC, the Franchisor, as "we," "us" or "our." We refer to the Franchisee as "you" or "your." If you are a Business Entity, we refer to its equity owners as the "Franchise Owners." All capitalized terms are defined in ARTICLE 18.

### **BACKGROUND**

A. We and/or our predecessor have developed, and we own, a business that offers advanced certified practitioner-assisted stretching to individuals, which business operates under the Trademarks, including, but not limited to, the trademark "Stretch Zone®" (the "Principal Trademark").

B. The distinguishing proprietary characteristics of the business include: patented devices assisting in the stretching routines; distinctive sales and operating methods; sources of supply; uniform standards; procedures for the management of the business; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the business; an Operations Manual; and bookkeeping and accounting methods and procedures; all of which we may change, improve and further develop (collectively, the "Business System").

C. You recognize the benefits of owning and operating a Stretch Zone Franchise (the "Franchise Business") and desire to enter into this Agreement.

D. You have had sufficient time and opportunity to evaluate and investigate the business concept and the procedures and financial requirements associated with the development and operation of the Franchise Business as well as the competitive market in which it will operate.

E. You have had a full and adequate opportunity to seek independent legal counsel to advise you of the terms and conditions of this Agreement and your rights and obligations to us under this Agreement.

F. We have reviewed your application and have decided to award a Stretch Zone Franchise to you evidenced by this Agreement.

## TERMS

The parties agree as follows:

### **ARTICLE 1 - APPOINTMENT**

#### **Section 1.1 GRANT OF FRANCHISE**

(a) **Grant.** We grant to you the right and you undertake the obligation, to develop and operate a Franchise Business subject to the terms of this Agreement. You will operate the Franchise Business in accordance with the Business System. We grant you the right to use the Principal Trademark, Patents and other Intellectual Property. You will operate the Franchise Business only at the location described in Section 1.2. You agree not to advertise outside of your DMA.

(b) **Guaranty.** If you are a Business Entity, each Franchise Owner holding a direct or indirect interest of 20% or more in you will execute an agreement, in the form that we designate, undertaking to be personally bound, jointly and severally with such other guaranteeing Franchise Owners, by all provisions of this Agreement and any and all related agreements (a "Guaranty"), the current version of which is attached as Exhibit G to the FDD. In addition, at our request, the spouse of each such guaranteeing Franchise Owner (as applicable) will execute the Guaranty.

#### **Section 1.2 LOCATION OF YOUR FRANCHISE BUSINESS**

(a) **Existing Premises.** You agree that you will operate your Franchise Business only at the Premises described in Section 18.1.

(b) **Premises to be Determined.** If the Premises do not exist at the time the parties sign this Agreement, the Premises will be at a location that you select and we approve within the Site Selection Area. We will describe the approved location in the Approved Location Addendum to this Agreement (attached as Exhibit D to the FDD) that the parties will sign at that time.

(c) **Change in Location.** You cannot change the location of the Premises without our written consent and your compliance with our relocation procedures.

#### **Section 1.3 TERRITORIAL RIGHTS**

We grant you a Limited Protected Territory that we define in Section 18.1 and designate on the Map attached as Exhibit A, if the Premises exist that we have approved. If the Business Premises do not exist at this time, we will describe the Limited Protected Territory in the Approved Location Addendum once you obtain a location that we approve. During the Initial Term, if you are not in default, we agree not to open the premises of a Company-Owned Unit within your Limited Protected Territory or franchise another Stretch Zone Franchise having premises located within your Limited Protected Territory, except for Non-Traditional Locations in the Protected Territory. This does not mean that there might not be overlap with a Company-Owned Unit's or another Franchised Unit's Limited Protected Territory as long as the premises of the Company-Owned Unit or the other Franchised Unit is not physically located in your Limited Protected Territory.

#### **Section 1.4 RIGHTS THAT WE MAINTAIN**

We (and any Affiliates that we may have from time to time) will, at all times, have the right to engage in any activities that we or they deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we or they desire, including, but not limited to:

(a) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions that we deem appropriate, Units (as applicable) at any locations outside the Limited Protected Territory and Non-Traditional Locations within or outside the Limited Protected Territory;

(b) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions that we deem appropriate, any businesses that are similar or dissimilar to Units that either are not primarily identified by the Trademarks or do not use the Business System at any locations, whether within or outside the Limited Protected Territory;

(c) exercising all rights relating directly or indirectly to the Trademarks, and all products and services associated with any of the Trademarks, in connection with any methods of distribution, except as specifically set forth in Section 1.3. This includes providing, and granting rights to others to provide (except as specifically set forth in Section 1.3), products and services to customers and other third parties that are similar or dissimilar to, or competitive with, any products and services provided at Units, whether identified by the Trademarks or other trademarks or service marks, regardless of the method of distribution (including through our Website, other retail outlets, shipping and delivery), including temporary locations, such as events occurring for a limited duration; and

(d) acquiring the assets or ownership interests of, or being acquired (regardless of the form of transaction) by, one or more businesses providing products and services similar or dissimilar to those provided at Units, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Limited Protected Territory.

## **Section 1.5 RELOCATION OF YOUR FRANCHISE BUSINESS**

(a) **Loss of Lease**. If you lease the Premises and the lease expires or terminates before the expiration of this Agreement (provided termination is not due to your default), we permit you 30 days to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchise Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign a new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

(b) **Casualty**. If the Premises are substantially destroyed by fire or other casualty, we permit you 30 days to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign the new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

(c) **Condemnation**. You will give us notice of any proposed taking of the Premises by eminent domain, as soon as possible. We permit you 30 days from the date you have to vacate the Premises to obtain new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Franchise Business is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising Contributions. You have 60 days from the date you sign the new lease in which to open and begin operating the Franchise Business, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

(d) **Relocation Fee**. If you must relocate your Franchise Business, you will reimburse us for our costs incurred in assisting you with relocation plus pay us a relocation fee of \$1,000.

## ARTICLE 2 - OUR DUTIES

We will provide you with the following initial and ongoing assistance and services, as long as you are not in default under this Agreement:

### Section 2.1 SITE SELECTION ASSISTANCE

(a) **Our Approval of Site**. You must obtain our written approval of the proposed site for the Premises for your Franchise Business before you sign a lease or begin any construction.

(b) **Site Selection Criteria**. We will supply you our site selection criteria that includes (a) population demographics within a 3-mile radius of the site; (b) information regarding traffic counts and patterns; (c) number of parking spaces; (d) visibility from the roadways; (e) the predominant character of the neighborhood; (f) competitive businesses within the area; (g) the nature of other businesses in proximity to the site; and (h) the size, appearance and other physical characteristics of the site. Within 30 days after signing this Agreement, you must find a site within the Site Selection Area that you believe meets our criteria. You must send to us all material information regarding the proposed site including pictures of the site. We will not unreasonably withhold our approval of any site meeting our standards. We will review site approval submissions on a first-in basis but within 30 days of your submission. If we do not approve the site, you have 30 days in which to submit a new site within the Site Selection Area for our written approval. If you fail to do so in a timely manner, or we and you cannot agree on a site within 120 days after the Agreement Date, we have the right to terminate this Agreement and retain 100% of the Initial Franchise Fee (as defined in Section 3.1(a)). You will be required to sign the Franchise Termination and Release Agreement included as Exhibit N to the FDD.

(c) **No Special Expertise**. WE DO NOT REPRESENT THAT WE HAVE ANY SPECIAL EXPERTISE IN SELECTING SITES FOR THE OPERATION OF A FRANCHISE BUSINESS. OUR APPROVAL OF A SITE IS NOT A REPRESENTATION OR WARRANTY THAT THE FRANCHISE BUSINESS WILL BE PROFITABLE OR THAT YOUR SALES WILL ATTAIN ANY PREDETERMINED LEVELS. OUR APPROVAL IS ONLY OUR INDICATION THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA FOR IDENTIFYING SITES.

## **Section 2.2 LEASE ASSISTANCE**

If you intend to lease your Premises from a third party, we will advise you in your lease negotiations. Any lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when we, you and the property owner sign our form of Agreement with Landlord attached as Exhibit H to the Franchise Disclosure Document. **WE DO NOT REPRESENT THAT WE HAVE ANY SPECIAL EXPERTISE IN NEGOTIATING LEASES. YOU AGREE THAT OUR APPROVAL OR DISAPPROVAL OF A PROPOSED LEASE DOES NOT IMPOSE ANY LIABILITY ON US.**

## **Section 2.3 PLANS AND SPECIFICATIONS**

We will loan to you our prototype architectural drawings for the Premises (which may include sample equipment layouts and floor plans) "(Drawings)" for the construction of the Premises. We also loan to you our specifications and standards pertaining to equipment, signage, fixtures, furnishings, accessory features and design and layout we make available to you. (collectively, "the Design Specifications"). The Drawings and Design Specifications may vary in their design and decor by region of the country, at our sole discretion. The Drawings and Design specifications are contained in the Operations Manual.

## **Section 2.4 FURNITURE, FIXTURES AND FURNISHINGS**

We will sell you the furniture, fixtures, and furnishings necessary to operate your Franchise Business. We do not deliver or install these items.

## **Section 2.5 INDOOR SIGNS AND GRAPHICS**

You will purchase from our Designated Supplier the indoor signs and graphics. We do not deliver or install these items. You may prepare, construct and erect the signs and graphics after obtaining approval from the applicable governmental authority and the landlord. You will maintain the interior signs and graphics in a condition acceptable to us.

## **Section 2.6 BUSINESS PLANNING ASSISTANCE**

We will provide you with referrals offering working capital lines of credit, term loans and/or equipment lease financing.

## **Section 2.7 WEBSITE**

We have created a Website, [www.stretchzone.com](http://www.stretchzone.com). We will list your Franchise Business on our Website.

## **Section 2.8 LISTS, FORMS AND SCHEDULES**

We will loan to you, either in hard copy form or as electronic files, the following for use in the operation of the Franchise Business:

(a) **List of Items.** A list of equipment, fixtures, furnishings, supplies, materials, inventory and other items necessary to open and operate your Franchise Business and a list of Designed Suppliers, Approved Suppliers and product specifications;

(b) **Specifications.** Specifications for business cards, stationary, receipts, point-of-sale materials, frequent customer cards, gift cards, reporting documents, and other business forms and materials we deem necessary for the operation of the Franchise Business that you purchase from Approved Suppliers.

(c) **Reporting.** Requirements regarding your establishment of daily, weekly and monthly reporting systems; bookkeeping procedures; and accounting procedures, which you must adopt and implement at the Franchise Business.

(d) **Forms.** We will supply you with our forms of membership agreement and waiver.

(e) **Materials.** We will loan you copies of our advertising and marketing materials.

These forms and schedules are contained in the Operations Manual. **WE DO NOT WARRANT THE COMPLETENESS, LEGALITY OR ENFORCEABILITY OF ANY AGREEMENTS OR FORMS WE PROVIDE TO YOU. YOU MUST RETAIN YOUR OWN LEGAL COUNSEL TO REVIEW AND REVISE THESE AGREEMENTS AND FORMS SO THEY COMPLY WITH ALL APPLICABLE FEDERAL AND STATE LAWS.**

## **Section 2.9 EMPLOYEE INFORMATION AND ASSISTANCE**

We will provide to you employee hiring information including pay scale suggestions and a standardized interviewing/selection system as described in the Operations Manual. No employee of yours is an employee of ours for any purpose whatsoever. You are solely responsible for the hiring, disciplining, supervising, promoting and firing of your employees and the establishment of their salaries as provided in Section 4.5.

## **Section 2.10 PRE-OPENING TRAINING**

(a) **Pre-Opening Training.** Our pre-opening training consists of our Franchisee Training Program and our Regional Manager Training Program (collectively, "Pre-Opening Training"). We will provide, and the individuals that collectively comprise Franchisee or, if Franchisee is a Business Entity, Franchise Owners must attend and successfully complete within 30 days of signing the Franchise Agreement, our proprietary Franchisee Training Program at our training facility at our corporate headquarters in Fort Lauderdale, Florida. We also will provide, and your Regional Manager must attend and successfully complete, our Regional Manager Training Program at our training facility. All Trainees must successfully complete our training requirements to our satisfaction. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations Manual) as a condition of our approval. Pre-Opening Training for the individuals identified in this Section 2.10(a) (but not for any additional personnel or replacements of the individuals identified) are included in the Initial Franchise Fee, provided that you are responsible for all expenses of the Trainees to attend the programs described in this Section 2.10(a), including all payroll, travel, lodging and meal expenses.

(b) **Failure to Complete Pre-Opening Training.** If any individual required to attend Pre-Opening Training fails to complete the applicable training program, as we reasonably determine, we may: (i) at your expense and direction, retrain the Trainee or train another Trainee; or (ii) elect to terminate this Agreement. If we elect to terminate this Agreement, we will retain the Initial Franchise Fee, and you must sign the Franchise Termination and Release Agreement included as Exhibit N to the FDD.

(c) **No Warranty of Success.** Our determination that your Trainees have successfully completed any required training programs is not a warranty or representation that any Trainee can or will successfully operate the Franchise Business or any aspect of the Franchise Business.

### **Section 2.11 ACCESS TO OPERATIONS MANUAL**

We will give you electronic access via our Intranet to our Operations Manual and any supplemental manuals. Our practice is to provide you such access during the Franchisee Training Program.

### **Section 2.12 INITIAL ON-SITE TRAINING PROGRAM**

As part of the Initial Franchise Fee, we will conduct on-site training for your employees for a minimum of 3 days (the "Initial On-Site Training Program"), in most instances conducted at your Franchise Business, preferably within the first week of operation, as we deem appropriate. The Initial On-Site Training Program will include (a) our stretch training program (the "Stretch Practitioner Training Program") for your initial practitioners; and (b) certain operational training for the individuals that collectively comprise Franchisee, or, if Franchisee is a Business Entity, Franchise Owners, and your initial Regional Manager. The Initial On-Site Training Program may differ, in whole or in part with respect to content and length for you, a Franchise Owner or the Designated Representative, your Regional Manager, your Certified Stretch Zone Practitioner, and your other employees, depending upon their previous experience and their responsibilities at your Franchise Business. You must give us at least 30 days' advanced written notice of the Opening Date to schedule the Initial On-Site Training Program. You are not required to pay us an additional fee for the Initial On-Site Training Program, provided that, if you elect to have more than 12 practitioners attend the Stretch Practitioner Training Program as part of the Initial On-Site Training Program, you must pay us our then-current fee for each such additional practitioner.

### **Section 2.13 PRE-OPENING AND GRAND OPENING ADVERTISING ASSISTANCE**

During the, approximately, three weeks before and the three weeks after the opening of your Franchise Business, we will assist you in conducting grand opening advertising for your Franchise Business, including assisting you with your pre-grand opening plan and your three-day grand opening plan, as detailed in the Operations Manual. In exchange for this assistance, you will pay us a Grand Opening Fee.

### **Section 2.14 ONGOING TRAINING**

During the term of this Agreement, we may require you and/or your personnel to attend and satisfactorily complete various training courses and programs and evaluation programs, including online training, that we choose to provide periodically, certain of which may be prerequisites to an individual's assuming a particular position at the Franchise Business, at the times and locations that we designate. Without limiting the preceding sentence, as of the date of this Agreement, we have established certain training prerequisites for those individuals who will serve as Regional Managers, stretch practitioners, sales associates, and front desk personnel at the Franchise Business. We also may offer, during the term of this Agreement, various optional training courses and programs for you and/or your personnel to attend at the times and locations that we designate. In accordance with Section 2.15, you must pay the training fees that we specify for such mandatory or optional training. At our option, you must acquire the equipment, technology, and other products and services that we periodically specify (and pay all associated fees) in order to participate in the learning management platform or other training system that we periodically designate. Your personnel whom we

periodically specify also must attend any conventions or other programs that we periodically specify for some or all Stretch Zone businesses. At our option, we may provide ongoing training to you and your personnel using video conferencing, online meetings, or other forms of virtual communications.

### **Section 2.15 FEES AND EXPENSES DURING TRAINING**

We will provide Pre-Opening Training for the individuals specified in Section 2.10(a) and the Initial On-Site Training Program (including the Stretch Practitioner Program for up to 12 of your initial practitioners only) for the individuals identified in Section 2.12, at no additional charge, but you must pay the training fee that we specify for any additional individuals that we permit to attend such training programs and for the training of any replacement personnel. You also agree to pay the training fees that we periodically specify for any other training courses and programs and evaluation programs that we provide. You also will be responsible for your personnel's travel, living and other expenses (including local transportation expenses) and compensation incurred in connection with attendance at any and all training courses and programs, conventions or work at any Unit that is part of their development. You also will be responsible for our personnel's travel, living, and other expenses (including local transportation expenses) incurred in connection with our personnel's providing training at any location other than at our training facility at our corporate headquarters in Fort Lauderdale, Florida, provided that you will not be required to pay for such expenses of our personnel in conducting the Initial On-Site Training Program.

### **Section 2.16 CONTINUED ASSISTANCE AND SUPPORT**

After the opening of your Franchise Business, we will or may provide to you the following:

(a) **Assistance by Telephone or E-Mail.** We will provide you with informational assistance by telephone and e-mail through our StretchNet Portal including consultation on matters involving operations, advertising, promotion, and business methods.

(b) **Website.** We will maintain the Website for use by our Franchisees and us in accordance with Subsection 4.12(d) and Section 7.3(a).

(c) **E-mail Address and Accounts.** We provide you a store e-mail address, use of which is limited to Franchise Owners, the Designated Representative and your Regional Manager. We have established reasonable standards for e-mail accounts and their use, which we may periodically revise. You will have reasonable time within which to upgrade when standards change. From time-to-time, we will send important information to your Stretch Zone e-mail address. In order to stay informed on developments affecting the Business System and your Franchise Business, you agree to check your e-mail at least daily except for Sundays. You must respond to any request we send to you by e-mail that requires a response within 24 hours of your receipt of our e-mail. You must send to us an acknowledgment of receipt of our e-mail to you.

(d) **Promotional Methods and Materials.** We will provide you with promotional methods and materials that we develop.

(e) **Radio and Television Commercials.** We may provide a preapproved radio script and camera-ready television commercials (not including airtime) for your use in your DMA but only if they are created through funds in the Media Fund.

(f) **Recertification Program.** On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise. Our fee is \$2,000 per Franchise, regardless of the number of Certified Stretch Zone Practitioners you have. You are

responsible for our representatives' travel, meals and lodging expenses. We currently offer this program virtually but reserve the right to conduct such training in-person.

### **Section 2.17 LICENSE OF INTELLECTUAL PROPERTY**

Subject to this Agreement, we license to you the right to use the "Stretch Zone®" Principal Trademark and the other Intellectual Property.

### **Section 2.18 SOFTWARE**

We sublicense to you the right to use the Stretch Net, Career Plug, Office 365, QuickBooks Online, KnetK, Factor 4, Predictive Index, Canva, and Perkrville Software pursuant to the Software Sublicense Agreement included in Exhibit K of the FDD. You must license through us the Intuit, Inc.'s QuickBooks Online Software.

### **Section 2.19 DUTIES SOLELY TO YOU**

All of our obligations under this Agreement are only to you. No other party is entitled to rely on, enforce, or obtain relief for breach of the obligations directly or by subrogation.

### **Section 2.20 OUR RIGHT TO DELEGATE DUTIES**

You agree to our right to delegate our duties under this Agreement to a Designee. You must discharge your duties with our Designee to the extent we request. We remain responsible for our obligations under this Agreement even if delegated to our Designee.

### **Section 2.21 OUR REASONABLE BUSINESS JUDGMENT**

Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations using reasonable business judgment in making our decision or exercising our rights. Our decisions or actions are deemed to be using reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the Business System generally, even if the decision or action also promotes our financial or other interest. Examples of items that will promote or benefit the Business System include enhancing the value of the Intellectual Property, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the Business System.

### **Section 2.22 ASSISTANCE WE DO NOT PROVIDE**

We do not provide assistance with conforming the Business Premises to local ordinances and building codes and obtaining any required payments, and/or constructing, remodeling, or decorating the Business Premises, and/or hiring and, except for training required under this Agreement, training employees. These are your responsibility.

## **ARTICLE 3 - FEES AND PAYMENTS**

### **Section 3.1 TYPES OF FEES**

In consideration of our signing this Agreement, you must pay to us the following fees all payable in United States currency at our principal office:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500 payable at the same time you sign this Agreement. The Initial Franchise Fee is non-refundable upon signing this Agreement.

(b) **Royalty Fee.** You will pay a continuing monthly non-refundable Royalty Fee equal to 7% of Gross Revenues. However, you must pay a minimum monthly Royalty Fee of \$900 beginning on the 1<sup>st</sup> full calendar month after the Opening Date. **THIS MINIMUM ROYALTY FEE IN NO WAY INFERS THAT YOU WILL EXPERIENCE GROSS REVENUES OF ANY PARTICULAR LEVEL.**

(c) **Technology Fee.** For providing you with a store e-mail account, a listing on our Website and a sublicense of the Stretch Net, Career Plug, Office 365, QuickBooks Online, KnetK, Factor 4, Predictive Index, Canva, and Perkvile, we will charge you a monthly fee contained in the Operations Manual or otherwise provided in writing (currently \$375 per month), which we may modify.

(d) **Opening Items.** You must purchase from us your initial items of kits, bolsters and wedges from us.

(e) **Advertising Contributions to Media Fund.** You must pay to us an initial contribution of \$500 when your Franchise Business opens. You must also pay us a continuing monthly Advertising Contribution to the Media Fund in an amount equal to 2% of monthly Gross Revenues. We have the sole right to enforce your obligations and all other Franchisees that make Advertising Contributions. Neither you, nor any other Franchisee obligated to make Advertising Contributions, is a third party beneficiary of the funds. Neither you, nor any other Franchisee has a right to enforce any obligation of another Franchisee to contribute the funds. We will use these funds to develop and produce advertising and/or marketing materials for use by us regionally and/or nationally and by you and the other Franchisees for your Local Advertising activities.

(f) **Grand Opening Fee.** Within 60 days of your signing the Franchise Agreement, you must pay to us a non-refundable fee in the amount of \$14,950 (the "Grand Opening Fee") in exchange for the grand opening assistance that we provide to you in connection with the Franchise Business pursuant to Section 2.13.

(g) **Transfer Fee.** With respect to any transfer pursuant to Sections 10.2, 10.3, and 10.4, except for a transfer in accordance with Section 10.2(b), you will pay us a fee in the amount of \$10,000 (the "Transfer Fee").

(h) **Renewal Fee.** Shortly before the expiration of the Initial Term, if you decide to obtain a Renewal Franchise Agreement in accordance with Subsection 16.2(a), you must pay us a Renewal Fee equal to 50% of the then-current Initial Franchise Fee.

(i) **Our Attorneys' Fees.** If after the Franchise Agreement is signed by the parties: (i) you request our written consent to any action of yours and we consult our attorney; or (ii) we have our attorney prepare a letter, a Notice of Default or a Notice of Termination to you, then you agree to reimburse us for our attorneys' fees and costs under these circumstances.

(j) **Fines for Non-Compliance.** If we find you to be in violation of certain terms of this Agreement constituting a material default by you that would entitle us to terminate the Franchise Agreement, we will send you a letter setting forth the nature of the non-complying act and what steps you must take to cure the violation. We will also impose a fine of \$250, provided that, if the default involves the offer or sale of unauthorized or prohibited products, the fine is \$500 per day until you

cease such offer or sale. You must immediately cure the violation and pay the fine within 10 days of receipt of our notice of non-compliance. If you fail to cure and pay the fine in a timely manner, we reserve the right to exercise our rights under ARTICLE 11. These acts of non-compliance include the following:

- (i) If we see an unauthorized product for sale at your Premises;
- (ii) If you use the Stretch Zone name and logo in an inappropriate way;
- (iii) If a person providing stretching service is not certified by us, a \$250 fine will be issued for every day the person continues to provide stretching services;
- (iv) If we find that your employees are not in uniform or otherwise complying with our dress code - \$200 fine; or
- (v) If you receive an inspection report from us that reveals material violation or our operating standards.

The Manuals contains further information on other types of violations that are subject to fines. If there is a violation that has not been listed, the fine will be \$250.

(k) **Other Fees.** There are other fees, and reimbursement and indemnification obligations on your part contained in this Agreement and disclosed in ITEM 6 of the FDD.

### **Section 3.2 PAYMENT SCHEDULE**

Royalty Fees, Technology Fees, training fees, Advertising Contributions and Fines are automatically billed and paid when are due by processing through our POS system. If we do not specify a due date, these amounts are due upon receipt of our invoice. Any payment or report not actually received by us on or before the due date is overdue. All payments will be processed through our POS system.

### **Section 3.3 PAYMENT SYSTEM**

You will open a separate operating account with a bank for the Franchise Business. You will make all Royalty Fees, Technology Fees and Media Fund contributions and other invoices due us and our Affiliates from remittances from your members that have been deposited into your operating account by ClubReady processing payments due us (the "Payment System"). You will cooperate with us to implement the Payment System within 15 days before the Opening Date. You agree to cooperate with us in maintaining the efficient operation of the Payment System including depositing all Gross Revenues you receive into your operating account within 1 Business Day of receipt. You cannot initiate payments through the ClubReady Electronic Payment System, but we are able to initiate payments through the ClubReady Electronic Payment System for invoices that are due us.

### **Section 3.4 INTEREST ON LATE PAYMENTS; LATE CHARGE**

(a) **Interest.** If any payment under this Agreement or any other agreement between us or our Affiliates and you for your Franchise Business is overdue for any reason, you must pay to us, on demand, in addition to the overdue amount, any insufficient funds (NSF) charges we incur and interest on the overdue amount from the date it was due until paid equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.

(b) **Late Charge.** You must also pay a late charge of \$100 for each overdue payment.

(c) **NSF Charges.** If you deliver a check which is returned due to insufficient funds or is otherwise not paid, we may assess you a service charge of \$50 or 5% of the face value of the check, whichever is greater, limited to the highest amount permitted by law.

### **Section 3.5 APPLICATION OF PAYMENTS**

We have sole discretion to apply any payments you make to us to your past due indebtedness including Royalty Fees, training fees, Technology Fees, Advertising Contributions, purchases from us or our Affiliates, interest, NSF charges, or any other indebtedness of you to us or our Affiliates in any manner we choose regardless of your designation.

### **Section 3.6 SECURITY INTEREST**

As security for your payment and performance of all of your obligations to us under this Agreement including all costs, expenses, advances and liabilities that we may incur in connection with this Agreement (the "Secured Obligations"), you grant to us a first priority security interest in the assets used to operate the Franchise Business (the "Secured Assets") under the applicable Uniform Commercial Code in the state in which the Franchise Business is located. You will sign the Security Agreement, and the UCC-1 Financing Statement and Rider included as Exhibit J to the FDD. You acknowledge that we be recording the UCC-1 Financing Statement.

### **Section 3.7 NO WITHHOLDING**

You agree that your obligations to make payments under this Agreement and any other agreement entered into with our Affiliates or us for your Franchise Business, and our rights and those of our Affiliates to receive these payments, are absolute and unconditional. All payments are not subject to any withholding, abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims that you have or may have against us, any of our Affiliates, any of our Designees, or against any other person for any reason.

## **ARTICLE 4 - YOUR DUTIES**

### **Section 4.1 ACQUISITION OF THE SITE**

(a) **Site Approval.** You are solely responsible for selecting the site for the Franchise Business. If a site that we approve does not exist at this time, you must complete the acquisition or lease arrangements for your Premises within 6 weeks after the Agreement Date and obtain our written approval under Section 2.1. We may require that you engage a real estate broker of your choosing or, at our discretion, our approved broker, to advise and assist you in locating a suitable site within the Site Selection Area and negotiating the terms of the lease. You are responsible for any fee charged by our approved broker for this service. If we have not approved a site within 120 days after the Agreement Date, we have the right to terminate this Agreement and retain the Initial Franchise Fee.

(b) **Lease of the Site.** We must approve any lease of the Premises. You must deliver a copy of the proposed lease to us at least 10 days before you sign it. The property owner, you and we must sign our form of Agreement with Landlord included in Exhibit H to the FDD.

## **Section 4.2 CONSTRUCTION OF FRANCHISE BUSINESS**

(a) **Prototype Plans and Specifications.** You must use the prototype architectural drawings for the Premises, and our specifications and standards pertaining to equipment, signage, fixtures, furnishings, accessory features and design and layout we make available to you and used by our Approved Suppliers.

(b) **Construction Process.** You must promptly after obtaining possession of the site for the Franchise Business: (i) retain the services of an architect to create your building plans, which we must approve; (ii) retain the services of a general contractor; (iii) obtain all necessary permits, licenses and architectural seals; (iv) use only approved building materials, equipment, fixtures, furniture and signs; (v) complete the construction and the equipment, fixtures, furniture and sign installation and decorating of the Franchise Business in full and strict compliance with the building plans and specifications we have approved and in full compliance with all applicable laws, ordinances, building codes and permit requirements including the Americans With Disabilities Act without any unauthorized alterations; and (vi) obtain all customary contractors' sworn statements and partial and final waivers. You must begin substantial construction (site work, utility infrastructure and building erection) of the Franchise Business within 90 days after the Agreement Date. It is your responsibility to comply with the foregoing conditions. We reserve the right to require you to retain the services of a company specialized in assisting Franchisees during the construction process to assist you in submitting, processing, monitoring and obtaining in a timely manner all necessary construction documents, licenses and permits and to advise you throughout the construction of your Franchise Business.

(c) **Construction Progress Reports.** We may require you to provide us weekly development and construction progress reports in the form we designate from the date you begin development until the date you open the Franchise Business. You agree that our representatives have the right to inspect the construction at all reasonable times. You agree that time is of the essence in constructing and opening your Franchise Business.

## **Section 4.3 EQUIPMENT, FURNITURE, FURNISHINGS AND FIXTURES**

You must purchase the equipment, furniture, furnishings and fixtures necessary to operate the Franchise Business as set forth in the Operations Manual from our Approved Suppliers.

## **Section 4.4 COMPUTER AND POS SYSTEMS**

(a) **Procurement and Installation.** Before the Opening Date, you must procure and install at your Franchise Business the Computer and POS Systems that we specify in the Operations Manual or otherwise. The Computer and POS Systems include all hardware and software used in the operation of the Franchise Business, including electronic point-of-sale cash registers and back office programs used to record, analyze and report sales, labor, inventory and tax information.

(b) **IP Address.** We may require that you obtain a dedicated IP address for use with the Computer and POS Systems. You are responsible for all charges for these services.

(c) **Our Right of Access.** You will provide any assistance we require to bring the Computer and POS Systems "on-line" with our Internet-based system. You agree that we have the right to retrieve all data and information from your Computer and POS Systems, as we deem necessary. We maintain all rights to the customer data and financial information collected via the Computer and POS Systems and on our Website. The information includes customer data, financial

data, customer demographic information, customer purchasing data, business and financial records and reports, and all other information that we designate in the Operations Manual or otherwise in writing.

(d) **Maintenance and Upgrades.** To ensure full operational efficiency and communication capability between your Computer and POS Systems and our Internet-based system, you will keep the Computer and POS Systems in good maintenance and repair. You will install all additions, changes, modifications, substitutions and/or replacements to your Computer and POS Systems' hardware and software, and your telephone and power lines, that we specify, in our sole discretion, in the Operations Manual or otherwise on a Network-wide basis. It may become necessary for you to replace or upgrade the entire Computer and POS Systems with a larger or different system capable of assuming and discharging all of those computer-related tasks and functions as we specify.

#### **Section 4.5 HIRING AND APPEARANCE OF EMPLOYEES**

(a) **Your Employment Decisions.** You will maintain a competent, conscientious staff and employ the minimum number of employees necessary to meet the anticipated volume of business. You must have at least 1 Certified Stretch Zone Practitioner working when the business is open for business. You will obtain a Background Screening report of all employees and independent contractors for each person before hiring or retaining the person and supply us with a copy of the report. The Operations Manual includes our specifications for uniforms for your employees that you purchase directly from our Designated Supplier. You will take all steps necessary to ensure that your employees and independent contractors meet the employment or retention criteria, keep a neat appearance and comply with any dress code that we require. You are solely responsible for the terms of their employment or engagement and their compensation and, except for training required under this Agreement, for the proper training of the employees in the operation of your Franchise Business. We have no responsibility or authority for your employment decisions and functions, including hiring, firing, establishing wage and hour requirements, disciplining, supervising, and record keeping. You will not recruit or hire any employee or independent contractor of a Company-Owned Unit or another Franchised Unit without obtaining the employer's written permission, which permission the employer will not unreasonably withhold, delay or condition, subject to any written covenant not to compete, the provisions of which will be respected and not challenged.

(b) **Employment Records.** As part of the Technology Fee, you will use CareerPlug to retain copies of Confidentiality and Non-Competition Agreement, employment materials or independent contractor agreements relating to each of your employees, including employment or other application materials, I-9 immigration and naturalization forms and the results of criminal background checks. You must timely and fully pay each of your employees and independent contractors to ensure that there is no interruption of services to your customers. All costs associated with your obligations under this Section are your sole responsibility.

#### **Section 4.6 MANAGEMENT OF YOUR FRANCHISE BUSINESS**

(a) **Your Management Responsibility.** You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of this Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire another individual to serve as your Regional Manager. You acknowledge that, if you choose to operate the Franchise Business using a Regional Manager that you hire (i.e.,

other than you or your Designated Representative), you may experience lower sales and/or higher costs than other Franchised Units managed by owner/operators.

(b) **Designated Representative.** If this Agreement is signed by 2 or more individuals or by a Business Entity, you must designate an individual or a Franchise Owner to serve as the Designated Representative. We have the right to rely solely on instructions of the Designated Representative concerning the operation of the Franchise Business until we receive a duly signed written notice changing the Designated Representative.

(c) **Regional Manager.** You must designate an individual, which may include you or our Designated Representative, to serve as your Regional Manager. The Regional Manager must devote his or her best reasonable full-time efforts to the management and operation of your Franchise Business. You agree that your Franchise Business requires the day-to-day supervision of the Regional Manager at all times your Franchise Business is open for business. The Regional Manager must complete the Regional Manager Training Program, as well as the Stretch Practitioner Training and Sales Associates Training Programs, before managing your Franchise Business, unless we otherwise agree in writing.

(d) **Change in Regional Manager.** If the Regional Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) due to death, disability, termination of employment or for any other reason, you, your Designated Representative, or a Franchise Owner will satisfy these obligations until you designate a new Regional Manager acceptable to us who has successfully completed our then-current training requirements (for which you must pay us the applicable training fees). You are solely responsible for the expenses associated with such training, including the then-prevailing standard training fees we charge.

#### **Section 4.7 APPROVED SPECIFICATIONS AND SOURCES OF SUPPLY**

(a) **Purchases from Us.** You must purchase from us or our Approved Supplier the stretching tables, kits, bolsters and wedges and other items that we require if implemented on a Network-wide basis. We will charge you the same price that we charge all Franchisees. You will submit payment for orders and pay all shipping, handling and insurance costs to us in the manner and in accordance with the price schedule contained in the Operations Manual or otherwise provided in writing, which we may amend in our sole direction. You agree to pay us for all orders in accordance with our then-current payment terms and policies. Your orders are subject to our acceptance and we reserve the right to wholly or partially accept or reject any order you place. We reserve the right to: (i) deny or limit the amount of credit we will extend to you; (ii) suspend shipments; (iii) make shipments only after all prior orders shipped to you have been paid in full; or (iv) make shipments on a cash in advance, on a C.O.D. basis, or on any other terms which we deem appropriate.

(b) **Purchases from Designated Suppliers.** You must purchase certain products or services solely from third party suppliers that we designate and from no other suppliers. ITEM 8 of the FDD discloses the current types of products and/or services and the names of our current Designated Suppliers.

(c) **Approved Suppliers.** You must purchase or lease certain equipment, supplies, inventory, advertising materials, and other products and services used for the development and operation of your Franchise Business only from Authorized Suppliers. These Authorized Suppliers have demonstrated: (i) the ability to meet our standards and specifications for the specified items; and (ii) possess adequate quality controls and the capacity to supply your needs promptly and reliably. We will use our best reasonable efforts to negotiate agreements with Approved Suppliers

that are in the best interest of all Franchise Businesses. In approving suppliers for the Business System, we may take into consideration factors like the price and quality of the products or services and the supplier's reliability. We may concentrate purchases with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Franchised Units or Company-Owned Units. Approval of a supplier may be conditioned on requirements on the frequency of delivery, standards of service, warranty policies including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier.

(d) **Approval of New Suppliers.** If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services, or other products or services that are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us a written request for approval, or request that the supplier do so itself. We have the right to require, as a condition of our approval, that the supplier permit our representatives to inspect its facilities. If we request, the supplier will deliver samples to us or to our designated independent, certified laboratory for testing. We are not liable for damage to any sample that may result from the testing process. You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (not to exceed \$1,500). We may also require as a condition to our approval, that the supplier present satisfactory evidence of insurance, for example, product liability insurance, protecting our Franchisees and us from all claims from the use of the item within the Business System. We will give you written notice of our approval or disapproval within 10 days after all testing and completion of the above conditions. We reserve the right to reinspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense. We reserve the right to revoke approval upon the supplier's failure to continue to meet our standards.

(e) **Our Right to Derive Revenue from Your Purchases and Leases.** We and/or our Affiliates may derive revenue based on your purchases and leases, including, but not limited to, from charging you for products and services that we or our Affiliates provide to you and from promotional allowances, volume discounts, rebates, commissions, and other payments made to us or our Affiliates by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our Affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes that we or our Affiliates deem appropriate.

#### **Section 4.8 CREDIT CARDS AND OTHER METHODS OF PAYMENT**

You will establish and maintain merchant account services in order to accept VISA, MasterCard, American Express and all other credit and debit card issuers or sponsors, check verification services, financial center services, and electronic fund transfer systems as we designate in order that you may accept customers' credit and debit cards, checks, and other methods of payment. We reserve the right to require the addition or deletion of credit card relationships and other methods of payment if implemented on a Network-wide basis. You will comply with all our credit card policies for a customer's use of a credit card as stated in the Operations Manual.

#### **Section 4.9 TELEPHONES, ANSWERING SERVICE AND INTERNET**

You will maintain:

(a) **Telephone System.** A sufficient number of operating telephone lines and telephone numbers to be used exclusively for the operation of your Franchise Business that we reasonably

require, with sufficient staff to handle telephone calls in an efficient and courteous manner at all times during normal business hours;

(b) **After Business Hours.** An answering service or voice mail system after normal business hours; and

(c) **Operating Internet Data Line.** You must maintain an operating Internet data line at your Franchise Business that permits us to monitor accounting and operational information electronically.

#### **Section 4.10 OPENING OF THE FRANCHISE BUSINESS**

(a) **No Opening Without Our Consent.** You agree not to open your Franchise Business for business before we have given you our written consent. If you open before we have given our written consent, you must cease operating the Franchise Business until we give you our written consent.

(b) **Conditions to Opening.** We will give our written consent when: (a) all your obligations under Sections 4.1 through 4.9 have been fulfilled; (b) we determine that your Franchise Business has been constructed, furnished, equipped, and decorated in accordance with approved plans and specifications; (c) those individuals that we designate (whether in this Agreement or the Manual) have attended and completed, to our reasonable satisfaction, Pre-Opening Training, any other pre-opening training that we require, and any prerequisites for the applicable individual's position at the Franchise Business that we specify, and you have at least 1 Certified Stretch Zone Practitioner; (d) the Initial Franchise Fee and all amounts due to us and our Affiliates under this Agreement have been paid in full; (e) we have been furnished with certificates of insurance and copies of all insurance policies or all other evidence of insurance coverage as we reasonably request; (f) you have obtained a certificate of occupancy for your Premises; and (g) you have obtained all necessary licenses and permits to operate your Franchise Business. You will comply with these conditions and be prepared to open your Franchise Business for business within 6 months after the Agreement Date. If you fail to open your Franchise Business within 6 months after the Agreement Date, we have the right to terminate this Agreement and retain the Initial Franchise Fee. If we terminate the Franchise Agreement you must also sign the Franchise Termination and Release Agreement included in Exhibit N.

(c) **Statement of Costs to Open.** Within three months after you open, you will prepare and provide us with a complete and detailed written statement in the form contained in the Operations Manual containing a breakdown of all costs you incurred in the construction and initial operation of the Franchise Business.

(d) **Certificate of Performance.** After we have performed all of our pre-opening obligations and you are open for business, we may request you to sign a certification in the form included in the Operations Manual ("Certificate of Performance") confirming our performance. If, in good faith, you do not believe that we have not completed certain of our pre-opening obligations, you will note the alleged deficiencies on Schedule A of the Certificate of Performance (List of Deficiencies to Certificate of Performance) specifically describing the obligations that you believe we have not performed.

## **Section 4.11 PRE-GRAND OPENING AND FRANCHISE BUSINESS GRAND OPENING**

You will engage in (a) the pre-grand opening plan containing a 6-prong approach to introduce the coming Franchise Business to the community, and (b) the three-day grand opening plan, each as detailed in the Operations Manual.

## **Section 4.12 OPERATIONAL REQUIREMENTS**

You agree to operate the Franchise Business in conformity with all uniform methods, standards and specifications as we reasonably require in the Operations Manual or otherwise, to ensure that the highest degree of quality and service is uniformly maintained.

(a) **Use of Premises**. You must use your Premises only for the operation of your Franchise Business. You must keep your Franchise Business open for business and in normal operation for the minimum hours and days as we reasonably require in the Operations Manual or otherwise in writing except as may be limited by local law or the landlord's rules and regulations. You must have at least 1 Certified Stretch Zone Practitioner working during normal business hours.

(b) **Payment Processor**. You must use our Designated Supplier for ACH processing of membership fees.

(c) **Use of Computer and POS Systems**. You must record all Gross Revenues on the approved Computer and POS Systems.

(d) **Intranet Access**. We may also provide you access to our password protected Intranet areas within our Website to our "Back Office" web system to assist you with the operation of the Franchise Business including booking events, having a calendar, downloading documents, accessing the Operating Manual, processing credit card payments, making Royalty Fees payments and other payments to us, downloading advertising and marketing materials and other uses. We will also use the Intranet to post updates and announcements, conduct surveys and polls, etc. We may rescind your access to these services if, you are in default under this Agreement, violate the conditions and terms of use as contained in the Operations Manual or otherwise in writing.

(e) **Standards of Conduct**. You will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, employees, independent contractors, the public and us.

(f) **Payment of Debts**. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to our Affiliates and us, your suppliers, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Franchise Business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchise Business. If you default in making any payment when due, we are authorized, but not required, to pay them on your behalf. You agree promptly to reimburse us on demand for any such payment.

(g) **Customer Complaints**. You must respond to a customer complaint within 3 days of receipt. You must send to us a copy of the complaint and your written response. We may, but without having any responsibility to do so, direct you in resolving the complaint and you agree to work diligently with us in resolving the matter.

(h) **Hours of Operation.** Subject to any contrary requirements of local law, your Franchise Business must be opened to the public and operated at least 10 hours each day of the year excluding Holidays, although you have the option to close your Franchise Business with prior notification to us, 5 days per year, although never 2 consecutive days (with the exception of Christmas Eve and Christmas Day). We must authorize in writing of any variance from this provision. You acknowledge and agree that if your Franchise Business is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the Franchise and Franchise Business, unless the closure was due to Force Majeure as provided in Section 19.11.

(i) **Pricing Policies.** We have the right to set the prices (minimum and maximum) that you charge for the products and services that you offer at your Franchise Business, whether in connection with a sales promotion or otherwise, subject to applicable law. Such prices may vary among our franchisees, based on the demographics and marketing conditions of the DMA in which the Franchise Business is located. You cannot engage a discounting company.

#### **Section 4.13 COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

You will comply with all federal, state, and local laws, rules and regulations. You will timely obtain, maintain and renew when required all permits, certificates and licenses necessary for the proper conduct of your Franchise Business under this Agreement. These include anti-terrorism laws (Executive Order 13224), qualification to do business, fictitious, trade or assumed name registration, building and construction permits, occupational licenses, sales tax permits, health and sanitation permits and ratings, fire clearances, hazardous waste and other environmental permits. You acknowledge that: (i) federal, state and local governments administer and enforce regulations that include standards, specifications and requirements for the construction and maintenance of your Premises; fire safety, general emergency procedures, and customer/employee safety regulations; and, specifications and requirements that govern the Franchise Business's sanitary conditions; (ii) OSHA and health regulations as well as state and local safety and workplace regulations may impact the types of safety training, safety devices, and safety equipment you must make available to or must offer your employees; (iii) the U.S. Food & Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce regulations related to the storage and disposal of waste, cleaning supplies, and other hazardous materials; (iv) the Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles and (v) certain state and local governments have also adopted proposals that regulate indoor air quality, including no smoking policies. You will comply with all of these laws and regulations and all other applicable laws and regulations relating to the operation of the Franchise Business.

#### **Section 4.14 MAINTENANCE AND REPAIRS**

(a) **Ongoing Maintenance.** You must maintain and repair the building, equipment, fixtures, furnishings, signage and Trade Dress (including the interior and exterior appearance) employed in the operation of your Franchise Business in the highest degree of sanitation, appearance, condition and security as stated in the Operations Manual. Within 30 days after the receipt of any particular report prepared following an evaluation by our field representative, you must perform the items of maintenance and repair that we designate. If, however, any condition presents a threat to customers or public health or safety, you must immediately cure the condition regardless of cost, as further described in this Agreement. The items of maintenance generally result from common wear and tear over a period of time, accidents or lack of care. Examples include: (i) repairing or replacing HVAC equipment, plumbing and electrical systems that are not functioning

properly; (ii) repairing a leaking roof; (iii) repairing or replacing broken equipment; (iv) refreshing general appearance items such as paint (interior and exterior) and landscaping; (v) replacing worn flooring, furniture and other furnishings; and (vi) conducting routine maintenance of areas that affect the appearance of the Franchise Business and goodwill of the Trademarks such as the appearance of the outdoor signage, the parking lot and dumpster area.

(b) **Additional or Replacement Equipment.** If we determine additional or replacement equipment is required on a Network-wide basis because of a change in technology, a change in services, customer concerns or health or safety considerations, you will install the additional equipment or replacement equipment within the time we specify.

(c) **Signage.** The outdoor signage at your Franchise Business must comply with our then-current specifications, which we may modify and change from time to time due to modifications to the Business System, including changes to the Principal Trademark or other trademark. You must make such changes to the outdoor signage that we require. Any changes or upgrades to the type or size of your signage will be at your expense.

#### **Section 4.15 TAX PAYMENTS; CONTESTED ASSESSMENTS**

You will obtain a sales tax dealer certificate and a tax resale certificate for inventory resold to customers, if required by state or local law. You will promptly pay when due all taxes required by any federal, state or local tax authority including unemployment taxes, withholding taxes, sales taxes, use taxes, income taxes, tangible commercial personal property taxes, real estate taxes, intangible taxes and all other indebtedness you incur in the conduct of your Franchise Business. You will pay to us an amount equal to any sales tax, goods and services tax, gross receipts tax, or similar tax imposed on us for any payments you make to us, unless the tax is based on our net income or our corporate status in a state. If we pay any tax on your behalf, you will promptly reimburse us the amount paid. If there is any *bona fide* dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you will not permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises or any assets used in your Franchise Business.

#### **Section 4.16 CUSTOMER SURVEYS; CUSTOMER LIST**

You will present to customers any evaluation forms we require and will participate and/or request your customers to participate in any marketing surveys performed by or for us. You will maintain a current customer list containing each customer's name, address, telephone number and e-mail address, and supply a copy of the list to us on a quarterly basis. You must participate in any process we develop to record all customer information. You retain ownership of your customer lists. We will not use your customer list in any activity adverse to, or in competition with, you.

#### **Section 4.17 INSPECTIONS AND EVALUATIONS**

(a) **Periodic Inspections.** You will permit our field representatives to enter your Franchise Business at all reasonable times during the business day to assist you, to evaluate your business operations and to ascertain that you are complying with the provisions of this Agreement. We have the right to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving. We will perform an inspection in a manner that minimizes interference with the

operation of your Franchise Business. You will cooperate fully with our field representatives in the inspection. You will render assistance as they may reasonably request. You will permit them to observe how you are selling the products and rendering the services, to monitor sales volume, to conduct a physical inventory, to confer with your employees and customers and to remove samples of any products, supplies and materials in amounts reasonably necessary for inspection at our office and record keeping. We may videotape the inspection.

(b) **Evaluation Report.** We will give you an evaluation report listing the deficiencies and the corrective action you must take. Without limiting our other rights under this Agreement, you will take all steps necessary to immediately correct any deficiencies detected during inspections, including immediately stopping use of any equipment, advertising, materials, products, supplies or other items that do not conform to our then-current requirements. If you fail or refuse to correct any deficiency, this is an Event of Default on your part.

#### **Section 4.18 NOTICES TO US**

(a) **Lawsuits and Warning Letters.** You must notify us in writing and supply us copies of all relevant documents within 5 days of any of the following events:

(i) The commencement of any action, suit or other proceeding against you or any of your employees that may have a material adverse effect on the Franchise Business or the Business System;

(ii) Any communication by any governmental entity involving the conduct of your Franchise Business that indicates your material non-compliance with any applicable law, rule or regulation; or

(iii) The issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality against you or any of your employees that may have a material adverse effect on the Franchise Business or the Business System.

(b) **Progress Reports.** You will provide us with any information we request about the progress and outcome of these events within 5 days of our request.

#### **Section 4.19 OPERATIONAL SUGGESTIONS**

You are encouraged to submit to us written suggestions for improving elements of the Business System, including products, services, equipment, service format, advertising and any other relevant matters for our consideration. You agree that any suggestions you make are our exclusive property. We have no obligation to use any suggestions. You may not use any suggestion inconsistent with your obligations under this Agreement without our written consent.

#### **Section 4.20 RENOVATION AND UPGRADING**

You agree that you will make capital improvements or modifications necessary to modernize, redecorate and upgrade your Franchise Business. This may include an upgrade of your equipment to reflect the current image and Trade Dress of new Stretch Zone Franchises we reasonably request, taking into consideration the cost of the modernization, the life expectancy of the equipment and the then-remaining term of this Agreement. Generally, these requirements will not exceed those applicable to new Franchised Units and new Company-Owned Units. You must complete to our satisfaction any changes we require within a reasonable time, not to exceed 12 months from the date we notify you of any required changes (other than signage). You acknowledge and agree that

the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of the Franchise Business and to avoid deterioration or obsolescence in connection with the operation of the Franchise Business. If you fail to make any improvement as required by this Section, this is an Event of Default on your part.

#### **Section 4.21 PUBLICITY**

We have the right to take and use photographs, audio and/or video of the Franchise Business or testimonials from customers of the Franchise Business for publicity and/or advertising purposes, without charge or compensation to you. The photographs, videos, and/or testimonials are our sole property. You acknowledge that we own all right, title and interest and any other rights, as permitted under applicable law, to these photos, audio and video recordings. You agree that we may use your and your Franchise Owners' names, likeness and voices in promoting the Franchise Businesses and the Business System. You consent and assign to us all right, title and interest to our use of these names, likenesses and voices. You will cooperate with us in obtaining these audio, video, photographs, testimonials, and the consent of any persons included in these materials.

#### **Section 4.22 MINIMUM PERFORMANCE STANDARD**

We expressly condition the grant of your Limited Protected Territory upon your successful penetration of the market in your Limited Protected Territory. You agree to promote actively and aggressively the services offered at your Franchise Business within your Limited Protected Territory. Beginning in your 2nd full business year of operation and each full business year thereafter, the Franchise Business must generate at least \$240,000 in annual Gross Revenues. To cure this default you must pay us an "Underperformance Fee" equal to 6% of the difference between your actual Gross Revenues and \$240,000. If you fail to do this within 30 days on completion of your year-end financial statements, we have the option of exercising any of our rights under the Franchise Agreement including: (i) eliminating your rights in your Limited Protected Territory; or (ii) terminating the Franchise Agreement. This minimum performance standard is not a financial performance representation and does not infer that you will experience Gross Revenues of any particular level.

### **ARTICLE 5 - INTELLECTUAL PROPERTY**

#### **Section 5.1 OUR REPRESENTATIONS AS TO THE INTELLECTUAL PROPERTY**

We represent to you that:

- (a) **Ownership**. We are the sole owner of the Intellectual Property.
- (b) **Protection**. We will take all steps necessary to preserve and protect the ownership and validity of the Intellectual Property.

#### **Section 5.2 YOUR USE OF THE INTELLECTUAL PROPERTY**

You may use the Intellectual Property only in accordance with standards and specifications we reasonably determine and implement on a Network-wide basis. You agree that:

- (a) **Limitation on Use**. You will use the Intellectual Property only for the operation of your Franchise Business at the Premises.

(b) **Prohibitions.** You will not employ any of the Intellectual Property in signing any contract, check, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours.

(c) **Sole Business Name.** You will use our Principal Trademark as the sole service mark identification for your Franchise Business and will display prominently our Principal Trademark on and/or with all materials that we designate and authorize and in a manner that we specify.

(d) **No Encumbrance.** You will not use any of the Intellectual Property as security for any obligation or indebtedness.

(e) **Fictitious Name.** You cannot use the Stretch Zone trade name as part of your legal business name. You must comply in filing and maintaining any required fictitious, trade or assumed name registrations for the "Stretch Zone" trade name for example, John Jones d/b/a "Stretch Zone" or ABC, Inc. d/b/a "Stretch Zone," and will sign all documents that we or our counsel deem reasonably necessary to obtain protection for the trademarks and our interest in the trademarks.

(f) **Impairment.** You will exercise caution when using the Intellectual Property to ensure that the Intellectual Property is not in any manner jeopardized.

### **Section 5.3 INFRINGEMENT BY YOU**

You acknowledge that the use of the Intellectual Property outside the scope of this Agreement, without our written consent, is an infringement of our rights in the Intellectual Property. You agree that during the Initial Term, and after the expiration or termination of this Agreement, you will not, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity of, or our right to, the Intellectual Property, or take any other action in derogation of our rights.

### **Section 5.4 CLAIMS AGAINST THE INTELLECTUAL PROPERTY**

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademark or the other Intellectual Property you will promptly (within 7 days) notify us in writing. If you become aware of any use of, or claim to, the Principal Trademark or the other Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Intellectual Property. You must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property.

### **Section 5.5 INDEMNIFICATION BY US.**

We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any of the Intellectual Property in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

## **Section 5.6 OUR RIGHT TO MODIFY THE INTELLECTUAL PROPERTY**

If we deem it advisable to modify or discontinue the use the Principal Trademark or any of the other Intellectual Property and/or use an additional or substitute Principal Trademark including: (i) due to the rejection of any pending application for registration; (ii) revocation of any existing registration of any of the Intellectual Property (ii) the rights of senior users; (iv) our negligence; (v) a radical change in direction of the Business System we unilaterally cause or mandate; or (vi) the modification or discontinuation of the use of any of the Intellectual Property is due to a continuing need to modernize the Business System, you are liable for all expenses in substituting the modified or new Intellectual Property in your Franchise Business. You are obligated to do so within 30 days of our request.

## **Section 5.7 OWNERSHIP; INUREMENT SOLELY TO US**

You agree that: (a) you have no ownership or other rights in the Intellectual Property, except as expressly granted in this Agreement; and (b) we are the owner or authorized licensor of the Intellectual Property. You agree that all goodwill associated with the Franchise Business inures directly and exclusively to our benefit and is our sole and exclusive property except through any profit you receive from the permitted sale of your Franchise Business during the Initial Term or any Renewal Term. You will not in any manner prohibit, or do anything that would restrict, us or any Franchisee from using the Intellectual Property or filing any trade name, assumed name or fictitious name registration of the Principal Trademark with respect to any Franchise Business to be conducted outside the Limited Protected Territory or any business within the Limited Protected Territory that is permitted by this Agreement. If you secure in any jurisdiction any rights to any of the Intellectual Property (or any other Intellectual Property) not expressly granted under this Agreement, you will immediately notify us and immediately assign to us all of your right, title and interest to the Intellectual Property (or any other Intellectual Property).

## **ARTICLE 6 - THE OPERATIONS MANUAL**

### **Section 6.1 IN GENERAL**

To protect our reputation and goodwill and to maintain uniform standards of operation under the Intellectual Property, you will conduct your Franchise Business in accordance with the Operations Manual. The Operations Manual is an integral part of this Agreement with the same effect as if fully stated in this Agreement.

### **Section 6.2 CONFIDENTIAL USE**

(a) **Trade Secret.** You will treat and maintain the Confidential Information as our confidential trade secrets except for information previously known or obtained through independent sources and found within the public domain. You must keep the Operations Manual in a secure area within the Premises. You will strictly limit access to the Confidential Information to your employees that have signed a Confidentiality and Non-Competition Agreement in the form included in the Operations Manual and to the extent they have a "need to know" in order to perform their duties. You will report the theft, loss or destruction of the Operations Manual immediately to us.

(b) **Unauthorized Use.** You agree that, during and after the Initial Term, you, your Franchise Owners, Designated Representative, Regional Managers and employees will:

(i) Not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the Stretch Zone concept;

(ii) Maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term;

(iii) Not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and

(iv) Adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information.

(v) Not modify, reverse engineer, decompile, create other works from or disassemble any of our or any of our Affiliates' Confidential Information, except as we permit in writing.

### **Section 6.3 PERIODIC REVISIONS**

(a) **Changes to Manual.** We will revise the Operation Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions. You will comply with each new or changed provision beginning on the 30<sup>th</sup> day (or any longer time as we specify) after our written notice. We will base revisions to the Operations Manual on what we determine to be in the best interests of the Business System, our interest and the interest of our Franchisees, including promoting quality, enhancing goodwill, increasing efficiency, decreasing administrative burdens, or improving profitability.

(b) **Variances.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right, in our sole discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based on the circumstances then existing. You are not entitled to require us to grant to you a similar variation under this Agreement.

### **SECTION 6.4 PRIOR INFORMATION**

You agree that all Confidential Information received before the Agreement Date was unknown to you except through our disclosure and that the marketing practices and operating procedures we develop and franchise to you for the operation of the Franchise Business are important for the success of the Business System. If you receive any Confidential Information after signing this Agreement, and you do not object in writing to us within 30 days after signing this Agreement that any of the information comprising the Confidential Information not be considered Confidential Information, then you have irrevocably waived your right to make any objection. You agree that this representation and warranty is a material inducement for us to enter into this Agreement, and any breach is an Event of Default on your part.

## **ARTICLE 7 - ADVERTISING**

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the goodwill and public image of the Business System, the parties agree to the following provisions.

### **Section 7.1 LOCAL ADVERTISING**

(a) **Your Expenditures.** You must spend a minimum of \$2,000 per month on Local Advertising of your Franchised Business within your DMA.

(b) **Our Approval.** You must submit to us for our approval all materials used for Local Advertising, unless we have previously approved the materials or the materials consist of materials we have provided. All materials containing the Intellectual Property must include the applicable designation - service mark<sup>sm</sup>, trademark<sup>TM</sup>, registered<sup>®</sup> or copyright<sup>©</sup>, or any other designation we specify. If you have not received our written disapproval of materials you submitted within 10 days from the date we received the materials, then we are deemed to have approved the materials. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment, the materials or advertising may injure or be harmful to the Business System. You will have 5 days after you receive of our written notice to discontinue using the materials or advertising, unless otherwise agreed in writing.

(c) **Social Media.** You cannot engage in social media concerning the Franchise Business without our prior written consent. You must purchase social media management software from our Designated Supplier. All content on your social media regarding Stretch Zone belongs to us.

## **Section 7.2 REGIONAL ADVERTISING COOPERATIVE**

You agree that we have the right to establish a Regional Advertising Cooperative in any DMA. Upon our request, you will immediately become a member of the Regional Advertising Cooperative for the DMA that includes your Limited Protected Territory. Your Franchise Business does not have to be a member of more than 1 Regional Advertising Cooperative. All Company-Owned Units within your DMA must also become members of the Regional Advertising Cooperative. There will be governing documents available for your review.

(a) **Purposes of Regional Advertising Cooperative.** We will organize the Regional Advertising Cooperative for the exclusive purposes of administering advertising programs and developing standardized promotional materials for use by its members. The Regional Advertising Cooperative may adopt its own rules and procedures, but we must approve the rules or procedures. The rules and procedures must not restrict or expand your rights or obligations under this Agreement. Except as otherwise contained in the Franchise Agreement, and subject to our approval, any lawful action of the Regional Advertising Cooperative at a meeting attended by 67% of the members, including assessments for Local Advertising, binds you if approved by 67% of the members present. Each Franchised Unit and Company-Owned Unit has 1 vote.

(b) **Our Approval of Advertising.** We must approve in writing all advertising or promotional plans or materials the Regional Advertising Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials in accordance with the procedure stated in Subsection 7.1(b).

(c) **Members' Contributions to Cooperative.** The Regional Advertising Cooperative has the right to require each of its members to contribute to the Regional Advertising Cooperative the same amount, but not to exceed 2% of that member's monthly Gross Revenues. We credit this amount against your obligation for Local Advertising. Each member will submit to the Regional Advertising Cooperative, no later than the 10<sup>th</sup> day of each month for the preceding calendar month, his, her or its contribution together with all other statements or reports the Regional Advertising Cooperative or we require.

(d) **Quarterly Reports.** The Cooperative will prepare quarterly unaudited reports of its advertising and marketing expenditures. The reports will be sent by the Cooperative to its members and to us.

(e) **Impasses.** If an impasse occurs based on its members' inability or failure to resolve within 45 days any issue affecting the establishment or effective functioning of the Regional Advertising Cooperative, the issue, upon request of a member of the Regional Advertising Cooperative, will be submitted to us for consideration. Our resolution of the issue is final and binding on all members of the Regional Advertising Cooperative.

(f) **Changes, Dissolution or Merger of Cooperatives.** We have the right to form, change, dissolve or merge any Cooperative.

### **Section 7.3 INTERNET ADVERTISING/WEBSITE**

(a) **Website.** We will list your Franchise on our Website. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, franchise information, product and/or service information and all other information that we may designate in writing. You will not create or maintain any website other than the website we provide.

(b) **Domain Name.** We prohibit you from registering any domain name using the Intellectual Property and from hosting a website to promote the Franchise Business or the products or services without our prior written consent. We retain all rights to the trade names and other Intellectual Property, and any associated Internet domains used to identify the Business System.

### **Section 7.4 MEDIA FUND**

(a) **Creation.** We have created a special fund called the "Stretch Zone Media Fund" (the "Media Fund"), into which we will deposit the Advertising Contributions described in Subsection 3.1(e) for the benefit of all Franchised Units and Company-Owned Units who contribute to the Media Fund.

(b) **Administration.** We will administer the Media Fund. We use the funds in the Media Fund to pay for the costs of creating various advertising, marketing, and promotional materials that we deem beneficial to the Business System. We also use the funds in the Media Fund to pay the costs of conducting regional and/or national advertising and promotional activities (including the cost of producing advertising campaigns and marketing materials, conducting test marketing and marketing surveys, and public relations activities) that we deem beneficial to the Business System. We can charge the Media Fund for our costs for services we provide, in lieu of engaging third party agencies to provide these services. We will not use any of the funds to offer or sell Stretch Zone Franchises to prospective franchisees. We assume no other direct or indirect liability or obligation to you for the maintenance, direction or administration of the Media Fund, except as expressly provided in this ARTICLE 7.

(c) **Expenditures.** All expenditures are at our sole discretion. We may spend in any calendar year more or less than the total Advertising Contributions to the Media Fund in that year. We may loan to the Media Fund or borrow from other lenders for the Media Fund to cover deficits of the Media Fund or cause the Media Fund to invest any surplus for future use by the Media Fund. We will carry any monies not spent by the Media Fund in any particular year to fund production expenses in the next year.

(d) **Contents and Concepts.** We retain sole discretion over all advertising, marketing and public relations programs and activities financed by the Media Fund, including the creative

concepts, materials and endorsements used and the geographic market, media placement and allocation. You agree that the Media Fund may be used to pay the costs of preparing and producing associated materials and programs that we determine, including video, audio and written advertising materials employing advertising agencies; sponsorship of sporting, charitable or similar events, administering regional and multi-regional advertising programs including purchasing direct mail and other media advertising, social media programs, and employing advertising agencies to assist with marketing efforts; and supporting public relations, market research and other advertising, promotional and marketing activities.

(e) **Advertising Contributions by Us.** Company-Owned Units are required to contribute to the Media Fund on the same basis that Franchised Units are required to contribute.

(f) **Termination of Expenditures.** We maintain the right to terminate the collection and disbursement of the Advertising Contributions and the Media Fund. Upon termination, we will disburse the remaining funds to existing Franchised Units and Company-Owned Units on a *pro-rata* basis based on their relative amount of contributions.

(g) **Media Placement.** The advertising funded by the Media Fund is anticipated to be placed, based on our decisions, in regional and/or national markets and it is anticipated to be placed with television, radio, periodicals, newspapers and/or direct mail campaigns. We do not have to spend any of your contributions to the Media Fund in your Limited Protected Territory.

(h) **Creation of Materials.** It is anticipated that most marketing materials will be prepared by our advertising department and/or a national or regional advertising agency.

(i) **Annual Report.** We will prepare an annual report of the receipts and expenditures of the Media Fund and send a copy of the report to you and all other Franchisees within 150 days after the end of each fiscal year. We will not audit this report.

## ARTICLE 8 - ACCOUNTING AND RECORDS

### Section 8.1 RECORDS

(a) **Paper and Electronic Records.** You will maintain complete and accurate records for the operation of your Franchise Business. These records may be in paper form but you must maintain in Adobe PDF electronic versions of all paper records along with all e-mail communications and electronically created records. These records include detailed daily sales, cost of sales, all communications and attachments sent by e-mail and other relevant records or information. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You must segregate these records from all other records that do not concern your Franchise Business. You must preserve these records in a cloud based web storage we designate, accessible to us; for at least 6 years from the dates of their preparation including after the termination, transfer or expiration of this Agreement.

(b) **Customer Information.** All Customer lists and files, phone and contact lists; databases, etc. containing Customer, marketing and financial data that you develop or store are and remain our sole property during and after this Agreement terminates or expires.

### Section 8.2 REPORTS AND STATEMENTS; CONFIDENTIALITY

(a) **Monthly Reports.** You will e-mail to us as an attachment by the 10<sup>th</sup> day of each month, our Monthly Report form included in the Operations Manual that includes accurate records

reflecting all Gross Revenues received during the previous month, the computation of Royalty Fees and Advertising Contributions, and all other information we require. If you must collect and remit sales taxes, you must also supply to us copies of your sales tax returns.

(b) **Quarterly Financial Statements.** You must also submit to us, a quarterly balance sheet and income statement within 90 days of the end of your fiscal year. You, your treasurer or your chief financial officer must sign and attest that the financial statements are true and correct and fairly present your financial position at and for the times indicated. You will also supply to us copies of your federal and state income tax returns at the time you file these returns with the appropriate tax authorities. The financial statements and/or other periodic reports described above must segregate the income and related expenses of your Franchise Business from the income and expenses of any other business that you may conduct.

(c) **Confidentiality.** We agree to maintain the confidentiality of all financial information we obtain about your Franchise Business. We may disclose this financial information to our professional advisors and any third party that is bound to maintain the confidentiality of the information. We may use the information to prepare a financial performance representation or other information required or permitted by federal or state franchise law. We may prepare a composite list of financial performances by our Franchisees for dissemination among the Franchisees that identifies your Gross Revenues and advertising expenditures. This composite list will not present the information in a manner where your identity can be easily determined.

### **Section 8.3 REVIEW AND AUDIT**

(a) **Our Right of Audit.** Our representatives have the right at all times to examine and copy your records. We have the right, at any time, to access your Computer and POS Systems to determine, among other things, sales activity and Gross Revenues. We also have the right, at any time, to conduct an independent audit of your records but no more than 2 times a year, or more frequently if you are in default under this Agreement. To verify the information you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance. You must fully cooperate with our representative in performing these activities and you must reimburse us for any expenses we incur based on your lack of cooperation.

(b) **Underreporting.** If an inspection reveals you have understated any financial information you have reported to us (including Gross Revenues or payments owed to us), you must immediately pay to us, upon demand, the amount understated and interest at the maximum rate permitted by law beginning from the time the required payment was due. If any inspection discloses an understatement of 2% or more of Gross Revenues, you must also reimburse us for the expenses for the inspection or audit (including reasonable auditing, accounting, attorneys' fees and costs). In addition, we reserve the right to require you retain an independent certified public accountant reasonably acceptable to us to audit all future year-end financial statements at your expense. These remedies are in addition to any other remedies we have under this Agreement or under applicable law. If the audit discloses an overpayment in any amount you paid to us, we will promptly pay you the amount of the overpayment or offset the overpayment against any amounts owed to us.

## **Section 8.4 YOUR NAME, ADDRESS AND TELEPHONE NUMBER**

Under federal and state franchise laws, while you are a Franchisee, we must disclose your name, business address and business telephone number of each of your Franchised Units in ITEM 20 of the FDD. After you cease being a Franchisee, we must disclose your name, city and state and then current business telephone number (or if unknown, your last known home telephone number) for a certain time. You agree to this disclosure. You must notify us of any change in your name, address and telephone number within 10 days of the change. This obligation survives the expiration or termination of this Agreement.

## **ARTICLE 9 - INSURANCE AND BONDING**

### **Section 9.1 TYPES AND AMOUNTS OF COVERAGE**

You must purchase and maintain at your expense certain insurance that includes the risks, amount of coverage and deductibles as stated in the Operations Manual. This insurance may be in addition to any other insurance that you must obtain based on the requirements of applicable law, your landlord's requirements, your lender's requirements or otherwise. The insurance company must be reasonably satisfactory to us and have a Best rating of "B" or better and be written by our Approved Supplier. We may periodically adjust the amounts of coverage required under the insurance policies and require different or additional kinds of insurance at any time. These include excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes are required throughout the Network including any Company-Owned Units.

### **Section 9.2 EVIDENCE OF INSURANCE**

At least 10 days before you begin any construction of the Premises, or 10 days from the Agreement Date, if the Premises are constructed and presently owned or leased by you, you must furnish to us a certificate of insurance issued by an approved insurance company showing compliance with these insurance requirements and a paid receipt showing the policy number. The certificate of insurance must name us as an additional insured and include a statement by the insurer that the policy will not be canceled, be subject to nonrenewal or be materially altered without at least 30 days' written notice to us. You will send to us current certificates of insurance on an annual basis. You will submit to us promptly copies of all insurance policies and proof of payment upon our request.

### **Section 9.3 REQUIREMENTS FOR CONSTRUCTION OR RENOVATION**

For any construction or renovation of the Premises, you must require the general contractor to maintain with an approved insurer commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, and independent contractor's coverage) for at least \$1,000,000, with you and us named as additional named insureds, as their interests may appear, together with workers' compensation and employer's liability insurance required by law.

### **Section 9.4 OUR RIGHT TO PARTICIPATE IN CLAIMS PROCEDURE**

Our insurer or we have the right to participate in discussions with your insurance company or any claimant (with your insurance company) regarding any claim. You agree to discuss our reasonable recommendations with your insurance carrier regarding the settlement of any claims.

## **Section 9.5 WAIVER OF SUBROGATION**

The parties agree that, for any loss covered by insurance carried by the parties, their respective insurance companies have no right of subrogation against the other.

## **Section 9.6 EFFECT OF OUR INSURANCE**

Your obligation to maintain the policies in the amounts required is not limited because of any insurance we maintain. Our performance of your obligations does not relieve you of liability under the indemnity provisions in this Agreement.

## **Section 9.7 FAILURE TO MAINTAIN INSURANCE**

If you fail to maintain the insurance required by this Agreement, we have the right and authority (but without any obligation to do so), after written notice to you and 10 days in which to cure, to procure the insurance on your behalf. If we do so, we will charge you the cost of the insurance, plus interest at the maximum rate permitted by law and a 15% administrative fee for so acting, that you agree to pay immediately upon notice.

## **Section 9.8 GROUP INSURANCE**

If we arrange any insurance coverage through group or master policies such as property and casualty, workers' compensation, liability and health, life and disability insurance, we will offer you the right to participate in this group insurance programs at your expense if the insurance is available in the state in which your Franchise Business is located.

# **ARTICLE 10 - TRANSFER OF INTEREST**

## **Section 10.1 TRANSFER BY US**

(a) **No Restrictions on Transfer.** We have the right to assign this Agreement to any person without your consent.

(b) **Estoppel Certificate.** Within 10 days after we request, you must sign, acknowledge and deliver to us, a written estoppel certificate stating: (a) confirmation of the existence of this Agreement; (b) that this Agreement has not been amended and is in full force and effect (or, if amended, stating the nature of the amendment); (c) that there are not, to your knowledge, any uncured defaults on our part or by you under this Agreement or specifying the defaults, if any, that are claimed; (d) that you have no, and know of no basis for, any claims of any kind against us (or, if you have or know of any claims, a detailed statement of all claims and a statement that you have no, and know of any basis for, any other claims); and (e) any other matter upon which certification is requested by us or a prospective assignee or lender. We and any prospective purchaser or lender of ours may rely upon any estoppel certificate you give under this Subsection. Any failure or refusal to timely sign a truthful estoppel certificate under this Subsection is an Event of Default on your part.

## **Section 10.2 TRANSFER BY YOU**

(a) **Personal Rights.** You agree not to transfer any interest in this Agreement, or a major portion of the Business Assets comprising the Franchise Business, or more than 50% of the equity interests of the Franchisee if a Business Entity without our prior written consent. We will not unreasonably withhold, delay or condition our consent to any proposed transfer or assignment by you that requires our consent. Our consent is not required for a transfer of an equity interest, if the

Franchisee is a Business Entity, to another original equity owners but such transfer does not release the transferring Franchise Owner from her/his obligations under any Guaranty that s/he previously signed.

(b) **Transfer to Your Business Entity.** You may assign this Agreement to a Business Entity in which you own a majority of the issued and outstanding equity interests if:

(i) You or a Regional Manager actively manages the Business Entity and continues to devote his or her best efforts and full and exclusive time to the day-to-day operation of your Franchise Business. You must advise us of the name of the Regional Manager, and the Regional Manager must meet our standards, including training.

(ii) The Business Entity cannot use the trade name "Stretch Zone" in any derivative or form in the name of the Business Entity.

(iii) The Board of Directors (Management Committee) and Shareholders (Members) of the Business Entity approve the assumption of this Agreement, authorize an officer or manager to sign a joinder agreement or assumption of this Agreement and appoint a Designated Representative.

(iv) An authorized officer (manager) of the Business Entity signs a document in a form we approve, agreeing to become a party bound by all the provisions of this Agreement;

(v) All certificates representing equity interests must bear the following legend:

The Percentage of Membership Interests represented by this Certificate is subject to the terms of the Franchise Agreement between the Company and Stretch Zone Franchising LLC dated \_\_\_\_\_ including its restrictions on transfer. A copy of the Franchise Agreement is on file at the principal office of the Company.

You will not be required to pay us a Transfer Fee in connection with a transfer in accordance with this Section 10.2(b). You understand that, if you transfer this Agreement to a Business Entity, you remain personally liable for all the monetary and non-monetary obligations under this Agreement arising before or after the transfer through the end of the Initial Term and any Renewal Term.

(c) **No Subfranchising Rights.** You have no right to grant a subfranchise.

(d) **No Encumbrance of Franchise Right and Controlling Interest.** While you may encumber the assets comprising your Franchise Business with our prior written consent and subject to Section 3.6, you may not grant a security interest, collaterally assign or otherwise encumber your interest in this Agreement. You may not pledge or otherwise encumber a controlling voting or equity interest in a Business Entity if you assign this Agreement to a Business Entity. Any attempted encumbrance is void and is an Event of Default on your part.

(e) **"For Sale" Restrictions.** You will not permit to be placed upon the Premises a "Business For Sale" or "For Sale" sign, or any sign of a similar nature or purpose, nor in any manner use the Principal Trademark or other trademarks to advertise the sale of your Franchise Business or the sale or lease of the Premises. These prohibitions apply to any activities under a listing agreement into which you may enter with a real estate or business broker.

(f) **Permitted Transfer or Sale**. We will consent to a transfer of this Agreement or the sale of the assets comprising the Franchise Business, if you satisfy the following requirements:

(i) You must give us written notice of your intention to transfer this Agreement or sell the assets comprising the Franchised Business. You will also submit other information and documents (including a copy of the proposed purchase or other transfer agreement) we require under our then-current transfer procedures. The notice must indicate whether you or a Franchise Owner proposes to receive by the transferee a purchase money security interest in the property transferred. You may not receive a security interest without our prior written consent and upon conditions acceptable to us. Any agreement used in connection with a transfer or sale is subject to our prior written approval, which approval we will not withhold unreasonably.

(ii) We have not exercised our right of first refusal under Section 10.5.

(iii) You are not in default of any term of this Agreement or any other agreement between you and us or our Affiliates at the time of transfer.

(iv) The transferee satisfactorily completes our application procedures for new Franchisees;

(v) The transferee interviews at our principal office and demonstrates to our reasonable satisfaction that the transferee has the business and personal skills, reputation and financial capacity that we require of new Franchisees;

(vi) The transferee must sign our then-current form of Franchise Agreement and all other agreements attached as exhibits to our then-current FDD. The new Franchise Agreement and other agreements may vary in material aspects from this Agreement, including higher Royalty Fees and Advertising Fees and a smaller Limited Protected Territory. Neither party is obligated to perform their respective pre-opening obligations under the new Franchise Agreement. We will not charge an Initial Franchise Fee.

(vii) You will pay us the Transfer Fee to reimburse us for our costs in approving the transfer and in training the transferee.

(viii) The transferee must assume your obligations under the lease of the Premises or sign a new lease with the property owner.

(ix) You and your shareholders (members), and your directors and officers (managers) must sign a Franchise Termination and Release Agreement, in the form attached as Exhibit N to the FDD, of any claims against us and our subsidiaries and Affiliates, and their respective officers, directors, agents and employees.

(x) At the transferee's expense, the personnel of the transferee that we designate must complete the Franchisee Training Program, the Regional Manager Program, and our other then-current training requirements for new franchisees upon all terms that we reasonably require.

(xi) The parties will sign our form of Franchisor's Consent to Transfer or Sale in the form included in the Operations Manual.

(g) **Disapproval of Transfer.** Our disapproval of the transfer for failure to satisfy the transfer conditions described in this Subsection, or of any other condition to transfer stated in this Agreement, does not cause us any liability to you or the transferee. Our consent to a transfer is not a waiver of any claims we may have against you. Our consent to a transfer is not a waiver of our right to demand the transferee's exact compliance with this Agreement. No transfer we approve relieves you of liability for your conduct before the transfer, including conduct in breach of this Agreement. You are relieved of all liability for your transferee's conduct after a permitted transfer except you remain obligated to comply with those provisions that expressly survive an expiration or termination of this Agreement including the obligations of indemnification, confidentiality and non-competition.

(h) **Transfer Without Our Consent.** Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement is void. We will consider that your interest in this Agreement has been voluntarily abandoned giving us the right to elect either to deem you in non-curable default and terminate this Agreement or to collect from you and the Guarantors a fee equal to 2 times the Transfer Fee.

### **Section 10.3 TRANSFER UPON DIVORCE OR BUSINESS ENTITY DISSOLUTION**

If this Agreement is in the name of 2 persons who are husband and wife or 2 or more persons who are owners of a Business Entity, this Section describes the policies to be applied upon a divorce or dissolution of the Business Entity. During the period when a divorce or dissolution action is pending, you must give us written notice and adopt one of the following methods of operation:

(a) **Relinquishment of Interest.** If a party relinquishes his or her right and interest in the Franchise Business and the other spouse or owner will continue to operate the Franchise Business, he or she must assign the interest to the other spouse or owner if the other spouse or owner has successfully completed our then-current training requirements. This does not relieve that person relinquishing his or her interest of his or her personal obligations under this Agreement including the personal obligations of indemnification, confidentiality and noncompetition.

(b) **Joint Cooperation.** If the parties to a divorce or dissolution action agree that, despite their difficulties, they can continue to operate the Franchise Business jointly on a "business-as-usual" basis during the proceeding, they may do so.

(c) **Third-Party Regional Manager.** If the parties in a divorce action or dissolution do not agree to operate under alternates (a) or (b), to the extent that they have not already done so, they must arrange to have a third party act as Regional Manager and operate the Franchise Business until the divorce or dissolution is completed. The Regional Manager must have satisfactorily completed our then-current training requirements.

(d) **Final Order or Judgment.** After a final order or judgment, the divorcing parties may continue to operate the Franchise Business. In this case, however, each person must enter a formal agreement defining their respective rights and obligations, file a signed copy with us, assign this Agreement to the new Business Entity, appoint a Designated Representative and comply with all other requirements for operating the Franchise Business as a Business Entity. Neither party is released from their obligations under this Agreement.

## **Section 10.4 TRANSFER UPON DISABILITY OR DEATH**

Upon your or any Franchise Owner's death or disability, your or the Franchise Owner's executor, administrator, conservator, guardian or other personal representative (collectively, the "Representative") must transfer your interest in this Agreement, the operating assets of the Franchise Business and the Franchise Business, or such Franchise Owner's direct or indirect ownership interest in you, to a third party whom we approve. That transfer (including transfer by bequest or inheritance) must occur within a reasonable time, not to exceed six months from the date of death or disability, and is subject to all of the terms and conditions in this Section 10. A failure to transfer such interest within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or the Franchise Owner from supervising your or the Franchise Business's management and operation for 30 or more consecutive days.

## **Section 10.5 OUR RIGHT OF FIRST REFUSAL**

(a) **Notice of Offer.** If you are a Business Entity and the Franchise Owners receive an offer from a third party to purchase 100% of the equity interests of the Business Entity ("Equity Interest Offer") or if you are not a Business Entity and you receive an offer from a third party to purchase, outside the ordinary course of business, a material part or all of the Business Assets of the Franchise Business ("Asset Offer"), then you must ensure that the person receiving the Interest Offer, or upon your receiving the Asset Offer (and in either case the person receiving the third party's offer is referred to as the "Offeror") understands that, if the Offeror desires to accept the Equity Interest Offer or the Asset Offer, the Offeror first offer to sell to us the Interest or the Assets for the consideration and on the terms stated in the third party's written offer (the "Offer"). The Offeror must give us written notice that includes the name and address of the Offeree, the price and terms of the Offer, a copy of the signed purchase agreement and a franchise application completed by the Offeree, and any other information that we request in order to evaluate the Offer. We have the right of first refusal to purchase the Interest or the Assets by accepting the Offer within 30 days after our receipt of the Offer and all required information.

(b) **Acceptance of Offer.** If we give notice of acceptance of the Offer, then the Offeror will sell and we will purchase the Interest or the Assets in accordance with the terms of the purchase agreement made by the Offeree. However, if Offeror was obligated to pay a broker's commission on the sale to the Offeree, which brokerage commission is not due if we exercise our right of first refusal, the purchase price will be reduced by the amount of the brokerage commission that would have been paid by Offeror. If the Offeror is extending purchase money financing, our creditworthiness is deemed at least equal to the creditworthiness of the Offeree.

(c) **Unique Consideration.** If the purchase agreement provides for the Offeree's full or partial payment to include consideration that is of a nature that we cannot reasonably duplicate (the "Unique Consideration"), we may substitute cash or stock (of we are a public company with registered shares) in lieu of the Unique Consideration. The parties will agree on the value of the Unique Consideration within 30 days after we received the purchase agreement and other information. If the parties cannot agree on the fair market value of the Unique Consideration, an independent appraiser the parties select will determine its fair market value. If the parties are unable to agree on an independent appraiser within 10 days, the parties will each select an independent appraiser, and the appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value of the Unique Consideration. If either party fails to select an appraiser and give notice to the other of the identity of the appraiser within the 10-day

period, the appraiser selected by the other party will be the appraiser. The parties will pay the cost of the appraisal equally.

(d) **Other Assets**. If the proposed sale includes assets that are not part of the operation of the Franchise Business, we may elect to purchase only the assets that comprise the Franchise Business. The parties will determine an equitable purchase price. If the parties cannot agree and allocate the purchase price to each asset included in the sale, the value will be determined by the appraisal process described in Subsection 10.5(c).

(e) **Representations and Warranties**. We will purchase the Interest or Assets subject to all customary representations and warranties given by a seller of stock or assets. These representations and warranties include warranties as to ownership, condition and title to the Interest and/or Assets, absence of liens and encumbrances on the Interest and/or Assets, validity of contracts and the extent and natures of any liabilities of the Business Entity relating to the Interest purchased.

(f) **Closing**. Unless otherwise agreed to by the Offeror and us, the closing of the purchase of the Interest or the Assets will take place at our principal office no later than 60 days after you delivered the purchase agreement and other documents to us. The closing of any purchase where Unique Consideration is determined in accordance with Subsection 10.5(c) will occur within 15 days after the value of the Unique Consideration is determined. At any closing, the Offeror must deliver to us an assignment and other documents we request representing a transfer of ownership of the Interest or the Assets free of all liens, claims, pledges, options, restrictions, charges and encumbrances, in proper form for transfer and with evidence of payment by the Offeror of all applicable transfer taxes. We will simultaneously make payment of any cash consideration for the Interest or Assets by a cashier's check drawn on a financial institution or payment by the issuance of the shares less any amounts you then owe us, if any.

(g) **Waiver of Right**. If we do not accept the Offer, the Offeror is free, within the next 60 days after we have elected not to exercise our option, to sell the Interest or the Assets to the Offeree for the consideration and upon the terms specified in the Offer, subject to full compliance with all the terms of transfer required under this Agreement including those stated in Section 10.2. Before any sale of the Interest to the Offeree, the Offeree must deliver to us a written acknowledgment that the Interest purchased is subject to the terms of this Agreement and that the Offeree agrees to be bound to the terms of this Section on transferring the Interest, in the same manner as the Offeror. If the Offeror does not sell the Interest or the Assets within the 60-day period, then any later transfer by the Offeror of the Interest or the Assets is again subject to the restrictions stated in this Agreement.

(h) **Exceptions to Right**. If a proposed Offeree is a limited liability company wholly owned by the Offeror or to the Offeror's spouse or child, we will not have any right of first refusal. All transferees are subject to all of the restrictions on transfer of ownership imposed on the Offeror under this Agreement.

## ARTICLE 11 - DEFAULT AND TERMINATION

### Section 11.1 TERMINATION BY US - WITHOUT NOTICE

(a) **Automatic Termination**. Subject to applicable law, this Agreement automatically terminates without notice to you or giving you an opportunity to cure on the date that any of the following Events of Default occurs:

- (i) You make a general assignment for the benefit of creditors;

(ii) You file a petition in bankruptcy, a petition for involuntary bankruptcy is filed against you, you consent to the petition, or the petition is not dismissed within 45 days;

(iii) You are adjudicated as bankrupt, a bill in equity or other proceeding for the appointment of a receiver or other custodian for your Franchise Business or its assets is filed and you consent to it.

(iv) If a court appoints a receiver or other custodian (permanent or temporary) of your Franchise Business or its assets, or proceedings for a composition with creditors under federal or any state law is filed by or against you;

(v) A final judgment in excess of \$25,000 remains unsatisfied for 30 days or longer (unless you file a *supersedeas* bond);

(vi) Execution is levied against the assets of your Franchise Business, or suit to foreclose any lien or mortgage against the assets of your Franchise Business is filed against you and is not dismissed within 45 days.

(b) **Notice to Us.** You will notify us within 3 days of the occurrence of any of the events described in Subsection 11.1(a).

#### **Section 11.2 TERMINATION BY US - AFTER NOTICE**

We may terminate all rights granted to you under this Agreement, without affording you any opportunity to cure the default, effective immediately upon notice to you, if any of the following Events of Default occur:

(a) **Cessation.** You cease to do business at the Premises for more than 14 days in any calendar year or for more than 7 consecutive days, or lose the right of possession of the Premises after the expiration of all redemption periods and you have not satisfied the provisions of Section 1.5, if applicable.

(b) **Forfeiture.** You forfeit the right to do or transact business in the jurisdiction where your Franchise Business is located.

(c) **Health or Safety Violation.** You violate any health or safety law, ordinance or regulation, and you do not correct the violation within 3 days after written notice from us or a governmental authority. If you cannot reasonably cure in this time, then you must begin taking all reasonable steps to cure within this time and complete a cure in no more than 30 days after receipt of written notice.

(d) **Conviction.** You or the Regional Manager, or any officer, director, or Franchise Owner, are convicted of a felony, a crime of moral turpitude or any other crime or offense that we reasonably believe is likely to have a material adverse effect on the Business System, the Intellectual Property, the goodwill associated with the Intellectual Property, or our interest in any of the Intellectual Property, unless you immediately but legally terminate that individual's relationship with you.

(e) **Denial of Inspection.** You deny us the right to inspect your Franchise Business or to audit your records.

(f) **Moral Turpitude**. You engage in conduct that we determine is deleterious to or reflects unfavorably on you, the Franchise Business or the Business System in that the conduct exhibits a reckless disregard for the physical or mental well-being of employees, customers, our representatives or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior.

(g) **Unauthorized Encumbrance or Transfer**. You attempt to encumber or transfer any rights or obligations under this Agreement (including transfers of any interest in a Business Entity that owns the Franchise Business) in violation of this Agreement, without our written consent.

(h) **Breach of Personal Covenants**. If any breach occurs under Sections 6.2 or 13.1 concerning confidentiality and non-competition covenants.

(i) **Falsehoods**. You knowingly maintain false records or knowingly submit any false reports to us.

(j) **Infringement**. You misuse, make any unauthorized use of the Intellectual Property or otherwise materially impair the goodwill associated with the Intellectual Property, or our rights in the Intellectual Property.

(k) **Recurring Defaults**. If you receive from us 3 or more Notices of Default for the same or similar defaults during any 12 consecutive-month period, even if all defaults were cured.

(l) **Guarantor's Financial Condition**. There is a material adverse change in the financial condition of any Guarantor.

(m) **Termination of ADA**. If you or your Affiliate are a Developer under a Stretch Zone Area Development Agreement ("ADA") and the ADA is terminated.

### **Section 11.3 TERMINATION BY US - AFTER NOTICE AND RIGHT TO CURE**

(a) **Monetary Defaults**. With respect to monetary defaults, you have 10 days after delivery from us of a written Notice of Default specifying the amount due to pay us the full amount due plus interest, late charges and our attorneys' fees.

(b) **Non-Monetary Defaults**. With respect to non-monetary defaults, except as otherwise provided in Section 11.1 and 11.2, you have 30 days after delivery from us of a written Notice of Default specifying the nature of the default and what steps you must take to remedy any default. You must timely provide evidence of cure satisfactory to us. If you fail to cure any default within that time (or any longer time required by applicable law), you have committed an Event of Default giving us the right to terminate this Agreement. In addition to the Events of Default specified in Sections 11.1 and 11.2, it is an Event of Default if you fail to comply with any requirement imposed by this Agreement, as it may be revised or supplemented by the Operations Manual. You have the burden of proving that you properly and timely cured any default, to the extent we permit a cure under this Agreement.

(c) **Immediate Termination After 24 Hours to Cure**. If a default under this Agreement occurs that violates any health safety or sanitation law or regulation, violates any system standard as to food handling, cleanliness, health and sanitation, or if the operation of the Franchise Business presents a health or safety hazard to your customers or to the public (for example, improper cooking or food storage procedures): (i) you will have no more than 24 hours after we provide written notice

of the default to cure the default; and (ii) if you fail to cure the default within the 24 hour period, this Agreement will terminate effective immediately on our issuance of written notice of termination.

(d) **Cessation of Services.** During a cure period, we reserve the right to refuse to provide services or products to you without our being in default of this Agreement.

#### **Section 11.4 YOUR OBLIGATIONS UPON TERMINATION**

### **ARTICLE 12 - DUE TO YOUR DEFAULT OR ON NONRENEWAL**

Upon our termination of this Agreement due to your default or upon the expiration and nonrenewal of the Agreement, the Sections of this ARTICLE apply to the parties' rights and obligations.

#### **Section 12.1 CEASE OPERATION OF THE FRANCHISE BUSINESS**

You will immediately cease operating the Franchise Business. You will not, directly or indirectly, use any of the Intellectual Property. You will not represent yourself as a present or former Franchisee of us. You must not continue to associate yourself with the Intellectual Property or use the Business System. You will immediately cease using all stationery, signage and other materials containing the Intellectual Property. You will also immediately cease using all telephone numbers for the Franchise Business. You authorize us to take whatever actions are necessary to comply with this Section and in accordance with the Telephone Number and Directory Advertising and Assignment Agreement, the form of which is included as Exhibit I to the FDD. You must cease using our Website. You must cease using any URL and Internet addresses used for your Franchise Business that we do not own and immediately transfer to us the URL and Internet addresses. You must return to us all software, disks, tapes and other magnetic storage media we provided to you in good condition (reasonable wear and tear excepted). You must delete all software and applications from all memory and storage devices.

#### **Section 12.2 PAYMENT OF OUTSTANDING AMOUNTS**

We will retain all fees paid under this Agreement. You must pay to us: (a) all unpaid Royalty Fees and Advertising Contributions; (b) all amounts owed for products or services you purchased from us; (c) all payments we paid to Approved Suppliers on your behalf and to the Landlord to cure your default under the Lease; and (d) all other amounts owed to us within 10 days after the effective date of the termination, or any later dates as we determine that amounts are due to us. You must also pay all Affiliates, Designated Suppliers, Approved Suppliers and other creditors the amounts you owe to them.

#### **Section 12.3 DISCONTINUANCE OF USE OF TRADE NAME**

You must immediately cancel any fictitious, trade or assumed name registration that contains our trademark, trade name or service mark or colorable imitation of our trademark, trade name or service mark. You will furnish us with evidence of compliance with this obligation within 30 days after our termination or the expiration of this Agreement. If you fail to cancel, you appoint us as your attorney-in-fact to do so.

## **Section 12.4 OUR OPTION TO PURCHASE CERTAIN ASSETS USED IN YOUR FRANCHISE BUSINESS**

(a) **Option to Purchase.** We have the option to purchase from you all the Assets used in your Franchise Business by giving you written notice within 30 days from the date of termination or termination. We have the unrestricted right to assign this option to purchase. We are entitled to all customary warranties given by a seller of a business, including: (i) ownership, condition and title to the assets; (ii) the absence of liens and encumbrances on the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the Assets is their respective fair market value, determined as of the effective date of purchase, in a manner consistent with reasonable depreciation of your leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and other depreciable assets of your Franchise Business. The purchase price will take into account the termination of the Franchise granted under this Agreement and will not contain any factor or increment for any trademark, service mark or other commercial symbol used in the operation of your Franchise Business.

(b) **Fair Market Value.** The parties will agree on the fair market value within 30 days after your receipt of our notice exercising our option. Absent agreement, within 10 days thereafter, the parties will select an independent appraiser to determine the fair market value. If the parties are unable to agree on the appraiser, the parties will each select an appraiser, and the 2 appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value. If either party fails to select timely an appraiser, the appraiser selected by the other party will select the Third Appraiser. You will give the Third Appraiser full access to your Franchise Business, the Premises and your records during normal business hours to conduct the appraisal. The parties will pay the Third Appraiser's costs equally.

(c) **Closing.** We will pay the purchase price in cash at the closing of the purchase. The closing will take place within 90 days after your receipt of our notice of exercise. At the closing, you will deliver instruments transferring to us good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests assumable and acceptable to us) with all transfer taxes paid. If you cannot deliver clear title to all of the Assets, or if there are other unresolved issues, the closing of the sale will be in escrow. The parties will comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state where your Franchise Business is located, if any, and the bulk sales provisions of any applicable tax laws and regulations. You will pay all tax liabilities incurred in the operation of your Franchise Business before or at the closing of the purchase. We have the right to set off against and reduce the purchase price by all amounts you owe to us, and the amount of any encumbrances or liens against the assets or any obligations we assume.

(d) **Lease.** If you lease the Premises, we agree to use reasonable efforts to either assume the lease, or effect a termination of the lease and enter into a new lease. If we assume your lease, we will indemnify you from any ongoing liability under the lease that occurs after the date we assume possession of the Premises. If you own the Premises, upon purchase of the Assets, you will enter into a new lease with us. The lease will be on terms comparable for similarly leased commercial properties in the area for a term of at least 10 years and for a rental equal to the fair market rental value of the Premises. The Appraiser (selected in the manner described above) will determine the rental value, if the parties cannot agree on the fair market rental value of the Premises.

## **Section 12.5 DISTINGUISHING OPERATIONS**

(a) **Non-Competitive Business.** If we do not exercise our option under Section 12.4 and you desire to remain in possession of the Premises, you may only operate a business that does not violate your covenant not to compete. You must make all modifications to the Premises immediately upon termination of this Agreement as necessary to distinguish the appearance of the Premises from that of other Franchise Businesses.

(b) **De-Identification.** You must immediately remove all identifying architectural superstructure and signage on, about or in the Premises bearing the name or logos of Stretch Zone (or any name or logo similar to Stretch Zone), in the manner we specify. You will hold all property belonging to us for delivery to us, at our expense, upon request. Any signage that you are unable to remove within 1 Business Day of the termination or expiration of this Agreement you must completely cover the signage until the time of their removal. If you fail or refuse to comply with this obligation, we have the right to enter the Premises, without being guilty of trespass or any other tort for the purpose of removing the signage and storing them at another location, at your reasonable expense (for signage not owned by us) payable by you on demand.

(c) **Notice to Customers.** Until you complete all modifications and alterations required by this Section, you must maintain a conspicuous sign at the Premises in a form we specify stating that your business is no longer associated with our Business System. You also must advise all customers or prospective customers calling your new telephone number that your new business is no longer associated with our Business System.

(d) **Our Entry Right.** If you fail or refuse to comply with the requirements of this Section, we have the right to enter upon the Premises to make all changes as may be required at your expense and at your sole risk. We have no responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act. You agree that your failure to make these alterations will cause us irreparable injury.

## **Section 12.6 UNFAIR COMPETITION**

You agree, if you continue to operate or later begin to operate any other business, you will not engage in any unfair competition as that term has been interpreted under 15 U.S.C. § 1125(a), commonly known as Section 43(a) of the Lanham Act or under Florida law including trademark infringement, passing off, false advertising, misappropriation and unfair competition. This Section does not relieve, directly or indirectly, your obligations under ARTICLE 13.

## **Section 12.7 RETURN OF MATERIALS**

You will immediately deliver to us all Confidential Information including the Operations Manual in your possession or control, and all copies and any other forms of reproductions of these materials. You agree that all these materials are our exclusive property.

## **Section 12.8 LIQUIDATED DAMAGES FOR PREMATURE TERMINATION**

If we terminate this Agreement due to your default, in addition to all amounts you owe us at the time of termination, you will also pay us a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fees and Advertising Contributions for: (i) the 36 calendar months of operation of your Franchise Business preceding the termination; (ii) the period of time your Franchise Business has been in operation preceding the termination, if fewer than 36 calendar months, projected on a 36-calendar-

month basis; or (iii) any shorter period that equals the unexpired period of the Initial Term. The parties agree that a precise calculation of the full extent of the damages that we will incur on termination of this Agreement as a result of your default is difficult to calculate and the parties desire certainty in this matter. The parties agree that the lump sum payment is reasonable in light of the damages for premature termination that we will incur in this event. You are also liable for pre-judgment and post-judgment interest and our attorneys' fees and costs. Other than a claim for monetary damages or lost profits, this payment is not exclusive of any other remedies that we have including a right to injunctive relief. This payment does not relieve you from your obligations that survive the termination or expiration of this Agreement including the obligations of indemnification, confidentiality and non-competition.

## **ARTICLE 13 - YOUR INDEPENDENT COVENANTS**

### **Section 13.1 DIVERSION OF BUSINESS; COMPETITION AND INTERFERENCE WITH US.**

(a) **Covenant Not to Compete.** You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the Franchisees if we permit Franchisees to hold interests in any Competitive Business.

(i) **In-Term.** You covenant that during the Initial Term, except as we otherwise approve in writing, you will not directly or indirectly:

(A) Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

(B) Be involved with a Competitive Business as owner, officer, director, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this restriction will not apply to a 5% or less beneficial interest in a publicly-held limited liability company); or

(C) Interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any of our Franchisees.

(ii) **Post-Term.** You also covenant that, for 24 months after the termination of this Agreement due to your default, for 24 months after the expiration and non-renewal of this Agreement, or for 24 months after you transfer your Franchise Business, except as we otherwise approve in writing, you and your officers, agents, servants, employees, and all others in active concert or participation with you, will not, directly or indirectly:

(A) Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

(B) Be involved with a Competitive Business as owner, officer, director, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this restriction will not apply to a 5% or less beneficial interest in a publicly-held limited liability company) having a location within 50 miles of the Premises or within 10 miles

of any Franchised Unit or Company-Owned Unit then in operation or under contract;  
or

(C) Interfere with, disturb, disrupt, harm or attempt to diminish any relationships, agreements or understandings, written or oral, decrease or otherwise jeopardize our business or the business of any of our Franchisees or any other Stretch Zone locations, customers, shareholders, suppliers, suppliers, lenders or creditors including ceasing doing business with, or diminish his, her or its relationship with us or our Franchisees.

(b) **Section 542.335 of the Florida Statutes.** You, your Franchise Owners and Guarantors agree that we have a legitimate business interest justifying the enforcement of this restrictive covenant, consistent with Section 542.335 of the Florida Statutes, which legitimate business interest includes:

(i) Substantial relationships with employees and valuable confidential business or professional information that does not otherwise qualify as trade secrets;

(ii) Substantial relationships with specific prospective or existing customers and suppliers;

(iii) Customer and Customer goodwill associated with:

(A) An ongoing business providing stretching services;

(B) A specific geographic location.

(C) A specific marketing and trade area;

(D) A specific marketing Clientele;

(E) A list of subcontractors;

(F) A list of 1099 Recipients; and

(G) A list of customers.

(c) **Reasonableness of Covenant.** You agree that the length of the term and geographical restrictions contained in this Section are fair and reasonable and are not the result of overreaching, duress or coercion of any kind. You agree that your full, uninhibited and faithful observance of each of the covenants in this Section will not cause you any undue hardship, financial or otherwise. The enforcement of each of the covenants in this Section will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you or otherwise to obtain income required for the comfortable support of yourself and your family, and the satisfaction of your creditors. You agree that your special knowledge of the business operated by a Franchise Businesses (and anyone acquiring this knowledge through you) would cause us and our Franchisees serious injury and loss if you (or anyone acquiring this knowledge through you) were to use this knowledge to the benefit of a competitor or were to compete with us or any of our Franchisees.

(d) **Tolling.** You agree that the 24-month period will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement.

(e) **Court Modification.** If any court rules that the time, territory, scope or any other provision in this Section is an unreasonable restriction upon you, you agree that these provisions are not rendered void, but apply as to time, territory, scope or to any other extent that the court determines or indicates are reasonable restrictions under the circumstances involved.

### **Section 13.2 INDEPENDENT COVENANTS; THIRD PARTY BENEFICIARIES**

(a) **Independent Covenants.** The parties agree that the covenants in this ARTICLE are independent of any other provision of this Agreement. You agree that the existence of any claim you may have against any affiliate or us under this Agreement or otherwise, is not a defense to our enforcement of these covenants.

(b) **Third Party Beneficiaries.** The parties agree that all other Franchisees are third party beneficiaries of the terms of Section 13.1. Another Franchisee has the right to enforce these covenants at its expense without our joinder or participation, if we are unwilling or unable to enforce these covenants, but without any liability to the Franchisee on our part.

## **ARTICLE 14 - INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

### **Section 14.1 INDEPENDENT STATUS**

You are an independent contractor. Nothing in this Agreement is intended to designate either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, affiliate or servant of the other party for any purpose, unless expressly provided in this Agreement to the contrary. The parties agree that nothing in this Agreement authorizes either party to make any agreement, warranty or representation on behalf of the other party, nor to incur any debt or other obligation in the other party's name. You will take all affirmative action we request to indicate that you are an independent contractor, including placing and maintaining a plaque in a conspicuous place within the Premises and a notice on all stationery, business cards, sales literature, contracts and similar documents that states that your Franchise Business is independently owned and operated by you. The content of any plaque and notice is subject to our written approval.

### **Section 14.2 INDEMNIFICATION**

(a) You agree to indemnify and hold harmless us, our Affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (1) the Franchise Business's development and operation; (2) the business that you conduct under this Agreement; (3) your breach of this Agreement; (4) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Franchise Business's construction, design or operation (including laws pertaining to the service of alcoholic beverages), and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (5) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our Affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 14.2(c). "Losses" means any

and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs, including accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(b) You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 14.2(a)(1) through (5) above (collectively, "Proceedings"), including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceedings brought, that is subject to this Section 14.2 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 14.2(c). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 14.2. Your obligations under this Section 14.2 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

(c) Despite Section 14.2(a), you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 14.2(b)) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or our failure to compel you to comply with this Agreement, which are claims for which you are not entitled to indemnification pursuant to this Section 14.2(c). However, nothing in this Section 14.2(c) limits your obligation to defend us and the other Indemnified Parties under Section 14.2(b).

## ARTICLE 15 - REPRESENTATIONS AND WARRANTIES

### Section 15.1 OUR REPRESENTATIONS

We make the following representations and warranties to you that are true and correct upon the signing of this Agreement:

(a) **Organization**. We are a limited liability company duly organized, validly existing and in good standing under the laws of the State of Florida.

(b) **Authorization**. We have the corporate power to sign, deliver, and carry out the terms of this Agreement. We have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by us and is our valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation.** Our performance of our obligations under this Agreement will not result in: (i) the breach of any term of any contract or agreement to which we are a party to or that we are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by us of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

## **Section 15.2 YOUR REPRESENTATIONS**

You make the following representations and warranties to us that are true and correct upon signing this Agreement and throughout the Initial Term:

(a) **Organization.** You are a limited liability company duly organized, validly existing and in good standing under the laws of the State of state.

(b) **Authorization.** You have the power to sign, deliver, and carry out this Agreement. You have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by you and is your valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation.** The performance by you of your obligations under this Agreement will not result in: (i) the breach of any term of, or be a default under, any term of any contract, agreement or other commitment to which you are a party to or you are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by you of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

(d) **No Speculative Intent.** You are not obtaining the Franchise Business for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer any part of this Agreement or the assets comprising the Franchise Business.

(e) **True Copies.** Copies of all documents you furnished to us are correct copies of the documents, including all amendments or modifications, and contain no misleading or incorrect statements or material omissions.

## **Section 15.3 RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT**

You acknowledge you have received from us our Franchise Disclosure Document for the state of your residence and where your Franchise Business will be located containing all exhibits to the Franchise Disclosure Document at least 14 days before: (a) you signed this Agreement and any other agreement with us imposing a binding obligation on you; and (b) your paying any consideration to us for the sale or proposed sale of a Franchise.

## **Section 15.4 RECEIPT OF COMPLETED FRANCHISE AGREEMENT**

You also acknowledge that you have received from us a completed copy of this Agreement and all related agreements, containing all material terms, (except for the date, signatures and any minor matters not material to the agreements), with all blanks filled in, at least 7 days before you signed this Agreement.

## **Section 15.5 ACKNOWLEDGMENT OF RISK**

You agree to the following:

(a) **YOU AGREE THAT, IN ALL OF YOUR DEALINGS WITH US, OUR OFFICERS, DIRECTORS, EMPLOYEES, BROKERS (IF ANY) AND OTHER REPRESENTATIVES, ARE ACTING ONLY IN A REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. YOU AGREE THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN YOU AND ANY INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE ONLY BETWEEN YOU AND US AND NOT THE INDIVIDUALS.**

(b) **IN ADDITION, WE MAKE NO WARRANTY AS TO YOUR ABILITY TO OPERATE THE FRANCHISE BUSINESS IN THE JURISDICTION WHERE YOU INTEND TO OPERATE YOUR FRANCHISE BUSINESS. IT IS YOUR OBLIGATION TO SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF A GOVERNMENTAL BODY ENACTS ANY LEGISLATION OR REGULATION THAT PREVENTS YOU FROM OPERATING YOUR FRANCHISE BUSINESS, WE ARE NOT LIABLE TO YOU FOR ANY DAMAGES. WE DO NOT HAVE TO INDEMNIFY YOU OR RETURN TO YOU ANY MONIES WE RECEIVED FROM YOU.**

## **ARTICLE 16 - TERM**

### **Section 16.1 INITIAL TERM**

The Initial Term of this Agreement is 10 years from the Agreement Date, unless sooner terminated under ARTICLE 11. The conditions to obtain a Renewal Franchise Agreement at the expiration of this Agreement are those stated in Section 16.2.

### **Section 16.2 OPTION TO OBTAIN RENEWAL FRANCHISE AGREEMENT**

(a) **Evergreen Renewal**. We grant you unlimited options to obtain a Renewal Franchise Agreement for a term of 10 years each. You must satisfy all of the following conditions before the expiration of this Agreement, unless we specified another time below.

(i) You must give us written notice of your intention to exercise the option at least 6 months before but not more than 12 months before the end of the Initial Term.

(ii) You cannot be in default of any provision of this Agreement or any other agreement between you and us or our Affiliates at the time of renewal.

(iii) Within 30 days before the end of the Initial Term, you must sign and deliver to us a Renewal Franchise Agreement. The Renewal Franchise Agreement may have material business terms that are different from the terms of this Agreement. We are not obligated to provide any initial or other pre-opening obligations and you are not obligated to perform any pre-opening duties contained in the Renewal Franchise Agreement that apply only to new franchisees. You must also sign all other agreements ancillary to the Renewal Franchise Agreement.

(iv) You will not pay another Initial Franchise Fee but you will pay to us the Renewal Fee described in Subsection 3.1(h);

(v) You and your shareholders (members), and your directors and officers (managers) must sign a Franchise Termination and Release Agreement, in the form attached

as Exhibit N to the FDD, releasing any claims you may have against us and/or our subsidiaries and affiliates, and their respective officers, directors, agents and employees.

(vi) You must be entitled to continue to occupy the Premises for the entire Renewal Term including renewal rights or obtain our approval of a new location for the Franchise Business within the Limited Protected Territory, but not within the Limited Protected Territory of a Company-Owned Unit or Franchised Unit, in accordance with our relocation procedures stated in Section 1.5.

(vii) You must renovate and modernize the Premises if they do not conform to our then-current Trade Dress requirements.

(b) **Our Right Not to Renew.** If you have not met all of the conditions stated in Subsection 16.2(a), or if you have received 4 or more notices of default during the Initial Term, even if you cured the defaults, we may elect not to enter into a Renewal Franchise Agreement. Within 5 days after you receive our written notice that we have elected not to enter into a Renewal Franchise Agreement, you may request our permission for you to sell your Franchise Business. You will then have 180 days to sell the Franchise Business, subject to our right of first refusal. This notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have other grounds to terminate the Initial Term). This transfer must comply with the provisions of Subsection 10.2(f) and all the other applicable terms of this Agreement. During this period, you must continue to operate your Franchise Business in accordance with the terms of this Agreement.

### **Section 16.3 REINSTATEMENTS AND EXTENSIONS**

If any termination or expiration of the Initial Term would violate any applicable law, we may reinstate or extend the Initial Term to comply with the law for the duration provided by us in a written notice to you, without waiving any of our rights under this Agreement or otherwise modifying this Agreement.

## **ARTICLE 17 - DISPUTE RESOLUTION**

This is a long-term business relationship. If a dispute arises at any time between the parties relating to this Agreement, the parties will follow the dispute resolution procedures set forth in this ARTICLE.

### **Section 17.1 INFORMAL DISPUTE RESOLUTION**

Except for the matters involving the remedies in Section 17.4, the parties will attempt in good faith to meet in person to discuss and resolve the dispute. The party requesting the meeting will send a written notice to the other party detailing what the party believes to be the nature of the dispute including the facts and the provisions in this Agreement on which the dispute is based-and how the dispute may be satisfactorily resolved. The meeting will take place at our headquarters (currently Fort Lauderdale, Florida). At the meeting, each party will be represented by a person authorized to conclusively resolve the dispute on that party's behalf and to bind that party to any agreed-upon resolution. Discussions and exchanges of information and materials, if any, are confidential and must be treated as part of compromise and settlement negotiations for purposes of applicable rules of evidence. If the parties resolve the dispute at the meeting, they will immediately formalize that resolution by an agreement that they both sign at the time. This step must occur before either party can file a request for mediation. Any party that fails to attend or participate in the meeting, within 30 days of written request, may not begin any mediation under Section 17.2 to

resolve the dispute. If the parties cannot informally resolve the dispute, the party seeking formal resolution of the dispute must, before it may commence or initiate a legal or administrative proceeding relating to the dispute, submit the dispute to nonbinding mediation as described in Section 17.2.

## **Section 17.2 MEDIATION**

Except for the matters involving the remedies in Section 17.4, if the parties have failed to informally resolve the dispute under Section 17.1, the dispute initiating party must submit the dispute to non-binding mediation with the other party before a mediator that is a member of the FORUM Arbitration, Mediation International ("FORUM") or another mutually agreeable mediator within 30 days after informal dispute resolution has concluded. Mediation must take place before the dispute initiating party can file any demand for arbitration or complaint. Both parties will sign a confidentiality agreement reasonably satisfactory to both parties. The parties will conduct the mediation in Broward County, Florida. Each party will bear his, her or its own costs for the mediation and each party will pay 50% of Forum's fees and the mediator's fee. If a dispute initiating party refuses to mediate the dispute, the dispute initiating party cannot file any demand for arbitration or complaint involving the matter in dispute. If the other party refuses to mediate, the other party has waived mediation and the dispute initiating party may immediately file a demand for arbitration or a complaint.

## **Section 17.3 ARBITRATION**

(a) **FORUM.** Except as specifically modified by this ARTICLE and matters involving the remedies in Section 17.4, any controversy or claim under this Agreement, including any claim that this Agreement, or any part of this Agreement, is invalid, illegal or otherwise voidable or void, including any claim of fraud in the inducement, the dispute must be submitted by the dispute initiating party to arbitration before FORUM or any other mutually agreeable arbitration association to be resolved by a single arbitrator.

(b) **Enforceability.** The provisions of this Section are independent of any other covenant or provision of this Agreement. If a court of competent jurisdiction determines that any provision is unlawful in any way, that court will modify or interpret the provisions to the minimum extent necessary to have the provisions comply with the law. All issues of the arbitrability and the enforcement of this agreement to arbitrate are governed by the Federal Arbitration Act, the federal common law of arbitration and the laws of the State of Florida including the Revised Florida Arbitration Code and Florida's statutes of limitation.

(c) **Venue.** The parties agree that any state laws attempting to prohibit arbitration or void out-of-state forums for arbitration are preempted by the Federal Arbitration Act, and the arbitration will be conducted as provided in Section 17.5.

(d) **Injunctive Relief.** Either party may file for injunctive relief through FORUM in accordance with its rules to protect the effectiveness of the arbitration proceeding and promote the fair and expeditious resolution of the controversy.

(e) **No Group or Class Action Arbitration.** Only your individual claims may be raised in arbitration. There will be no group or class action arbitration.

(f) **Joinder.** All parties who may be legally responsible agree to participate in the arbitration and the parties must join all potential legal claims in the arbitration forum.

(g) **Rules**. The rules governing the conduct of the arbitration proceedings are consistent with generally prevailing standards of due process.

(h) **Panel**. The panel from which the parties choose the arbitrator must be comprised of persons knowledgeable in the franchise industry and who have demonstrated a capability for unbiased decision.

(i) **Limited Discovery**. The arbitrator will permit limited discovery consistent with due process and the arbitrating organization's discovery rules and the discovery plan approved by the arbitrator.

(j) **Preliminary Hearing**. For claims in excess of \$75,000, before the actual hearing on the merits, either party may elect to have the arbitrator conduct a preliminary hearing. At this hearing, each party may present testimony and other evidence. Either party may submit briefs including a brief stating their legal theories and the applicable statutory or common law, and the methods of measuring damages relating to the controversy or claim.

(k) **Hearing**. The actual hearing on the merits must occur within 6 months of the date of the filing of the arbitration proceeding.

(l) **Opinion; Final Award**. The arbitrator must issue a reasoned written award on the merits within 30 days of the completion of the hearings on the merits.

(m) **Final Judgment**. The court is vested with jurisdiction over the arbitration award immediately upon the entry of the award. After 30 days from the issuance of the arbitration award, if there is no appeal, either party may request that the court issue a final judgment based on an arbitration award in any court having competent jurisdiction. The judgment is binding, final and non-appealable.

(n) **Appeal**. If any party to arbitration wishes to appeal any final award (there will be no appeal of interim awards or other interim relief), the party may appeal, within 30 days of the final award, to a 3-arbitrator panel appointed by the same organization that conducted the arbitration. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration hearing and will not include any trial *de novo* or other fact-finding function. The party requesting the appeal must pay all expenses charged by the arbitration appeal panel and/or arbitration organization in the appeal and must post any bond deemed appropriate by the arbitration organization or arbitration appeal panel. In addition, a party requesting appeal that does not prevail on the appeal will pay the attorneys' fees and other costs that the other party incurred in responding to the appeal.

(o) **Failure to Pay Costs**. If a party fails to pay its, his or her share of the costs of arbitration, the arbitrator may enter an award against that non-paying party as to liability but not as to damages. The arbitrator will conduct a special hearing for the paying party on the issue of damages. The other party may attend the hearing.

(p) **Failure to Appear**. If either party fails to appear at any properly noticed arbitration proceeding, an award on liability may be entered against that party by default or otherwise. The arbitrator will conduct a special hearing for the appearing party on the issue of damages. The other party may attend the hearing.

(q) **Self-Execution**. This arbitration provision is self-executing and remains in full effect after the expiration, transfer or termination of this Agreement.

#### **Section 17.4 EXCEPTIONS TO MEDIATION AND ARBITRATION; EQUITABLE RELIEF**

(a) **Exceptions.** The obligations set forth in Sections 17.1 to 17.3 are not binding on either party for: (i) claims involving the Intellectual Property; (ii) claims involving any lease of real property between the parties or their related entities; (iii) your obligations upon the termination, transfer or expiration of this Agreement; (iv) any encumbrances or transfers restricted under this Agreement concerning interests in the Franchisee, the Franchise Business and this Agreement; (v) matters involving actions that may impair the goodwill associated with the Intellectual Property; (vi) matters involving claims of danger, health or safety involving the Franchise, the employees, customers or the public; or (vii) requests for restraining orders, injunctions or other procedures in a court of competent jurisdiction to obtain specific performance when deemed necessary by any court to preserve the *status quo* or prevent irreparable injury pending resolution by mediation or arbitration of the actual dispute between the parties.

(b) **Injunction.** You recognize that your Franchise Business is just one of a large number of businesses identified by the Intellectual Property in selling to the public the products and services associated with the Intellectual Property. The failure on the part of a Franchisee to comply with the terms of the Franchise Agreement is likely to cause irreparable damage to us and damages at law would be an inadequate remedy. Upon your breach or threatened breach of any of the terms of this Agreement concerning any matters referenced in Subsection 17.4(a), we are entitled to seek an injunction restraining the breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and costs incurred in obtaining equitable relief. This equitable remedy is in addition to all remedies that we have by virtue of your breach of this Agreement. We are entitled to seek this relief without the posting of any bond or security or, if a bond is required by the temporary arbitrator appointed by Forum or a court of competent jurisdiction, the parties agree that the sum of \$1,000 is a sufficient bond.

#### **Section 17.5 VENUE AND JURISDICTION**

(a) **Venue.** The parties irrevocably and unconditionally: (i) agree that any informal dispute meetings, mediation, arbitration or suit, action or legal proceeding involving your Franchise Business or this Agreement will be conducted in the county where our principal place of business is then located or may be brought in the District Court of the United States, in the district where our principal place of business is then located or, if this court lacks jurisdiction, the courts of record of the state and county where our principal place of business is then located; (ii) consent to the jurisdiction of each court in any suit, action or proceeding; (iii) waive any objection that he, she or it may have to the laying of venue of any suit, action or proceeding in any of these courts; and (iv) agree that service of any court paper may be effected on the party by mail at the last known address, as provided in this Agreement, or in any other manner as may be provided under applicable laws or court rules in the state where our principal place of business is then located. Our principal place of business is currently, Broward County, Florida.

(b) **Jurisdiction.** The parties specifically agree that this Agreement requires systematic and continuous contact with the State of Florida or where our principal place of business is located. These contacts include the payment of fees in State of Florida, the supplying of financial and other information into the State of Florida, training and orientation and the performance of other obligations under this Agreement in the State of Florida. This exclusive choice of jurisdiction does not preclude the bringing of any action by the parties for the enforcement in any other appropriate jurisdiction of any judgment obtained in the State of Florida.

## **Section 17.6 ENFORCEMENT COSTS**

(a) **Informal Dispute Resolution and Mediation Costs**. Each party will bear its, his or her own costs in engaging in informal dispute resolution. Each party will bear its, his or her own costs in any mediation except the filing fee and the fees to the mediator will be shared equally by the parties.

(b) **Arbitration Costs**. Each party will initially pay one-half of the costs of the filing fee and the fees for the arbitrator subject to reimbursement by the non-prevailing party to the prevailing party as determined by the arbitrator. If either party fails to pay its, his or her share of any arbitration fee or deposit, the other party who has paid its, his or her share may move for the arbitrator to issue an award on liability but the arbitrator will conduct a separate hearing to determine damages or other relief.

(c) **Prevailing Party**. If any arbitration or legal action is permitted and instituted under Sections 17.3 or 17.4, the Prevailing Party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs (including all fees and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in the action or proceeding, in addition to any other relief that the party is entitled. Attorneys' fees include paralegal fees, administrative costs, investigative costs, costs of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorneys to the Prevailing Party.

## **Section 17.7 GOVERNING LAW**

All disputes between the parties are governed by the Federal Arbitration Act, the federal common law of arbitration and the laws of the State of Florida including the Revised Florida Arbitration Code and Florida's statutes of limitation.

## **Section 17.8 WAIVER OF PUNITIVE DAMAGES CLAIMS**

**THE PARTIES WAIVE ALL RIGHT TO ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT UPON A DISPUTE BETWEEN THEM, EACH IS LIMITED TO THE RECOVERY OF ACTUAL DAMAGES HE, SHE OR IT SUSTAINS.**

## **Section 17.9 WAIVER OF JURY TRIAL**

**THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY OF ALL CLAIMS MADE BETWEEN THEM WHETHER EXISTING NOW OR IN THE FUTURE, INCLUDING ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSS CLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS INVOLVING THE SALE, NEGOTIATION, SIGNING OR PERFORMANCE OF THE TRANSACTIONS INVOLVING THIS AGREEMENT.**

## **ARTICLE 18 - DEFINITIONS**

### **Section 18.1 DEFINITIONS**

As used in this Agreement, the following terms have the following meanings:

"**ADA**" means a Stretch Zone Area Development Agreement signed by you or your Affiliate.

"**Advertising Contributions**" mean the payments described in Subsection 3.1(e).

**"Affiliate"** means any Business Entity controlled by, controlling, or under common control with, us regardless of whether an Affiliate sells products or services to you or sells franchises in any line of business. The term "Affiliate" also means any Affiliate of the Franchisee.

**"Agreement"** means this Stretch Zone Franchise Agreement, as it may be amended, supplemented or otherwise modified by the parties under Section 19.1.

**"Agreement Date"** means the date set forth on page 1 of this Agreement.

**"Agreement Year"** means the annual periods beginning on the Agreement Date.

**"Approved Supplier"** means a supplier of a particular product or service, possibly among several other suppliers, that we have approved"

**"Assets"** mean all equipment, vehicles, furnishings, fixtures, signs, inventory (non-perishable products, materials and supplies), leasehold improvements and the lease for the Premises"

**"Business Associate"** means any of our employees, officers, directors, agents, consultants, representatives, contractors, suppliers, distributors, franchisees or other business contacts.

**"Business Day"** means the period from 9:00 a.m. to 7:00 p.m. Monday through Friday except for national holidays.

**"Business Entity"** means a limited liability company, limited liability company, general partnership, limited partnership or other business entity authorized or qualified by state law of the state in which it will own and operate the Franchise Business as the Franchisee.

**"Business Office"** means the office at commercial complex.

**"Business System"** means our business system including: patented devices assisting in the stretching routines; distinctive sales and operating methods; sources of supply; uniform standards; procedures for the management of the business; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the business; an Operations Manual; and bookkeeping and accounting methods and procedures for operating a Franchise Business.

**"Certified Stretch Zone Practitioner"** means a person that has successfully completed our Stretch Practitioner Training Program and has been certified by us as a stretching practitioner.

**"Company-Owned Unit"** means a Stretch Zone business operated under the Business System and owned by us or any Affiliate or Predecessor.

**"Competitive Business"** means a business engaged, wholly or partially, directly or indirectly, in the provision of stretching services to individuals or any other business in which we and our other franchisees are then engaged.

**"Computer and POS Systems"** mean the computerized cash registers, printer and modem or other computer hardware you must purchase in accordance with our specifications contained in the Operations Manual.

**"Confidential Information"** means the Operations Manual and other copyrighted materials made available to you contain confidential and proprietary information and are our trade secrets. We

possesses and will develop and acquire confidential and proprietary information, and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge we, our Affiliates, or our Franchisees develop all information, knowledge, know-how and technologies that we designate as confidential, proprietary or trade secrets including information developed during the Initial Term or Renewal Term that derives independent economic value from being not generally known or readily ascertainable by other persons who could obtain economic value from its disclosure or use, yet, excluding information that is in the public domain.

**"Copyrights"** mean the Operations Manual, any marketing and advertising materials, forms, lists, schedules and other documents and materials in whatever form that we or our Affiliate assert common law copyright rights regardless of whether the copyrighted work has been registered with United States Registrar of Copyrights.

**"Designated Representative"** means the person you designate to act on your behalf as described in Subsection 4.6(b).

**"Designated Supplier"** means a supplier from whom you must purchase certain products or services for your Franchise Business.

**"Designee"** means our representative who is an independent contractor appointed by us to perform certain of our duties under this Agreement as described in ARTICLE 2.

**"Design Specifications"** mean the specifications described in Section 2.3.

**"DMA"** means a Designated Marketing Area, which is a geographic area defined by Nielsen Media Research Company as a group of counties that make up a particular television market. These counties comprise the major viewing audience for the television stations located in their particular metropolitan area. For the most part, the metropolitan areas correspond to the standard metropolitan statistical areas defined by the Federal Government Office of Management and Budget. The areas do not overlap, and every county in the United States belongs to only one DMA.

**"Enforcement Costs"** mean the costs described in Section 17.6.

**"Event of Default"** means a breach of this Agreement including those situations described in Sections 1.5(a), 1.5(b), 1.5(c), 4.17(b), 4.20, 6.4, 10.1(b), 10.2(a), 10.2(d), 11.1, and 11.2, assuming any requirement for the giving of notice, the lapse of time, or both, or any other condition is satisfied.

**"Franchise"** means the rights granted to you under this Agreement.

**"Franchise Business"** means the business providing stretching services we authorize you to establish and operate under the Business System and under the terms of this Agreement.

**"Franchise Disclosure Document"** or **"FDD"** means our current Franchise Disclosure Document and its Exhibits.

**"Franchisee"** means the individuals or Business Entity upon signing this Agreement or another person who is a party with us under another Franchise Agreement.

**"Franchise Owner"** means any individual that owns a direct or indirect equity interest in the Business Entity signing this Agreement as Franchisee.

**"Franchised Unit"** means a Franchise Business owned and operated under the Business System by a Franchisee.

**"Generally Accepted Accounting Principles"** mean those standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. The generally accepted accounting principles are derived, in order of importance, from: (i) issuances from an authoritative body designated by the American Institute of Certified Public Accountants ("AICPA") Council; (ii) other AICPA issuances including AICPA Industry Guides; (iii) industry practice; and (iv) accounting literature in the form of books and articles.

**"Gross Revenues"** mean the entire amount of all of your revenues from the ownership or operation of your Franchise Business including the proceeds of any business interruption insurance, whether the revenues are evidenced by cash, credit, checks, or gift certificates (unless exempted by us) and the fair market value of any services, property or other means of exchange, excepting only the amount of any sales taxes that are collected and paid to the taxing authority (based on the cash method of accounting). We allow the deduction of cash refunded and credit given to customers and receivables uncollectible from customers in computing Gross Revenues to the extent that the cash, credit or receivables represent amounts previously included in Gross Revenues where Royalty Fees and Advertising Contributions were paid. We deem that you have received Gross Revenues at the time the goods, products, merchandise or services from which Gross Revenues are derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first.

**"Guarantor"** means the person, persons or business entity that signs a Guaranty of Franchisee's Obligations as the Guarantor for the purpose of guaranteeing to us and our Affiliates, and their respective successors and assigns, every obligation of the Franchisee to us and our Affiliates and their respective successors and assigns.

**"Holidays"** mean New Years' Day, Thanksgiving and Christmas.

**"Initial Advertising Contribution"** means the fee described in Subsection 3.1(e).

**"Initial Franchise Fee"** means the fee described in Subsection 3.1(a).

**"Initial Term"** means the term described in Section 16.1.

**"Intellectual Property"** means the Principal Trademark, other Trademarks, Copyrights, Trade Dress, Patent, and the Confidential Information we or our Affiliates own that you are entitled to use under this Agreement as described in ITEMS 13 and 14 of the FDD.

**"Limited Protected Territory"** means a 3-mile radius around the Premises, as further described on the Map attached as Exhibit A.

**"Local Advertising"** means (i) advertising, promotion and marketing you undertake in media directed primarily in your local market area including television, radio, newspapers, magazines, billboards, posters, handbills, direct mail, yellow pages, sports program booklet advertising, church bulletins, collateral promotional and novelty items (for example, matchbooks, pens and pencils, bumper stickers, calendars) that prominently display the Intellectual Property; (ii) advertising on public vehicles including cabs and buses; (iii) the cost of producing materials necessary to participate in these media; (iv) agency commissions on the production of the advertising; and (v) amounts paid to an approved regional advertising cooperative or to a merchant's association for advertising where you are a member. Local Advertising does not include: (i) payments to the Media Fund; (ii) payments for permanent on-premises signs; (iii) purchasing or maintaining vehicles even though the vehicles

display in some manner the Intellectual Property (except the cost of the materials displayed are included); (iv) contributions or sponsorships (unless the Intellectual Property are prominently displayed by the group or activity receiving the contribution or sponsorship); (v) premium or similar offers including discounts, price reductions, special offers, free offers and sweepstake offers (except that the media costs associated with promoting the premium offers are included); (vi) employee incentive programs; and (viii) other similar payments that we may determine in our sole discretion should not be included in determining whether you have met your obligation for Local Advertising.

**"Media Fund"** means the fund described in Section 7.4 into which Advertising Contributions described in Subsection 3.1(e) will be deposited to purchase various advertising, marketing, and promotional materials.

**"Network"** means the group of Company-Owned Units and Franchised Units each operating a Franchise Business.

**"Non-Traditional Site"** means a Unit that serves primarily the customers located within the facility, including: (i) captive audience facilities (examples include parks charging admission, stadiums, amusement parks and centers, and theaters); (ii) limited purpose facilities (examples include airports, transportation centers, department stores, indoor malls and shopping centers, business and industrial complexes, museums, educational facilities, hospitals, and recreational parks); (iii) limited access facilities (examples include military complexes, buyer club businesses, educational facilities, and business and industrial complexes); (iv) other types of institutional accounts; and (v) health clubs, hotels and resorts.

**"Notice of Default"** means the notices described in Section 11.3.

**"Opening Date"** means the date your Franchise Business is first opened for business to the general public.

**"Operations Manual"** means all manuals produced by, or for the benefit of, us and loaned to you and any revisions prepared for your internal use involving the operation and management of the Franchise Business. The Operations Manual may comprise printed text, computer disks, other electronically stored media, and DVDs.

**"Patents"** mean the patent rights described in ITEM 14 of our FDD.

**"Payment System"** means the system created by you to make payments to us as described in Section 3.3.

**"POS System"** means the point of sale system.

**"Premises"** means the leased property located at the Franchise Business's address.

**"Principal Trademark"** means "Stretch Zone<sup>®</sup>," the name under which every Unit does business.

**"Regional Manager"** means you or your Designated Representative, unless you elect to hire another person to act as the Regional Manager. The Regional Manager must be a Certified Stretch Zone Practitioner.

**"Renewal Fee"** means the fee described in Subsection 3.1(h).

**"Renewal Franchise Agreement"** means our then-current form of Franchise Agreement for new Franchisees at the time you elect to renew the franchise relationship in accordance with Section 16.2.

**"Renewal Term"** means the term of the Renewal Franchise Agreement signed at the time the parties renew the franchise relationship.

**"Royalty Fee"** means the fee described in Subsection 3.1(b).

**"Secured Assets"** mean (a) all of your accounts receivable arising out of, or in connection with, the operation of the Franchise Business existing as of the date of this Agreement and which came into existence during the Initial Term, including notes, negotiable instruments and contracts (the "Accounts Receivable"); (b) all books and records pertaining to the Accounts Receivable; (c) all Assets; and (d) all proceeds upon sale or other disposition of any of property.

**"Secured Obligations"** mean the obligations referred to in Subsection 3.6.

**"SCORE"** means Store Compliance Operational Review and Education.

**"Trade Dress"** means the distinctive exterior of the Franchise Business, the distinctive interior décor, distinctive uniforms worn by staff, as well as the many other items, which together form the overall look and feel of the Franchise Business and its products and services.

**"Trademarks"** mean the trademark ""Stretch Zone®" and all other trademarks, service marks, trade names, logos and commercial symbols that we have developed, and we use, promote, and sublicense, and may in the future develop and license or sublicense, in operating Stretch Zone businesses and that we authorize you to use as part of the Business System.

**"Trainees"** mean the persons who attend the applicable training programs that we conduct.

**"Transfer Fee"** means the fee described in Subsection 3.1(g).

**"Unique Consideration"** means the consideration described in Subsection 10.5(c).

**"Unit"** means either a Company-Owned Unit or a Franchised Unit.

**"Website"** means [www.stretchzone.com](http://www.stretchzone.com).

**"You"** or **"Your"** means the person, persons or Business Entity that signs this Agreement as the Franchisee.

## **Section 18.2 OTHER DEFINITIONAL PROVISIONS**

(a) All of the words or terms defined in this Agreement have these defined meanings when used in other documents issued under or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document; and

(b) The term "**person**" includes any limited liability company, limited liability company, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

**ARTICLE 19 - GENERAL PROVISIONS**

**Section 19.1 AMENDMENTS**

Except as stated in this Agreement, including Sections 19.2 and 19.6, a party cannot amend, supplement or change the provisions of this Agreement except by an Amendment to Franchise Agreement signed by the parties. Only our President has the authority to sign an Amendment to Franchise Agreement on our behalf.

**Section 19.2 MODIFICATION OF THE SYSTEM**

**YOU AGREE THAT AFTER THE AGREEMENT DATE WE MAY MODIFY THE SYSTEM UNDER THE TERMS OF THIS AGREEMENT. YOU AGREE TO ABIDE BY ANY MODIFICATIONS IN THE SYSTEM AS IF THEY WERE PART OF THIS AGREEMENT AT THE TIME THE PARTIES SIGNED THIS AGREEMENT. YOU WILL MAKE ALL EXPENDITURES AND MODIFICATIONS OF THE SYSTEM, AS WE REQUIRE.**

**Section 19.3 BINDING EFFECT**

The provisions of this Agreement binds, benefits and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

**Section 19.4 COMMUNICATIONS AND NOTICES**

(a) **E-Mails.** All electronic business correspondence by you, your Franchise Owners, the Designated Representative or a Regional Manager must be conducted through an approved [name@stretchzone.com] e-mail address. This will be the sole e-mail address on your business cards, stationery, etc.

(b) **Other Writings.** All notices, requests, consents and other written communications required or permitted under this Agreement should be given by e-mail to the e-mail address below or to another e-mail address that one party provides to the other party except for those matters specifically required to be sent USPS, FedEx or UPS addressed to:

**If to us:**

Stretch Zone Franchising LLC  
6700 North Andrews Ave. #210  
Fort Lauderdale, FL 33309  
Attn: Tony Zaccario, CEO and President  
tzaccario@stretchzone.com

**With a copy to:**

Richard G. Greenstein, Esquire  
DLA Piper LLP (US)  
One Atlantic Center  
1201 West Peachtree Street  
Suite 2900  
Atlanta, GA 30309-3450  
Rich.Greenstein@us.dlapiper.com

**If to you:**

\_\_\_\_\_  
\_\_\_\_\_

**With a copy to:**

\_\_\_\_\_  
\_\_\_\_\_

or to any other address a party designates by notice to the other party complying with the terms of this Section. The receiving party will send an e-mail to the sending party acknowledging of receipt of

the e-mail and any attachments. The parties agree that each notice is deemed delivered on the date delivered by USPS, FedEx or UPS.

### **Section 19.5 HEADINGS**

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and will not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

### **Section 19.6 SEVERABILITY**

(a) If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

### **Section 19.7 WAIVERS**

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

### **Section 19.8 REMEDIES CUMULATIVE**

Except as otherwise stated in this Agreement, no remedy in this Agreement for any party is intended to be exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy given under this Agreement, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

### **Section 19.9 EFFECTIVENESS; COUNTERPARTS**

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Fort Lauderdale, Florida and our CEO and President signs this

Agreement. We advise you not to incur any expenses for opening your Franchise Business until you have received a final signed copy of this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same instrument. Confirmation of signing by sending the signature page by telecopy or e-mail binds any party to the confirmation.

#### **Section 19.10 SURVIVAL**

The parties' obligations that expressly or by their nature survive the expiration or termination of this Agreement continue in full force after the transfer, expiration or termination of this Agreement until they are satisfied or by their nature expire.

#### **Section 19.11 FORCE MAJEURE**

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, natural disaster, pandemics or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

#### **Section 19.12 THIRD PARTIES**

Except as provided in this Agreement to the contrary for other Franchisees, nothing in this Agreement, whether express or implied, confers any rights or remedies under this Agreement on any person (including other Franchisees) other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Except as provided in this Agreement to the contrary for any Designee, nothing in this Agreement relieves or discharges the obligation or liability of any third person to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

#### **Section 19.13 INTERPRETATION**

You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other documents be construed against us.

#### **Section 19.14 ENTIRE AGREEMENT**

This Agreement and all other written agreements involving this Agreement and expressly referenced in this Agreement, represent the entire understanding and agreement between the parties on the subject matter of this Agreement and supersede all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not contained in this Agreement or all other written agreements concerning this Agreement and expressly referenced in this Agreement, are of any effect. Nothing in this Agreement or in any related document is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

### **Section 19.15 ELECTRONIC SIGNATURES**

The parties agree that this Agreement and related documents may be signed electronically through DocuSign. A PDF of this Agreement signed by the parties is a valid and enforceable contract.

### **Section 19.16 No WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Section 19.17 ACKNOWLEDGMENTS IN CERTAIN STATES**

The following acknowledgements apply to all franchisees and Franchised Units, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(a) You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability. You have reviewed this Agreement and the FDD. You have been accorded ample time to consult with, and ask questions of, our representatives and to consult with your own legal counsel and other advisors about the potential risks and benefits of entering into this Agreement, and we have advised you to do so.

(b) You have no knowledge of any representations made about the Stretch Zone franchise opportunity by us, our Affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in the FDD or to the terms and conditions of this Agreement. You are not relying on any representations or warranties, express or implied, provided by us or our representatives other than those expressly set forth in this Agreement and the FDD.

(c) Except as may be stated in the FDD, neither we, nor any of our Affiliates, nor any of our or our Affiliates' officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues, earnings, or profitability of any Stretch Zone business or the anticipated revenues, earnings, or profitability of your Franchise Business or any other business operated by us, our licensees, our franchisees, or our Affiliates. Any information you have acquired from other Stretch Zone franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

**IN WITNESS WHEREOF**, the parties have duly signed this Agreement as of the applicable date below.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT A – MAP OF LIMITED PROTECTED TERRITORY**

**EXHIBIT D – APPROVED LOCATION ADDENDUM TO FRANCHISE  
AGREEMENT**



**APPROVED LOCATION ADDENDUM TO STRETCH ZONE FRANCHISE AGREEMENT**

**THIS APPROVED LOCATION ADDENDUM** is signed on \_\_\_\_\_ between Stretch Zone Franchising LLC ("we, "us" or "our") and \_\_\_\_\_ ("you" or "your").

**BACKGROUND**

A. The parties have signed a Stretch Zone Franchise Agreement on \_\_\_\_\_ (the "Franchise Agreement") before you selected a location that we had approved for the Franchise Business.

B. You have now selected a location that we have approved and, under Section 1.2 of the Franchise Agreement, the parties are entering into this Addendum.

The parties agree as follows:

**TERMS**

1. You agree that you will operate the Franchise Business only at \_\_\_\_\_ (the "Premises").
2. Your Limited Protected Territory is described on the attached Map.
3. Upon any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum supersede and control. In all other respects, the parties ratify and confirm the terms of the Franchise Agreement.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT E - AREA DEVELOPMENT AGREEMENT**



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**STRETCH ZONE AREA DEVELOPMENT AGREEMENT**

**between**

**Stretch Zone Franchising LLC  
a Florida limited liability company**

**(Franchisor)**

**and**

a \_\_\_\_\_,  
a \_\_\_\_\_ limited liability company

**(Developer)**

**Dated:** \_\_\_\_\_

**Number of Franchise Businesses:** \_\_\_\_

**Development Area:** \_\_\_\_\_

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**EXHIBIT A – DEVELOPMENT AREA**



## **STRETCH ZONE AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** is signed on \_\_\_\_\_ between Stretch Zone Franchising LLC, a Florida limited liability company (the "Franchisor"), and individual/entity, a state limited liability company (the "Developer").

The Franchisor has written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that the Agreement covers before you sign it. In this Agreement, the Franchisor is referred to as "we," "us" or "our." The Developer is referred to as "you" or "your." All capitalized terms are defined in ARTICLE 9.

### **BACKGROUND**

A. We and/or our predecessor have developed, and we own, a business that offers advanced certified practitioner-assisted stretching to individuals, which business operates under the trademark "Stretch Zone<sup>®</sup>" (the "Principal Trademark").

B. The distinguishing proprietary characteristics of the business include: patented devices assisting in the stretching routines; distinctive sales and operating methods; sources of supply; uniform standards; procedures for the management of the business; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the business; an Operations Manual; and bookkeeping and accounting methods and procedures; all of which we may change, improve and further develop (collectively, the "Business System").

C. You recognize the benefits of receiving rights from us to develop \_\_\_ Franchise Businesses within the geographic area identified on attached Exhibit A (the "Development Area") each operating under a Franchise Agreement with us (the "Area Development Rights").

D. We have reviewed your application and have decided to award Area Development Rights to you under the terms of this Agreement.

E. We agree not to offer Area Development Rights and Franchises with anyone other than you within the Development Area, except as provided in this Agreement.

F. You are simultaneously entering into a Franchise Agreement for your first Franchise Business (in the form included in Exhibit C to our Franchise Disclosure Document).

The parties agree as follows:

**TERMS**

**ARTICLE 1 - APPOINTMENT OF THE DEVELOPER**

**Section 1.1 GRANT OF AREA DEVELOPMENT RIGHTS**

(a) **Grant.** We grant to you the Area Development Rights, and you undertake the obligation to, develop and open number (#) Franchise Businesses in the Development Area in accordance with the Development Schedule stated in Section 1.3 and subject to the terms in this Agreement.

(b) **Guaranty.** If you are a business entity, each owner of a 20% or greater direct or indirect interest in you will execute an agreement, in the form that we designate, undertaking to be personally bound, jointly and severally with such other guaranteeing owners, by all provisions of this Agreement and any and all related agreements (a "Guaranty"), the current version of which is attached as Exhibit G to the FDD. In addition, at our request, the spouse of each such guaranteeing owner (as applicable) will execute the Guaranty.

**Section 1.2 DEVELOPMENT AREA**

(a) **No Exclusivity.** We do not grant to you exclusive rights within the Development Area. We grant you the right to construct open and operate Franchise Businesses within the Development Area pursuant to a Development Schedule under which you must open number (#) Franchise Businesses within a specified time.

(b) **Limited Protected Territories.** We will grant each Franchise Business you open within the Development Area a Limited Protected Territory pursuant to, and as described in, the applicable Franchise Agreement. For the perimeter of the Development Area, you agree not to select a site that is within the limited protected territory of a Company-Owned Business or Franchise Business that is operating or under construction.

**Section 1.3 DEVELOPMENT SCHEDULE**

(a) **Development Schedule.** You will construct, open and operate number (#) Franchise Businesses located within the Development Area in accordance with the following Development Schedule:

<u>Date</u>	<u>Number of Franchise Businesses to be Open in Each Year*</u>	<u>Total Franchise Businesses</u>
-------------	--	-----------------------------------

(b) **Additional Franchise Businesses.** You agree that the Development Schedule is fixed upon signing this Agreement. You may not open additional

Franchise Businesses in excess of the number of Franchise Businesses listed above except upon:

- (i) our consent, which may be withheld in our complete discretion;
- (ii) your payment of the Initial Franchise Fee and the other fees we are then charging to new Franchisees; and
- (iii) your signing of our then-current form of Franchise Agreement.

(c) **No Subfranchise Rights.** You have no authority to, and will not, subfranchise or sublicense your rights under this Agreement to any person.

(d) **Individual Business Entities.** You may form individual business entities to own and operate 1 or more of the Franchise Businesses that you develop, but you must own at least 51% of the voting equity interests in each business entity.

#### **Section 1.4 DEVELOPMENT PERFORMANCE**

You will submit to us Franchise Applications for each Franchise Business stating the specific site for which a proposed Franchise Business will be located before the time that you acquire any interest in the site. You agree to enter into Franchise Agreements based on our then-current form of Franchise Agreement and have opened in the Development Area the number of Franchise Businesses listed in Section 1.3 on or before the times indicated. If we terminate a Franchise Agreement executed pursuant to this Agreement, we will deduct that Franchise Business from the number of Operating Franchise Businesses, and a new Franchise Business must replace it within the time established by the Development Schedule. A Franchise Business remains credited against the Development Schedule if relocated in accordance with Section 1.5 of the Franchise Agreement.

#### **Section 1.5 TIME OF THE ESSENCE**

Time is of the essence for your obligations under this Agreement.

### **ARTICLE 2 - OUR DUTIES**

We will provide you with the following assistance and services as necessary for the development and operation of the Franchise Businesses if you are not in default under this Agreement:

#### **Section 2.1 SERVICES AND SUPPORT**

We will provide you the services and continual support for each Franchise Business as stated in ARTICLE 2 of each Franchise Agreement.

#### **Section 2.2 DUTIES SOLELY TO YOU**

All of our obligations under this Agreement are solely to you. No other party is entitled to rely on, enforce, or obtain relief for breach of these obligations directly or by subrogation.

**Section 2.3 OUR RIGHT TO DELEGATE DUTIES**

You agree to our right to delegate any of our duties under this Agreement to a Designee. You must discharge your duties with any Designee to the extent we request in the same manner that you must do so with us.

**ARTICLE 3 - DEVELOPMENT FEES AND TERM**

**Section 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will pay to us a Development Fee of \$\_\_\_\_\_ at the same time this Agreement is signed. This includes the Initial Franchise Fees for your \_\_\_\_\_ Franchise Business(es) and 50% of the Initial Franchise Fee for your \_\_\_\_\_ Franchise Business(es). The Development Fee is nonrefundable, and we fully earn it upon signing this Agreement. With respect to each Franchise Business to be developed hereunder, simultaneously with your execution of the applicable Franchise Agreement in accordance with Section 1.4, you will pay us the balance of the Initial Franchise Fee for such Franchise Business (if any).

**Section 3.2 TERM**

The Term of this Agreement expires, unless earlier terminated, on the earlier of: (i) the date that the last Franchise Business required to be opened under the Development Schedule actually opens, or (ii) the date that such Franchise Business is required to be opened pursuant to the Development Schedule.

**ARTICLE 4 - YOUR DUTIES**

**Section 4.1 ACHIEVEMENT OF DEVELOPMENT SCHEDULE**

You will use your best efforts to confine your activities exclusively to constructing, opening and operating the Franchise Businesses contemplated under this Agreement in order to achieve the Development Schedule. You will maintain sufficient financial resources to construct, open and operate the Franchise Businesses. If you fail to achieve the Development Schedule, we have the right to terminate this Agreement and retain the entire Development Fee. If we terminate this Agreement for your failure to meet the Development Schedule, you will have no further right to develop any additional Franchise Businesses under this Agreement, provided that you will retain all rights under the Franchise Agreements for the Franchise Businesses you then have under lease, construction or in operation, as long as you are not otherwise in default under the Franchise Agreements.

**Section 4.2 REPORTS**

You agree to maintain and preserve accurate records for the development and operation of the Franchise Businesses at your principal office. These records and information must include site reports, leases for the Franchise Businesses, supervisory reports on the operation of the Franchise Businesses, records reflecting your financial condition and all other records and reports required under the Franchise Agreements.

**Section 4.3 COMPLIANCE WITH FRANCHISE AGREEMENTS**

You will sign a Franchise Agreement for the first Franchise Business at the same time you sign this Agreement and comply with the duties stated in this ARTICLE. You will develop, institute and maintain all management system, procedures and personnel, as we require, assuring your efficient operation of each of the Franchise Businesses.

**ARTICLE 5 - TRANSFER OF INTEREST**

**Section 5.1 TRANSFER BY US**

We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent.

**Section 5.2 TRANSFER BY YOU**

The rights and duties in this Agreement are personal to you. We have granted this Agreement in reliance on your business and personal skills, reputation, aptitudes and financial capacity. Accordingly, you agree that you cannot sell, assign, transfer, convey, give or encumbered (collectively "transfer") this Agreement without our written consent (which may be granted or withheld by us in our sole and absolute discretion). The transfer of Area Development Rights under this Agreement must include all signed Franchise Agreements, unless we other agree in writing. You may transfer this Agreement to a business entity owned by you but you continue to remain personally liable for all of your obligations under this Agreement. Any purported transfer by you, by operation of law or otherwise in violation of this Agreement is ineffective and is a material breach of this Agreement giving us the right to terminate this Agreement without affording you an opportunity to cure.

**ARTICLE 6 - DEFAULT AND TERMINATION**

**Section 6.1 TERMINATION BY US WITH NOTICE**

If we terminate any Franchise Agreement between the parties due to your default, after we have given you written notice of default under such Franchise Agreement (if notice is required), and afforded you an opportunity to cure (if you have a right to cure), we may terminate this Agreement by giving you written notice of termination.

**Section 6.2 TERMINATION BY US WITH NOTICE AND OPPORTUNITY TO CURE**

Except as provided in Section 6.1, you have 30 days or any longer period as applicable law may require, after we deliver you a written notice of default to cure any default under this Agreement and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the right to terminate this Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under this Agreement.

**Section 6.3 EFFECT OF TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all your Area Development Rights cease rights cease, and you will have no further right to develop any additional Franchise Businesses under this Agreement.

## ARTICLE 7 - DEFINITIONS

### Section 7.1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"**Agreement**" means this Stretch Zone Development Agreement, as it may be amended, supplemented or otherwise modified by a written agreement the parties sign.

"**Agreement Date**" means the date set forth on page 1 of this Agreement.

"**Area Development Rights**" mean the rights granted to you under ARTICLE 1 to develop and open number (#) Franchise Businesses in the Development Area under the terms of this Agreement.

"**Company-Owned Business**" means a Stretch Zone business operating pursuant to the Business System that is owned by us or by any affiliate.

"**Designee**" means one or more of our representatives who are independent contractors that we appoint to perform certain of our duties under this Agreement as described in ARTICLE 2.

"**Development Area**" means territory.

"**Development Fee**" means the fee described in Section 3.1.

"**Development Schedule**" means the number of Franchise Businesses to be developed and the period in which to open the number (#) Franchise Businesses, as stated in Section 1.3.

"**Franchise Agreement**" means the then-standard form of Stretch Zone Franchise Agreement we are offering to new franchisees, the current form of which is included in Exhibit C to the Franchise Disclosure Document.

"**Franchise Business**" means a Stretch Zone Franchise that we authorize you to develop and open under this Agreement.

"**Franchise Disclosure Document**" or "**FDD**" means our current Franchise Disclosure Document and all Exhibits.

"**Term**" means the term of the Agreement described in Section 3.2.

### Section 7.2 OTHER DEFINITIONAL PROVISIONS

(a) **Same Meanings.** All of the terms defined in this Agreement have these defined meanings when used in other documents issued under, or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document; and

(b) **Person.** The term "person" includes any limited liability company, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

**ARTICLE 8 - GENERAL PROVISIONS**

**Section 8.1 DISPUTE RESOLUTION**

The parties hereby incorporate into this Agreement the dispute resolution provisions contained in ARTICLE 17 of the Franchise Agreement executed simultaneously with this Agreement or, if such Franchise Agreement is terminated, the Franchise Agreement for the second Franchise Business to be developed pursuant to this Agreement, and so on.

**Section 8.2 AMENDMENTS**

The parties may only amend, supplement or change the provisions of this Agreement by an Amendment to Area Development Agreement signed by the parties except: (a) we may change the contents of the Operating Manual; (b) we may modify the Business System; and (c) a court may modify any provision of the Development Agreement in accordance with applicable law. Only our President has the authority to sign an Amendment to Area Development Agreement on our behalf.

**Section 8.3 BINDING EFFECT**

The provisions of this Agreement bind, benefit and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

**Section 8.4 NOTICES AND COMMUNICATIONS**

(a) **Legal Notices**. All notices related to defaults, transfers, renewal or non-renewal, termination, and legal disputes (“Legal Notices”) must be in writing and must be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; (iii) by overnight delivery service; or (iv) by e-mail. Legal Notices to any party must be sent to the applicable address or e-mail address below:

**If to us:**  
Stretch Zone Franchising, LLC  
6700 North Andrews Avenue, # 210  
Fort Lauderdale, FL 33309  
Attn: Tony Zaccario, CEO and President  
tzaccario@stretchzone.com

**with a copy to:**  
Richard G. Greenstein, Esquire  
DLA Piper LLP (US)  
One Atlantic Center  
1201 West Peachtree Street  
Suite 900  
Atlanta, GA 30309-3450  
Rich. [Greenstein@us.dlapiper.com](mailto:Greenstein@us.dlapiper.com)

**If to you:**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**with a copy to:**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) **Routine Notices**. All routine requests for approval related to day-to-day operations (and communications related to such requests) and all notices other than Legal Notices must be in writing and may be communicated (i) by you to us via e-mail to the applicable e-mail address above, and (ii) by us to you to via e-mail to the applicable e-mail address above.

(c) **Additional Notice Information.** Either party may change the addresses that it has provided for Legal Notices by giving the other party written notice of the change. All notices will be deemed received the same day when delivered personally or by e-mail and upon attempted delivery when sent by registered or certified mail or overnight delivery service.

#### **Section 8.5 HEADINGS**

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

#### **Section 8.6 SEVERABILITY**

(a) If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable, and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

#### **Section 8.7 WAIVERS**

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

#### **Section 8.8 REMEDIES CUMULATIVE**

Except as otherwise stated in this Agreement, no remedy afforded a party in this Agreement is exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

**Section 8.9 EFFECTIVENESS; COUNTERPARTS**

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Fort Lauderdale, Florida, and our CEO and President signs this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same document. Confirmation of signing by sending a PDF version of the signature page by e-mail binds the party to the confirmation.

**Section 8.10 INTERPRETATION**

Each of the parties agrees that it has had the opportunity to have been represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other document be construed against us.

**Section 8.11 ENTIRE AGREEMENT**

This Agreement represents the entire understanding and agreement between the parties on the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied in this Agreement are of any effect. Nothing in the Agreement disclaims the representations we made in the Franchise Disclosure Document and Exhibits that we furnished to you.

**Section 8.12 SURVIVAL**

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

**Section 8.13 FORCE MAJEURE**

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, pandemic, natural disaster or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

**Section 8.14 THIRD PARTIES**

Nothing in this Agreement, whether express or implied, confers any rights or remedies under or based on this Agreement on any person other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

## **Section 8.15 INDEMNIFICATION**

(a) You agree to indemnify and hold harmless us, our Affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors and assignees (collectively, the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (1) the development of each Franchise Business developed hereunder; (2) the business that you conduct under this Agreement; (3) your breach of this Agreement; (4) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the development of Franchise Businesses, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (5) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our Affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 8.15(c). “Losses” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs, including accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(b) You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 8.15(a)(1) through (5) above (collectively, “Proceedings”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceedings brought, that is subject to this Section 8.15 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 8.15(c). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.15. Your obligations under this Section 8.15 will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

(c) Despite Section 8.15(a), you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 8.15(b)) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or our failure to compel you to comply with this Agreement, which are claims for which you are not entitled to indemnification pursuant to this Section 8.15(c). However, nothing in this Section 8.15(c) limits your obligation to defend us and the other Indemnified Parties under Section 8.15(b).

**Section 8.16 NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The parties have duly signed and delivered this Agreement as of the applicable date below.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT A**  
**DEVELOPMENT AREA**

**Development Area:** The Development Area is \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_, as further identified on the attached map.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

Development Area Map

[Insert Development Area map]

**EXHIBIT F – STATE ADDENDA TO AGREEMENTS**

## **CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT**

This California Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we,” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

### **1. Deferral of Initial Fees**

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 fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

### **2. California Law**

The California Department of Financial Protection and Innovation requires that certain provisions contained in the Franchise Agreement be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

#### **(a) Nonrenewal and Termination**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of a Franchise. The Federal Bankruptcy Code also provides rights to you concerning termination of the Franchise Agreement upon the occurrence of certain bankruptcy-related events. If the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.

#### **(b) General Releases**

You must sign a Franchise Termination and Release Agreement if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

#### **(c) Liquidated Damages**

If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damages clauses may be unenforceable.

(d) **Covenants Not to Compete**

If the Franchise Agreement contains a covenant not to compete that extends beyond the termination of the Franchise Agreement, the covenant may be unenforceable under California law.

(e) **Venue**

If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(f) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(g) **Arbitration**

The Franchise Agreement requires binding arbitration. The arbitration will occur at Broward County, Florida with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

3. **Alternate Channels of Distribution**

The Franchisor reserves the right to establish alternatives channels of distribution within the Franchisee's Limited Protected Territory without compensation.

4. **Website**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

**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.**

The parties have signed and delivered this Addendum on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This California Addendum to Area Development Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we,” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Area Development Agreement as follows:

### 1. **Deferral of Initial Fees**

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 fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

### 2. **California Law**

The California Department of Financial Protection & Innovation requires that certain provisions contained in the Area Development Agreement be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Area Development Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

#### (a) **Nonrenewal and Termination**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of an Area Development Agreement. The Federal Bankruptcy Code also provides rights to you concerning termination of the Area Development Agreement upon the occurrence of certain bankruptcy-related events. If the Area Development Agreement contains a provision that is inconsistent with these laws, these laws will control.

#### (b) **General Releases**

You must sign a Franchise Termination and Release Agreement if you renew or transfer your Area Development Agreement. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

#### (c) **Venue**

If the Area Development Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(d) **Governing Law**

If the Area Development Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(e) **Arbitration**

The Area Development Agreement requires binding arbitration. The arbitration will occur at Broward County, Florida with the costs being borne by the non-prevailing party. Prospective developers are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of an Area Development Agreement restricting venue to a forum outside the State of California.

(g) **Alternate Channels of Distribution**

We reserve the right to establish alternatives channels of distribution within your Development Area without compensation.

(h) **Modification of System**

Section 19.2 of the Franchise Agreement may not be enforceable in California pursuant to California Corporations Code Section 31125.

**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.**

The parties have signed and delivered this Addendum on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**HAWAII ADDENDUM TO FRANCHISE AGREEMENT**

This Hawaii Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we,” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$\_\_\_\_\_. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

**IN WITNESS WHEREOF**, the parties have signed and delivered this Addendum on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**HAWAII ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Hawaii Addendum to Area Development Agreement is signed on \_\_\_\_\_  
between Stretch Zone Franchising, LLC (“we,” “us” or “our”) and \_\_\_\_\_  
 (“you” or “your”) to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

**SECTION 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will not pay to us the Development Fee until we have complied with all of our pre-opening obligations to you under a Franchise Agreement for the 1<sup>st</sup> Franchise Business and you are open for business.

**IN WITNESS WHEREOF**, the parties have signed and delivered this Addendum on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is agreed to on \_\_\_\_\_ between Stretch Zone Franchising, LLC (we, "us," or "our") and \_\_\_\_\_ ("you" or "your").

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

Section 3.1(a) of the Franchise Agreement is amended as follows:

- (a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.
6. This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

In witness whereof, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **ILLINOIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**

This Addendum to the Area Development Agreement is agreed to on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we,” “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

1. Illinois law governs the Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act any provision in an Area Development Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, an Area Development Agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any Area Development Rights to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

Section 3.1 of the Area Development Agreement is amended as follows:

### **SECTION 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Development Agreement and the Franchise Agreement for the 1<sup>st</sup> Franchise Business, and you are open for business. This is in addition to the deferral of the Initial Franchise Fee for the 1<sup>st</sup> Franchise Business.

This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_

## **MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement is agreed to on \_\_\_\_\_ between Stretch Zone Franchising, LLC, a Florida limited liability company (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Paragraphs D and E of the section of the Franchise Agreement entitled “Background” are deleted.

2. Section 3.1 of the Franchise Agreement is amended as follows:

### **INITIAL FEES**

All fees paid to the Franchisor by the Franchisee, including payments for goods and services received from the Franchisor before the business opens, shall be deferred pending satisfaction of all of the Franchisor’s pre-opening obligations to the Franchisee.

3. Subsection 10.2(f)(ix), **TRANSFER BY YOU**, is amended to add:

The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Section 15.1, **NO RELIANCE**, is amended to add:

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

5. Subsection 16.2(a)(v), **RENEWAL**, is amended to add:

The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. Section 17.3, **ARBITRATION**, is amended to add:

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

7. Section 17.5, **JURISDICTION AND VENUE**, is amended to add the following paragraph:

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

8. Section 17.7, **GOVERNING LAW**, is amended to add:

Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the Franchise.

9. Section 19.14, **ENTIRE AGREEMENT**, is amended to add:

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

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## MARYLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is agreed to on \_\_\_\_\_  
between Stretch Zone Franchising, LLC (“we,” “us,” or “our”) and  
\_\_\_\_\_ (“you” or “your”) to amend the Area  
Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

### **SECTION 3.1 DEVELOPMENT FEE**

In addition, all Development Fees and initial payments by Developers shall be deferred until the first Franchise under the Area Development Agreement opens.

2. Section 5.2, **TRANSFER BY YOU**, is amended to provide that any Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 9.1, **DISPUTE RESOLUTION**, is amended to add the following paragraph:

A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the franchise.

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

4. Section 9.11, **ENTIRE AGREEMENT**, is amended to add:

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

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC, a Florida limited liability company (“us” “we” and “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Section 3.1 of the Franchise Agreement is amended as follows:

### **INITIAL FEES**

All fees paid to the Franchisor by the Franchisee, including payments for goods and services received from the Franchisor before the business opens, shall be deferred pending satisfaction of all of the Franchisor’s pre-opening obligations to the Franchisee.

2. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Franchise Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.*, (the “Minnesota Franchise Act”) and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the provisions are amended:

(a) Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) the Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) With respect to Franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires (except in certain specified cases) (1) that a Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement and (2) that the consent to the transfer of the Franchise will not be unreasonably withheld.

(c) The Franchisor will protect the Franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

(d) Minnesota considers it unfair to not protect the Franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

(e) Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Franchisee to assent to a general release.

(f) The Franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

(g) The Limitations of Claims Section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

(h) NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

In witness whereof, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **MINNESOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to Area Development Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC, a Florida limited liability company (“us” “we” and “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Area Development Agreement as follows:

2. Section 3.1 of the Area Development Agreement is amended as follows:

### **Section 3.1 Development Fee**

In addition, all Development Fees and initial payments by Developers shall be deferred until the first Franchise under the Area Development Agreement opens.

2. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Area Development Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.*, (the “Minnesota Franchise Act”) and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Area Development Agreement contains provisions that are inconsistent with the following, the provisions are amended:

(a) Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the Developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the Developer’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) the Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) With respect to Franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires (except in certain specified cases) (1) that a Developer be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Area Development Agreement and (2) that the consent to the transfer of the Development Rights will not be unreasonably withheld.

(c) The Franchisor will protect the Developer’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

(d) Minnesota considers it unfair to not protect the Developer’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

(e) Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Developer to assent to a general release.

(f) The Developer cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

(g) The Limitations of Claims Section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this.

4. Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

In witness whereof, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **NEW YORK ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement is agreed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

### **1. New York Law Modifications**

The New York Department of Law requires that certain provisions contained in the Franchise Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

#### **(a) Release of Claims**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

#### **(b) Governing Law**

If the Franchise Agreement requires that it be governed by a state's law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

### **2. Jurisdictional Requirements**

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

The parties have signed and delivered this Amendment on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **NEW YORK ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to Area Development Agreement is agreed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Area Development Agreement as follows:

### **1. New York Law Modifications**

The New York Department of Law requires that certain provisions contained in the Area Development Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Area Development Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

#### **(a) Release of Claims**

If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

#### **(b) Governing Law**

If the Area Development Agreement requires that it be governed by a state’s law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Developer under the New York General Business Law, Article 33, Sections 680 through 695.

### **2. Jurisdictional Requirements**

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

The parties have signed and delivered this Amendment on the day and year first written.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

2. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) Covenants not to compete during the term or upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete, which is inconsistent with North Dakota law, the covenant may be unenforceable.

(c) If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota. The requirement is void as to any claims under the North Dakota Franchise Investment Law.

(d) If the Franchise Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(e) If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a Franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(f) If the Franchise Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(g) Any provision in the Franchise Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Franchise Agreement, the terms of this Addendum govern.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **NORTH DAKOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to Area Development Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

1. Section 3.1 of the Area Development Agreement is amended as follows:

### **SECTION 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will not pay to us the Development Fee until we have complied with all of our pre-opening obligations to you under a Franchise Agreement for the 1<sup>st</sup> Franchise Business and you are open for business.

2. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Area Development Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) If the Area Development Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void as to any claims under the North Dakota Franchise Investment Law.

(c) If the Area Development Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(d) If the Area Development Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving Area Development Rights purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(e) If the Area Development Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(f) Any provision in the Area Development Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements

are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Area Development Agreement, the terms of this Addendum govern.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**SOUTH DAKOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to Area Development Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

**SECTION 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Area Development Agreement for your 1<sup>st</sup> Franchise Business.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT**

This Addendum to the Franchise Agreement is agreed to on \_\_\_\_\_ between Stretch Zone Franchising, LLC, a Florida limited liability company (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

1. The Rhode Island Securities Division requires that certain provisions contained in the Franchise Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the “Act”). To the extent that the Franchise Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Franchise Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Franchise Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## **RHODE ISLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to the Area Development Agreement is agreed to on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

1. The Rhode Island Securities Division requires that certain provisions contained in the Area Development Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the “Act”). To the extent that the Area Development Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Area Development Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Area Development Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

2. Section 17.6 is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq.*), this Agreement and any other agreement involving this Agreement and all transactions contemplated by this Agreement and any other agreement involving this Agreement shall be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**VIRGINIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to Area Development Agreement is signed on \_\_\_\_\_  
between Stretch Zone Franchising, LLC (“we” “us” or “our”) and \_\_\_\_\_  
 (“you” or “your”) to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

**SECTION 3.1 DEVELOPMENT FEE**

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Area Development Agreement.

2. Section 9.2 is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq.*), the Area Development Agreement and any other agreement involving the Area Development Agreement and all transactions contemplated by the Area Development Agreement and any other agreement involving the Development will be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**DEVELOPER:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

## WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT AND RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Initial Franchise Fee.** Section 3.1(a) of the Franchise Agreement is amended as follows:

**Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Franchise Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

20. **Initial Franchise Fee.** Section 3.1 of the Area Development Agreement is amended as follows:

### **SECTION 3.1 DEVELOPMENT FEE**

Because we have material pre-opening obligations with respect to each Franchise Business the Developer opens under the Area Development Agreement, payment of the Development Fee will be released proportionately with respect to each Franchise Business opened and is deferred until we have met all our pre-opening obligations under the Franchise Agreement and the Franchisee is open for business with respect to each such location.

The undersigned parties do hereby acknowledge receipt of this Addendum.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT G – GUARANTY**



## **GUARANTY OF FRANCHISEE'S OBLIGATIONS**

**THIS GUARANTY OF FRANCHISEE'S OBLIGATIONS** (this "Guaranty") is signed on \_\_\_\_\_ by \_\_\_\_\_ (the "Guarantor").

### **INTRODUCTION**

A. Pursuant to a Stretch Zone Franchise Agreement dated as of \_\_\_\_\_ (the "Franchise Agreement"), Stretch Zone Franchising, LLC (the "Franchisor") is granting to \_\_\_\_\_, a \_\_\_\_\_ (the "Franchisee") the right to operate the Franchise Business located at the address specified therein.

B. The Guarantor represents and warrants to the Franchisor that s/he will benefit from the Franchisee's execution of the Franchise Agreement.

C. The Franchisor has declined to enter into the Franchise Agreement and other related agreements (collectively, the "Agreements") with the Franchisee unless the Guarantor signs and delivers this Guaranty to the Franchisor.

### **TERMS**

The Guarantor agrees for the benefit of the Franchisor and its affiliates as follows:

1. **Guaranteed Obligations.** The Guarantor absolutely and unconditionally, guarantees to the Franchisor and its affiliates, and their respective successors and assigns, for the respective terms of the Agreements and thereafter as provided in the Agreements, that the Franchisee will punctually pay and perform every obligation stated in the Agreements, and the Guarantor agrees to be personally bound by, and personally liable for the breach of, every term of the Agreements, together with charges, fees and all expenses, including attorneys' fees and costs incurred in enforcing the terms of the Agreements or this Guaranty through litigation, arbitration, appellate, bankruptcy and post-judgment proceedings (the "Guaranteed Obligations").

2. **Incorporation of Terms.** The terms of the Agreements are incorporated in this Guaranty as if stated in full, including the covenants stated in ARTICLE 13 and the dispute resolutions provisions stated in ARTICLE 17 of the Franchise Agreement by which Guarantor agrees to be bound. The Guarantor has had an opportunity to read, and to receive advice by his or her counsel of, the terms of the Agreements and the Franchisor's Franchise Disclosure Document.

3. **Guaranty Absolute and Irrevocable.** The obligation of the Guarantor is absolute and unconditional irrespective of the validity or enforceability of any of the Agreements. This is an irrevocable and continuing guaranty. This Guaranty covers and secures any amount at any time owing on the Guaranteed Obligations and remains in full effect until all Guaranteed Obligations have been satisfied and all amounts due have been paid in full to the Franchisor or its affiliates. The Guarantor waives the benefit of any circumstance, defense or statute of limitations affecting

his liability that might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty. The Guarantor irrevocably waives any requirement that the Franchisor must proceed against or exhaust any collateral or security that the Franchisor may now hold or obtain for any of the Guaranteed Obligations before collecting from the Guarantor. The Franchisor is under no obligation to keep the Guarantor informed of the Franchisee's financial condition.

4. **Payment.** If the Franchisee fails to make any payment when due or otherwise defaults under the terms of any of the Guaranteed Obligations, the Guarantor will pay to the Franchisor immediately upon demand the full amount of the Guaranteed Obligations then due (by acceleration or otherwise), in immediately available funds. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of the Guarantor except the defense that the Franchisee has paid in full all Guaranteed Obligations.

5. **Enforcement.** In any proceeding under this Guaranty, the Franchisor may act against the Guarantor separately, or against 2 or more Guarantors jointly, or against some separately and some jointly. In any action or proceeding to enforce this Guaranty against the Guarantor, the Franchisor is not required to join the Franchisee, or any other Guarantor, unless it elects to do so in its sole discretion.

6. **Waiver.** The Guarantor irrevocably waives notice of the extension of any Guaranteed Obligation, or of the acceptance of this Guaranty, and protest, presentment, diligence, demand for payment, notice of default, nonpayment or dishonor of any Guaranteed Obligation, and any other notice except as expressly provided in this Guaranty.

7. **Consent to Certain Actions.** Without in any way affecting or impairing the liability of the Guarantor and, without notice to or additional consent from the Guarantor:

(a) the Guaranteed Obligations may be renewed, extended, modified (in time for payment or the terms of indebtedness or otherwise), compromised, settled, released or discharged by the Franchisor, whether by agreement with the Franchisee or under any insolvency, bankruptcy or similar proceeding;

(b) any security or collateral for the Guaranteed Obligations may be assigned, exchanged, sold, released or surrendered by the Franchisor, and the Franchisor may abstain from perfecting its security interest in any security or collateral, or from taking upon new security or collateral;

(c) the Franchisor may exercise or refrain from exercising any right against the Franchisee or any other person or entity;

(d) the Franchisor has sole discretion to apply any payments received by the Franchisee or any Guarantor to the Franchisee's past due indebtedness including Royalty Fees, E-Mail/Home Page Fees, Advertising Contributions, purchases from the Franchisor or its Affiliates, interest, NSF charges, or any other indebtedness of the Franchisee to the Franchisor, its affiliates, lessor, vendor, taxing authority or third party creditor, in any manner the Franchisor chooses regardless of the Franchisee's designation;

(e) the Franchisor may consent to or waive any breach of, or any act, omission or default of, the Guaranteed Obligations; and

(f) the Franchisor may agree to any amendment to or modification of, any of the Agreements, applicable to the Guaranteed Obligations.

The Franchisor has no duties to the Guarantor except as expressly provided in this Guaranty.

8. **Continuing Guarantee.** The guarantee of the Guarantor under this Guaranty continues to be effective, or is reinstated, as the case may be, if at any time any payment to the Franchisor of the Guaranteed Obligations is rescinded or must otherwise be returned for any reason, including the insolvency, bankruptcy or reorganization of the person or entity making the payment, all as though the payment had not been made.

9. **Successors and Assigns.** The Guarantor cannot delegate any of his obligations under this Guaranty. This Guaranty is binding upon the heirs, personal representatives, successors and assigns of the Guarantor, and inures to the benefit of the Franchisor, its affiliates, and their respective successors and assigns. The Franchisor may at any time, without notice to the Guarantor, transfer or assign to any person or entity any of the Guaranteed Obligations, or any interest in the Guaranteed Obligations. In this event, the assignee or transferee of the Guaranteed Obligations, or any interest in the Guaranteed Obligations is, to the extent of its interest, is entitled to the benefits of this Guaranty to the same extent as if the assignee or transferee were the Franchisor.

10. **Representations and Warranties.** The Guarantor represents as follows:

(a) The Guarantor has the capacity to enter into, perform and deliver this Guaranty.

(b) This Guaranty is the legal, valid, binding and enforceable obligations of the Guarantor.

(c) There is no litigation or governmental proceeding pending or threatened against the Guarantor, nor has there occurred any event, nor does there exist any condition, on the basis of which any litigation or proceeding might be begun, which litigation or proceeding, if adversely determined, could have a material adverse effect on the respective properties, operations, assets, condition (financial, business, labor or otherwise) or prospects of the Guarantor.

(d) The Guarantor has independent means of obtaining reports and financial information about the Franchisee and the Franchisor has no obligation, either before the signing of this Guaranty or any time thereafter, to notify the Guarantor concerning the Franchisee's financial condition or of any event or occurrence affecting the Franchisee's financial condition or business operation.

(e) Any financial statements previously delivered by the Guarantor to the Franchisor were true and correct in all respects as of the date delivered. At any time this Guaranty is in effect, Guarantor will, upon 7-days prior written notice from the Franchisor, provide the Franchisor with a current financial statement and such other financial information as the Franchisor may reasonably request (including copies of Guarantor's filed federal and state income tax returns for the most recent taxable year). The Franchisor agrees to keep confidential and not use such financial statements and information, except in connection with the administration or enforcement of the Franchise Agreement or this Guaranty. The financial statements must be prepared in accordance with generally accepted accounting principles.

11. **Notices.** Any notice or demand required or permitted to be given under this Guaranty to the Guarantor must be in writing and must be either: (a) personally delivered; or (b) by FedEx or UPS to the following address for the Guarantor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. **Subordination and Subrogation.** Until the Guaranteed Obligations are paid in full, the Guarantor subordinates and assigns all direct or indirect claims and rights that he may have against the Franchisee, now existing or later arising, to all claims by the Franchisor for amounts owing from the Franchisee to the Franchisor or its affiliates for the Guaranteed Obligations.

13. **Joint and Several Liability.** Guarantor’s liability under this Guaranty is joint and several with every other guarantor of Franchisee’s liabilities under the Agreement.

14. **Miscellaneous.** This Guaranty contains the entire agreement of the Guarantor and is not subject to any oral conditions. Time is of the essence for the terms of this Guaranty. This Guaranty cannot be changed or modified orally. Upon request from the Franchisor, the Guarantor will provide to the Franchisor all information regarding his financial condition and business operations as the Franchisor requests including personal financial statements. This Guaranty is deemed and treated as being drafted jointly by the Guarantor and the Franchisor. No term of this Guaranty is construed more strictly against the Guarantor or the Franchisor because the Franchisor, or its counsel, was responsible for the physical preparation of this Guaranty. All capitalized terms used but not defined will have the meaning set forth in the Franchise Agreement.

**IN WITNESS WHEREOF**, the Guarantor signed this Guaranty on the date stated above.

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_



## **GUARANTY OF DEVELOPER'S OBLIGATIONS**

**THIS GUARANTY OF DEVELOPER'S OBLIGATIONS** (this "Guaranty") is signed on \_\_\_\_\_ by \_\_\_\_\_ (the "Guarantor").

### **INTRODUCTION**

A. Pursuant to a Stretch Zone Area Development Agreement dated as of \_\_\_\_\_ (the "Area Development Agreement"), Stretch Zone Franchising, LLC (the "Franchisor") is granting to \_\_\_\_\_, a \_\_\_\_\_ (the "Developer") the right to develop a specified number of Franchise Business in a specified geographical area pursuant to a specified development schedule.

B. The Guarantor represents and warrants to the Franchisor that s/he will benefit by from the Developer's execution of the Area Development Agreement.

C. The Franchisor has declined to enter into the Area Development Agreement and other related agreements (collectively, the "Agreements") with the Developer unless the Guarantor signs and delivers this Guaranty to the Franchisor.

### **TERMS**

The Guarantor agrees for the benefit of the Franchisor and its affiliates as follows:

1. **Guaranteed Obligations.** The Guarantor absolutely and unconditionally, guarantees to the Franchisor and its affiliates, and their respective successors and assigns, for the respective terms of the Agreements and thereafter as provided in the Agreements, that the Developer will punctually pay and perform every obligation stated in the Agreements, and the Guarantor agrees to be personally bound by, and personally liable for the breach of, every term of the Agreements, together with charges, fees and all expenses including attorneys' fees and costs incurred in enforcing the terms of the Agreements or this Guaranty through litigation, arbitration, appellate, bankruptcy and post-judgment proceedings (the "Guaranteed Obligations").

2. **Incorporation of Terms.** The terms of the Agreements are incorporated in this Guaranty as if stated in full, including the dispute resolutions provisions stated in Section 8.1 of the Area Development by which Guarantor agrees to be bound. The Guarantor has had an opportunity to read, and to receive advice by his or her counsel of, the terms of the Agreements and the Franchisor's Franchise Disclosure Document.

3. **Guaranty Absolute and Irrevocable.** The obligation of the Guarantor is absolute and unconditional irrespective of the validity or enforceability of any of the Agreements. This is an irrevocable and continuing guaranty. This Guaranty covers and secures any amount at any time owing on the Guaranteed Obligations and remains in full effect until all Guaranteed Obligations have been satisfied and all amounts due have been paid in full to the Franchisor or its affiliates. The Guarantor waives the benefit of any circumstance, defense or statute of limitations affecting

her/his liability that might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty. The Guarantor irrevocably waives any requirement that the Franchisor must proceed against or exhaust any collateral or security that the Franchisor may now hold or obtain for any of the Guaranteed Obligations before collecting from the Guarantor. The Franchisor is under no obligation to keep the Guarantor informed of the Developer's financial condition.

4. **Payment.** If the Developer fails to make any payment when due or otherwise defaults under the terms of any of the Guaranteed Obligations, the Guarantor will pay to the Franchisor immediately upon demand the full amount of the Guaranteed Obligations then due (by acceleration or otherwise), in immediately available funds. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of the Guarantor except the defense that the Developer has paid in full all Guaranteed Obligations.

5. **Enforcement.** In any proceeding under this Guaranty, the Franchisor may act against the Guarantor separately, or against 2 or more Guarantors jointly, or against some separately and some jointly. In any action or proceeding to enforce this Guaranty against the Guarantor, the Franchisor is not required to join the Developer, or any other Guarantor, unless it elects to do so in its sole discretion.

6. **Waiver.** The Guarantor irrevocably waives notice of the extension of any Guaranteed Obligation, or of the acceptance of this Guaranty, and protest, presentment, diligence, demand for payment, notice of default, nonpayment or dishonor of any Guaranteed Obligation, and any other notice except as expressly provided in this Guaranty.

7. **Consent to Certain Actions.** Without in any way affecting or impairing the liability of the Guarantor and, without notice to or additional consent from the Guarantor:

(a) the Guaranteed Obligations may be renewed, extended, modified (in time for payment or the terms of indebtedness or otherwise), compromised, settled, released or discharged by the Franchisor, whether by agreement with the Developer or under any insolvency, bankruptcy or similar proceeding;

(b) any security or collateral for the Guaranteed Obligations may be assigned, exchanged, sold, released or surrendered by the Franchisor, and the Franchisor may abstain from perfecting its security interest in any security or collateral, or from taking upon new security or collateral;

(c) the Franchisor may exercise or refrain from exercising any right against the Developer or any other person or entity;

(d) the Franchisor has sole discretion to apply any payments received by the Developer or any Guarantor to the Developer's past due indebtedness, including royalty fees, e-mail/home page fees, advertising contributions, purchases from the Franchisor or its Affiliates, interest, NSF charges, or any other indebtedness of the Area Developer to the Franchisor, its affiliates, lessor, vendor, taxing authority or third party creditor, in any manner the Franchisor chooses regardless of the Developer's designation;

(e) the Franchisor may consent to or waive any breach of, or any act, omission or default of, the Guaranteed Obligations; and

(f) the Franchisor may agree to any amendment to or modification of, any of the Agreements, applicable to the Guaranteed Obligations.

The Franchisor has no duties to the Guarantor except as expressly provided in this Guaranty.

8. **Continuing Guarantee.** The guarantee of the Guarantor under this Guaranty continues to be effective, or is reinstated, as the case may be, if at any time any payment to the Franchisor of the Guaranteed Obligations is rescinded or must otherwise be returned for any reason, including the insolvency, bankruptcy or reorganization of the person or entity making the payment, all as though the payment had not been made.

9. **Successors and Assigns.** The Guarantor cannot delegate any of his obligations under this Guaranty. This Guaranty is binding upon the heirs, personal representatives, successors and assigns of the Guarantor, and inures to the benefit of the Franchisor, its affiliates, and their respective successors and assigns. The Franchisor may at any time, without notice to the Guarantor, transfer or assign to any person or entity any of the Guaranteed Obligations, or any interest in the Guaranteed Obligations. In this event, the assignee or transferee of the Guaranteed Obligations, or any interest in the Guaranteed Obligations is, to the extent of its interest, is entitled to the benefits of this Guaranty to the same extent as if the assignee or transferee were the Franchisor.

10. **Representations and Warranties.** The Guarantor represents as follows:

(a) The Guarantor has the capacity to enter into, perform and deliver this Guaranty.

(b) This Guaranty is the legal, valid, binding and enforceable obligations of the Guarantor.

(c) There is no litigation or governmental proceeding pending or threatened against the Guarantor, nor has there occurred any event, nor does there exist any condition, on the basis of which any litigation or proceeding might be begun, which litigation or proceeding, if adversely determined, could have a material adverse effect on the respective properties, operations, assets, condition (financial, business, labor or otherwise) or prospects of the Guarantor.

(d) The Guarantor has independent means of obtaining reports and financial information about the Developer and the Franchisor has no obligation, either before the signing of this Guaranty or any time thereafter, to notify the Guarantor concerning the Developer's financial condition or of any event or occurrence affecting the Developer's financial condition or business operation.

(e) Any financial statements previously delivered by the Guarantor to the Franchisor were true and correct in all respects as of the date delivered. At any time this Guaranty is in effect, Guarantor will, upon 7-days prior written notice from the Franchisor, provide the Franchisor with a current financial statement and such other financial information as the Franchisor may reasonably request (including copies of Guarantor's filed federal and state income tax returns for the most recent taxable year). The Franchisor agrees to keep confidential and not use such financial statements and information, except in connection with the administration or enforcement of the Franchise Agreement or this Guaranty. The financial statements must be prepared in accordance with generally accepted accounting principles.

11. **Notices.** Any notice or demand required or permitted to be given under this Guaranty to the Guarantor must be in writing and must be either: (a) personally delivered; or (b) by FedEx or UPS to the following address for the Guarantor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. **Subordination and Subrogation.** Until the Guaranteed Obligations are paid in full, the Guarantor subordinates and assigns all direct or indirect claims and rights that he may have against the Developer, now existing or later arising, to all claims by the Franchisor for amounts owing from the Developer to the Franchisor or its affiliates for the Guaranteed Obligations.

13. **Joint and Several Liability.** Guarantor's liability under this Guaranty is joint and several with every other guarantor of Developer's liabilities under the Agreement.

14. **Miscellaneous.** This Guaranty contains the entire agreement of the Guarantor and is not subject to any oral conditions. Time is of the essence for the terms of this Guaranty. This Guaranty cannot be changed or modified orally. Upon request from the Franchisor, the Guarantor will provide to the Franchisor all information regarding his financial condition and business operations as the Franchisor requests including personal financial statements. This Guaranty is deemed and treated as being drafted jointly by the Guarantor and the Franchisor. No term of this Guaranty is construed more strictly against the Guarantor or the Franchisor because the Franchisor, or its counsel, was responsible for the physical preparation of this Guaranty. All capitalized terms used but not defined will have the meaning set forth in the Area Development Agreement.

**IN WITNESS WHEREOF**, the Guarantor signed this Guaranty on the date stated above.

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

**EXHIBIT H – AGREEMENT WITH LANDLORD**



## **AGREEMENT WITH LANDLORD**

**THIS AGREEMENT** is signed on \_\_\_\_\_ among Stretch Zone Franchising LLC (the "Franchisor"); \_\_\_\_\_, a \_\_\_\_\_ limited liability company (the "Landlord") and \_\_\_\_\_, LLC, a \_\_\_\_\_ limited liability company (the "Tenant/Franchisee").

### **BACKGROUND**

A. The Tenant/Franchisee is a franchisee of the Franchisor under a Stretch Zone Franchise Agreement between the Franchisor and the Tenant/Franchisee dated \_\_\_\_\_ (the "Franchise Agreement") for the operation of a Stretch Zone (the "Franchise Business").

B. The Landlord and the Tenant/Franchisee are parties to a Lease Agreement dated \_\_\_\_\_ (the "Lease") for the premises located at \_\_\_\_\_ (the "Premises") that has been approved by the Franchisor on condition that all the parties sign this Agreement.

C. In order to assure that a Franchise Business continues to operate at the Premises, the Landlord grants certain rights to the Franchisor under the Lease to protect the Franchisor's interest under the Franchise Agreement.

The parties agree as follows:

### **TERMS**

1. **Signage.** The Landlord agrees to the Franchisor's signage requirements for the Tenant/Franchisee, subject to local signage ordinances and approval by local governmental agencies, if necessary.

2. **Use of Premises.** The Landlord and the Tenant/Franchisee agree that the Tenant/Franchisee may only use the Premises for the operation of the Franchised Business, unless the Franchisor otherwise approves in writing. The Landlord agrees that the Tenant/Franchisee may sell all products and/or provide all services that are part of the Franchisor's Business System now or hereafter changed. The Landlord acknowledges that this use does not violate any zoning restrictions, restrictive covenants or existing exclusive uses granted to any other tenant of the Landlord in the building/center or adjacent outparcel owned by the Landlord in which the Premises are located. The Landlord further acknowledges that during the term of the Lease or any extension of the Lease, the Landlord will not lease space within the building/center or outparcel to a business similar to the Franchised Business, or permit an existing tenant to offer products that compete with the Franchised Business. Competitive business means any business that operates, or franchises or licenses others to

operate, a business that provides stretching services to individuals.

3. **Tenant Information; Notices of Default.** The Landlord will send to the Franchisor at the address set forth below by regular U.S. mail copies of all sales reports, financial information, correspondence and other communications sent by the Landlord to the Tenant/Franchisee or sent by the Tenant/Franchisee to the Landlord. The Landlord will overnight to the Franchisor at the address below by USPS, FedEx or UPS copies of all written notices of default sent by the Landlord to the Tenant/Franchisee. The Landlord acknowledges that the Franchisor is not responsible for any actions of the Tenant/Franchisee or any of its employees, agents, suppliers or customers.

Stretch Zone Franchising, LLC  
6700 North Andrews Avenue, # 210  
Fort Lauderdale, FL 33309  
Attn: Tony Zaccario, CEO and President

4. **Right to Cure and Take Occupancy.**

(a) If the Tenant/Franchisee defaults under the Lease, the Franchisor may (but is under no obligation to), within 30 days after receipt of written notice from the Landlord, cure the default (or a longer period of time if the default is not capable of being cured within 30 days and the Franchisor is diligently proceeding to cure the default). If the Franchisor cures the Tenant/Franchisee's default, the Franchisor has the right to occupy the Premises and operate the Franchise Business. The Tenant/Franchisee is deemed to have assigned the Lease to the Franchisor, but the Tenant/Franchisee and any guarantors are not released from their obligations under the Lease. From and after the deemed assignment, the Franchisor will assume and perform all of the obligations of the Tenant/Franchisee under the Lease until the Franchisor is released in accordance with Subsection 4(b).

(b) The Franchisor may assign the Lease to another Stretch Zone Franchisee with the Landlord's written approval of the new tenant/franchisee. The Landlord will not unreasonably withhold, delay or condition its approval of the new tenant/franchisee. Upon the permitted assignment by the Franchisor to the new tenant/franchisee, the Franchisor is released from all further obligations under the Lease.

5. **Franchisor's Rights Upon Termination or Expiration of Franchise Agreement.**

The Landlord acknowledges that any landlord's lien or security interest does not include any property of the Tenant/Franchisee that includes any items bearing the Franchisor's trademarks including the signage and proprietary trade dress. If the Franchisor does not take occupancy of the Premises and does not assume the Lease, the Landlord agrees to the Franchisor's rights under the Franchise Agreement, upon reasonable notice to the Landlord, to enter the Premises solely for the purposes of taking all steps necessary to protect its interest under the Franchise Agreement including the removal of all signs and other items bearing the Proprietary Marks of the Franchisor (without damage to the Premises).

6. **Modification of Lease.** The Landlord and the Tenant/Franchisee will not make any material modifications to the Lease without the Franchisor's written consent, which consent the Franchisor will not unreasonably withhold, delay or condition.

7. **Noncompetition.** If the Franchisor does not take over the Lease upon the termination or expiration of the Franchise Agreement and the Tenant/Franchisee remains in

possession of the Premises, the Landlord and the Tenant/Franchisee agree that, for a period of 2 years after the expiration or termination of the Franchise Agreement, the Premises will not be used for a business providing stretching services to individuals.

8. **Landlord's Statutory Lien or Security Interest.** The Landlord subordinates its statutory lien or security interest in the Tenant's property to the security interest of the Franchisor. The Landlord will further cooperate in signing all required documents to recognize the subordination.

9. **Non-Disturbance Agreement.** The Landlord will use its best efforts to obtain a non-disturbance agreement from the Landlord's existing mortgagee.

10. **Attorneys' Fees.** If a party institutes any action to enforce any provision of this Agreement, the prevailing party is entitled to recover all attorneys' fees and costs incurred in connection with the action from the non-prevailing party.

11. **Governing Law; Venue.** This Agreement is governed by and construed in accordance with the laws of the state in which the Premises are located. Venue will be in the county in which the Premises are located.

12. **Conflict.** Upon any inconsistency between this Agreement and the terms of the Lease, this Agreement supersedes and controls.

13. **Binding Effect.** This Agreement is binding upon the personal representatives, heirs, successors and assigns of the parties.

This Agreement has been signed the date and year first above written.

**FRANCHISOR:**

Stretch Zone Franchising LLC

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

**LANDLORD:**

\_\_\_\_\_, LLC

By: \_\_\_\_\_  
Its:

**TENANT/FRANCHISEE:**

\_\_\_\_\_, LLC

By: \_\_\_\_\_  
\_\_\_\_\_, Member

**EXHIBIT I – TELEPHONE NUMBER AND DIRECTORY ADVERTISING  
ASSIGNMENT AGREEMENT**



## **TELEPHONE NUMBER AND DIRECTORY ADVERTISING ASSIGNMENT AGREEMENT**

**THIS ASSIGNMENT AGREEMENT** is signed on \_\_\_\_\_ between Stretch Zone Franchising, LLC, a Florida limited liability company ("we," "us" or "our") and \_\_\_\_\_ ("you" or "your").

### **BACKGROUND**

A. The parties are entering into a Stretch Zone Franchise Agreement on \_\_\_\_\_ (the "Franchise Agreement").

B. As a condition to signing the Franchise Agreement, we have required that you assign to us all of your right, title and interest in the telephone numbers, telephone listings, facsimile numbers, and telephone directory advertisements relating to the Stretch Zone Franchise (the "Franchise Business") upon the expiration or termination of the Franchise Agreement

The parties agree as follows:

### **TERMS**

1. **Assignment.** In order to secure continuity and stability of our operation of the Franchise Business, immediately upon the expiration or termination of the Franchise Agreement, this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, facsimile numbers, telephone listings and telephone directory advertisements, whether on the Internet or in print, pursuant to which you operate your Franchise Business in accordance with the terms of the Franchise Agreement without further action on your part.

2. **Assumption.** Immediately upon the expiration or termination of the Franchise Agreement, in consideration of the transfer of telephone service for the telephone numbers, we may assume and pay all future obligations for the telephone numbers, including the payment of all charges for future local and long distance service, telecommunications equipment, toll credit cards, public telephone service and equipment and directory advertising existing.

3. **Your Representation and Warranties.** You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone services, telephone listing services and telephone directory advertisement services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal and binding obligation enforceable in accordance with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers, telephone listings and telephone directory advertisements, and you have obtained all necessary consents to this Assignment.

4 **Other Documents**. You agree to sign any other documents required by the telephone service provider and/or publisher required to make the assignment effective.

5. **Miscellaneous**. The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (currently, Florida). All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

**IN WITNESS WHEREOF**, each of the parties has signed this Assignment as of the day and year first written above.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT J – SECURITY AGREEMENT, UCC-1 FINANCING STATEMENT AND RIDER**



## **SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** (this "Agreement") is signed on \_\_\_\_\_ between Stretch Zone Franchising LLC, a Florida limited liability company (the "Franchisor/Secured Party") and \_\_\_\_\_, \_\_\_\_\_ (the "Franchisee/Debtor").

### **BACKGROUND**

To secure all of the Franchisee's/Debtor's obligations to the Franchisor/Secured Party pursuant to that certain Stretch Zone Area Development Agreement and/or Franchise Agreement between the Franchisor/Secured Party and the Franchisee dated the same date as this Security Agreement (the "Franchise Agreement"), the Franchisee/Debtor grants to the Franchisor/Secured Party a security interest in certain of the assets of the Franchisee/Debtor as set forth in this Security Agreement. All capitalized terms not specifically defined in this Agreement have the same meaning as contained in the Franchise Agreement.

The parties agree as follows:

#### **1. Creation of Security Interest**

The Franchisee/Debtor grants to the Franchisor/Secured Party a security interest in the following described property used in the operation of the Franchise Business (collectively, the "Collateral"):

(a) All of the Franchisee/Debtor's Inventory, of whatever type or description, wherever located and whether now owned or later acquired;

(b) All of the Franchisee/Debtor's Accounts, which include all notes receivable, accounts receivable, and all other forms of customer obligations now existing and that may at any time later come into existence;

(c) All of the Franchisee/Debtor's vehicles, equipment, machinery, furniture, fixtures and other items of personal property, whether now owned or later acquired;

(d) All of the Franchisee/Debtor's permits, licenses and other governmental approvals;

(e) The Franchisee/Debtor's business on an ongoing basis including contract rights, customer lists and routes;

(f) All of the Franchisee/Debtor's cash, certificates of deposit, securities, instruments and general intangibles;

(g) The right to all insurance proceeds of all insurance covering the Collateral as later defined; and

(h) All proceeds, products, replacements, additions, substitutions and accessions of and to all of the foregoing

The Debtor's personal assets including consumer goods are not subject to this security interest.

## **2. Obligations Secured.**

The security interest secures the payment and performance of all indebtedness, obligations and liabilities of any kind of the Franchisee/Debtor to the Franchisor/Secured Party now or later existing, arising directly between the Franchisee/Debtor and the Franchisor/Secured Party including the Franchisee's/Debtors obligations under the Area Development Agreement and Franchise Agreement (collectively, the "Obligations").

## **3. Franchisee/Debtor's Warranties.**

The Franchisee/Debtor warrants that:

(a) The Franchisee/Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance other than the security interest granted by this Security Agreement and the Permitted Encumbrances stated in Schedule A. The Franchisee/Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest on the assets, except for the liens described in this Section or otherwise permitted under the Franchise Agreement.

(b) None of the Collateral is subject to a purchase money security interest other than that of the Franchisor/Secured Party or otherwise permitted under the Franchise Agreement.

(c) The Franchisee/Debtor will keep the Collateral at the Franchise Business where the Franchisor/Secured Party may inspect it at any reasonable time. The Franchisee/Debtor will not remove the Collateral from this location without the written consent of the Franchisor/Secured Party. The Franchisee/Debtor will not allow the Collateral to be wasted, misused, abused or deteriorate, except for ordinary wear and tear, and will not be used in violation of any law, ordinance or regulation of any governmental authority.

(d) The Franchisee/Debtor will insure the Collateral with carriers in the amounts and against all risks as satisfactory to the Franchisor/Secured Party, with policies payable to the Franchisor/Secured Party as its interest may appear. All policies of insurance must provide for 30 days' written notice of cancellation, modification, termination or expiration to the Franchisor/Secured Party. The Franchisee/Debtor will furnish the Franchisor/Secured Party a copy of the policies or other evidence of compliance with these insurance provisions.

(e) The Franchisee/Debtor will pay, when due, all taxes and assessments upon the Collateral or its operation or use and discharge or pay any taxes, liens, security interest or other encumbrances at any time levied or placed on or against the Collateral of the Franchisee/Debtor.

(f) The Franchisee/Debtor will not sell, lease, transfer, dispose or substantially modify the Collateral without the written consent of the Franchisor/Secured Party except for the sale, replacement or other disposition of the Collateral in the ordinary course of the operation of the Franchise Business.

(g) The Franchisee/Debtor will sign, alone or with the Franchisor/Secured Party, any financing statements or other documents and do any other act or acts considered by the Franchisor/Secured Party to be necessary or desirable to perfect or protect the security interest created by this Agreement, and will pay all costs and expenses (including reasonable fees and expenses of counsel and filing fees) for the preparation and filing of any financing statements, continuation statements or other documents for the perfection or protection of the security interest created by this Agreement.

#### **4. Rights of the Franchisor/Secured Party Prior to Default**

(a) The Franchisor/Secured Party may enter upon the Franchisee/Debtor's premises at any reasonable time to inspect the Franchisee/Debtor's books and records pertaining to the Collateral or its proceeds, and the Franchisee/Debtor will assist the Franchisor/Secured Party in all ways necessary to make any inspection.

(b) The Franchisee/Debtor agrees that, upon 5 days' written notice from the Franchisor/Secured Party, it will deliver to the Franchisor/Secured Party lists or copies of all accounts, that are proceeds of the Franchisee/Debtor's Collateral, promptly after they arise.

#### **5. Rights of Franchisee/Debtor Prior to Default.**

Until an Event of Default occurs or as otherwise provided in this Agreement, the Franchisee/Debtor may use the Collateral in any lawful manner consistent with this Agreement, the Franchise Agreement and with the terms of insurance on the Collateral.

#### **6. Events of Default.**

The Franchisee/Debtor is in default under this Agreement upon the happening of any of the following events ("Events of Default"):

(a) The occurrence of an Event of Default under the Franchise Agreement or any other document between the Franchisor/Secured Party and the Franchisee/Debtor; or

(b) Loss, theft, substantial change or destruction to a substantial portion of the Collateral unless replaced immediately or covered by insurance.

Upon the happening of any Event of Default or whenever the Franchisor/Secured Party deems itself insecure for any reason, the Obligations become immediately due and payable. The Franchisee/Debtor expressly waives any presentment, demand, protest or other notice of any kind.

#### **7. Franchisor/Secured Party's Remedies and Additional Rights After Default.**

Upon the occurrence of an Event of Default, the Franchisor/Secured Party has the rights and remedies of a Franchisor/Secured Party under the Florida Uniform Commercial Code or any

other applicable law. The Franchisor/Secured Party may exercise the following rights and remedies:

(a) The Franchisor/Secured Party may peaceably, or by its own means or with judicial assistance by injunction or otherwise, enter the Franchisee/Debtor's premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on the Franchisee/Debtor's premises, and the Franchisee/Debtor will not resist or interfere with this action.

(b) The Franchisor/Secured Party may notify all account debtor's and other contracting parties of the Franchisor's/Secured Party's security interest in the accounts and demand payment directly to the Franchisor/Secured Party instead of paying the Franchisee/Debtor directly.

(c) The Franchisor/Secured Party may, with judicial assistance by injunction or otherwise, require the Franchisee/Debtor, at the Franchisee/Debtor's expense, to assemble the Collateral and make it available to the Franchisor/Secured Party at any place designated by the Franchisor/Secured Party. The Franchisee/Debtor agrees that any place designated by the Franchisor/Secured Party within Broward County, Florida, is a place reasonably convenient to Franchisee/Debtor to assemble the Collateral.

(d) The Franchisee/Debtor agrees that a notice to the Franchisee/Debtor, at least 5 days before the time of any intended sale or of the time after which any public or private sale or other disposition of the Collateral may be made, is reasonable notice of the sale or other disposition.

(e) Without precluding any other methods of sale, the sale of the Collateral has been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices, however, the Franchisor/Secured Party may sell on terms as it may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind.

(f) The Collateral need not be present at any public or private sale or in view of the purchaser or purchasers. Title passes upon sale wherever the property is located with like effect as though all the property were present and in the possession of the person conducting the sale and where physically delivered to the purchaser. The Franchisor/Secured Party may bid for and purchase all the Collateral or any part of the Collateral, and by purchase, becomes the owner of the Collateral.

(g) Upon the exercise of any of the rights or remedies of the Franchisor/Secured Party under this Agreement, the Collateral may be offered for sale for one total price, and the proceeds of the sale accounted for in one account without distinction between items of security or without assigning to them any proportion of the proceeds of the sale. The Franchisee/Debtor insofar as it legally may do so waives the application of any doctrine of marshalling. At the option of the Franchisor/Secured Party, the Collateral may be offered for sale separately at different times and/or locations. A separate sale does not preclude later sales of the Collateral or the exercise by the Franchisor/Secured Party of any other right or remedy under this Agreement.

(h) The Franchisor/Secured Party may deduct from the gross proceeds of any public or private sale the expenses incurred by the Franchisor/Secured Party in the sale, including any broker's commission and its reasonable attorneys' fees, legal expenses including appellate, bankruptcy and post-judgment proceedings, incurred or expended by the Franchisor/Secured Party

in connection with this Agreement and other agreements involving the Collateral, the enforcement of any of the obligations or the administration, preservation or protection of or realization upon the Collateral or any part of the Collateral. Any amount then remaining will be returned to the Franchisee/Debtor.

(i) If the proceeds from the sale of the Collateral are not sufficient to satisfy the indebtedness of the Franchisee/Debtor to the Franchisor/Secured Party, the Franchisor/Secured Party may proceed against the Franchisee/Debtor for any deficiency.

## **8. Miscellaneous.**

(a) No failure on the part of the Franchisor/Secured Party to exercise and no delay in exercising any right or remedy under this Agreement operates as a waiver of this Agreement, nor will any single or partial exercise by the Franchisor/Secured Party of any right or remedy under this Agreement preclude any other or future exercise of that right or remedy or the exercise of any other right or remedy.

(b) The dispute resolution provisions contained in ARTICLE 17 of the Franchise Agreement are incorporated by reference into this Agreement and are part of this Agreement.

(c) Upon a conflict between the terms of this Agreement or the Franchise Agreement between the parties, the terms of the Franchise Agreement prevails.

(d) All of the terms and covenants of this Agreement inure to the benefit of and bind the heirs, legal representatives, successors and assigns of the respective parties to this Agreement.

(e) This Security Agreement may not be changed orally, but only by an instrument in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

(f) Upon full performance under the Franchise Agreement without renewal, this Security Agreement automatically terminates. The Franchisor/Secured Party will sign and send to the Franchisee/Debtor a UCC-3 Statement of Termination.

IN WITNESS WHEREOF, the parties have signed this Agreement this day and year first above written.

**FRANCHISOR/SECURED PARTY:**

**STRETCH ZONE FRANCHISING  
LLC**, a Florida limited liability  
company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_,  
20\_\_

**FRANCHISEE/DEBTOR:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_,  
20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_,  
20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_,  
20\_\_

**SCHEDULE A TO SECURITY AGREEMENT**

**PERMITTED ENCUMBRANCES**

1. Tangible commercial personal property taxes for the year 20\_\_\_\_ and subsequent years.

<b><u>Date of Filing</u></b>	<b><u>File #</u></b>	<b><u>Franchisor/Secured Party</u></b>	<b><u>Collateral</u></b>
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2. None

**EXHIBIT K – SOFTWARE SUBLICENSE AGREEMENT**

**EXHIBIT L – LIST OF FRANCHISEES**

(a) **Operational Franchisees.** The following are the names, addresses and telephone numbers of the 377 Franchise Businesses in the United States as of December 31, 2024 that are operational:

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
Life Force 1 LLC Ray and Suzanne Hickel	11901 Business Boulevard Suite 103	Eagle River	AK	99577	(907) 600-3200
Life Force 1 LLC* Ray and Suzanne Hickel	1320 Huffman Park Drive Unit 140	Anchorage	AK	99515	(907) 644-2955
Bend Wellness, LLC Andrew Crowell	4650 W. Main Street Suite 607 Dothan, AL 36305	Dothan	AL	36305	(334) 475-7930
TUSCALOOSA SZ LLC Alex Patel*	2370 Jack Warner Parkway	Tuscaloosa	AL	35401	(205) 526-4030
Hampton Cove Stretch LLC Mary Lawrence	6501 Highway 431 Suite E	Hampton Cove	AL	35763	(256) 270-1300
Lawrence Beezley LLC Mary Lawrence	22099 US Hwy 72E Suite B	Athens	AL	35613	(256) 444-0488
Lawrence Breezley, LLC Mary Lawrence	1419 Glenn St. SW Suite 202	Decatur	AL	35601	(256) 686-1858
Madison Stretch LLC Mary Lawrence	1079 Balch Road Suite F	Madison	AL	35758	(256) 459-9300
Rogersville Stretch, LLC Mary Lawrence	17532 US-72	Rogersville	AL	35652	(256) 607-3160
Mountain Brook SZ LLC Alex Patel*	229 Country Club Park Mountain Brook	Mountain Brook	AL	35213	(205) 803-6729
Eastern Shore Stretch LLC Hayden Sawyer	27955 US Highway 98, Suite M	Daphne	AL	36526	(251) 230-3660
Flex Zone Birmingham LLC Beth Marlowe	3056 Healthy Way	Birmingham	AL	35243	(205) 509-2349
Stretch Memphis LLC John Boyd	14300 Cantrell Road Suite 101	Little Rock	AR	72223	(501) 812-3931

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
Stretch Springfield LLC Chris Blaine	3761 N. Mall Ave Suite #2	Fayetteville	AR	65807	(479) 396-3550
Fighting Bear Stretch Arizona LLC Chris Duda	7352 North Oracle Road Tucson, AZ 85704	Tucson	AZ	85704	(520) 395-0753
Fighting Bear Stretch Tucson Chris Duda	5575 E. River Road Suite 151	Tucson	AZ	85750	(520) 638-5167
AZ Stretch - Longbow, LLC Denise Mehr	3204 North Recker Road # 104	Mesa	AZ	85215	(480) 590-1133
AZ Stretch - Ahwatukee, LLC Denise Mehr	4855 E. Warner Road Suite D9	Phoenix	AZ	85044	(480) 696-7566
Stretching Horizon LLC Nathan Johnston	14676 N. Frank Lloyd Wright Boulevard, Suite 125	Scottsdale	AZ	85260	(480) 687-1874
Stretching Kierland LLC Nathan Johnston	Kierland Village 6501 E. Greenway Parkway Suite B151	Scottsdale	AZ	85054	(480) 265-9810
Stretching Madison Village LLC Nathan Johnston	742 East Glendale Avenue # 170	Phoenix	AZ	85020	(602) 612-3031
Stretching Summit LLC Nathan Johnston	32531 N Scottsdale Road Suite 111	Scottsdale	AZ	82566	(480) 306-7822
D2D Stretch, LLC Deborah Ashley	N Pacific coast Hwy Suite 409-106	Redondo Beach	CA	90277	(424) 352-3600
Dash Enterprises LLC Deborah Ashley	28901 South Western Avenue Suite 229	Rancho Palos Verdes	CA	90275	(424) 224-7124
NorCal Stretch, Inc. Denise Mehr	52 Mission Circle #114	Santa Rosa	CA	95409	(707) 595-8400
NorCal Stretch, Inc. Denise Mehr	401 Kenilworth Dr Suite 330	Petaluma	CA	94952	(707) 400-6500
NorCal Stretch, Inc. Denise Mehr	3270 California Blvd, Suite A2	Napa	CA	94558	(707) 913-3000
Stretch Washington LLC* Michelle Ginn*	191 North El Camino Real	Encinitas	CA	92024	(858) 247-3539
4S RANCH SZ LLC Michelle Ginn*	16615 Dove Canyon Rd, Ste-111	San Diego	CA	92127	(858) 926-5306

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
Stretch Washington LLC* Michelle Ginn*	73563 Highway 111	Palm Desert	CA	92260	(760) 565-6091
M Rod Riguez, Inc. Michael Rodriguez	5433 Clayton Rd, Ste 5439D	Clayton	CA	94517	(925) 848-0884
BALS Wellness LLC* Seth Nehrke and Amy Nehrke	13730 West 85th Drive Unit 102	Arvada	CO	80005	(720) 398-8889
BALS Wellness LLC* Seth Nehrke and Amy Nehrke	2255 W. 136th Avenue # 142	Broomfield	CO	80023	(303) 451-9869
BALS Wellness LLC* Seth and Amy Nehrke	7476 East 29th Avenue	Denver	CO	80238	(720) 519-0785
S1 Stretch Aspen LLC Adam Sanders	601 E. Hopkins Avenue # 203	Aspen	CO	81611	(970) 710-7402
Sanders Stretch LLC Adam Sanders	1147 Eagle Drive	Loveland	CO	80537	(970) 800-3915
Boulder BALS P.C. Seth and Amy Nehrke	1855 29th Street # 1168	Boulder	CO	80301	(303) 442-0361
SZ Parker, LLC Eric Holmes	17051 Lincoln Avenue # A	Parker	CO	80134	(720) 851-5932
Fort BALS P.C. Seth and Amy Nehrke	238 E. Harmony Road	Fort Collins	CO	80525	(970) 226-8685
SZ COLORADO SPRINGS I LLC Catherine and Todd Vaughan	3574 Hartsel Dr Suite A	Colorado Springs	CO	80920	(719) 358-9155
SZ Littleton, LLC Eric Holmes	8116-G West Bowles Ave	Littleton	CO	80123	(720) 778-0370
1FellSwoop, LLC Blayne Moore	62 Founders Parkway, Suite G	Castle Rock	CO	80104	(303) 955-7061
SZ South Denver I, LLC Catherine and Todd Vaughan	9579 S University Boulevard, Suite 120	Highlands Ranch	CO	80126	(720) 678-9460
West Range Capital LLC* Eric Holmes	2504 East Arapahoe Road	Centennial	CO	80122	(303) 800-4934
Westport Stretch LLC Ahmed Mohamed	417 Post Road East	Westport	CT	06880	(203) 557-6810
STRETCH 1, LLC Clarence Carter	4120 B Concord Pike	Wilmington	DE	19803	(302) 575-9230
Stretch 2 LLC Clarence Carter	230 E Main St Suite 331	Newark	DE	19711	(302) 540-3177

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
ShareMy Wellness LLC Jeremy Coleman	1476 Sadler Road	Fernandina Beach	FL	32034	(904) 326-5374
Bastian Enterprises LLC John Bastian	164 State Rte 312	St. Augustine	FL	32086	(904) 481-8877
Bastian Enterprises, LLC John Bastian	7458 U.S. 1 North Suite 106	St. Augustine	FL	32095	(904) 217-7171
Bastian Enterprises, LLC John Bastian	250 Palm Coast Pkwy NE, Suite 503	Palm Coast	FL	32137	(386) 302-0041
Belletto Enterprises Inc. Katie Webb	1845 Thomasville Road Suite 120	Tallahassee	FL	32303	(850) 825-1951
Bend Wellness LLC Kim Crowell	15500 Panama City Parkway Suite 320	Panama City	FL	32413	(850) 588-0899
Bend Wellness, LLC Andy Crowell	4507 Furling Lane Unit 114	Destin	FL	32541	(850) 407-8088
Bend Wellness LLC Kim Crowell	4688 US Highway 98, Unit 2A	Santa Rosa Beach	FL	32459	(850) 407-8088
BHW Stretch Operations INC Whit Williams*	1542 Harrison St	Titusville	FL	32780	(321) 567-4085
D&W Hayes LLC Dylan and William Hayes	3478 Lithia Pinecrest Road	Valrico	FL	33596	(813) 381-4626
BHW Stretch Operations INC Whit Williams*	6271 PGA Boulevard	Palm Beach Gardens	FL	33418	(561) 619-6029
Gables Stretch, LLC Steve Montalto	3138 Ponce De Leon Boulevard	Coral Gables	FL	33134	(786) 636-1306
GREENTREERBL LLC Sean Fransk*	3830 Sun City Center Blvd Unit 103	Ruskin	FL	33573	(813) 634-6399
Grove Stretch LLC Steven Montalto	2829 Bird Avenue Unit 6	Miami	FL	33133	(786) 636-1306
Health Zone 941 LLC Maria Macarena Peleaez Alacala	5917 Manatee Avenue West # 611	West Bradenton	FL	34209	(941) 281 2673
BAL HARBOUR SZ LLC Marra Allen	6804 Collins Ave	Miami Beach	FL	33141	(305) 400-9987

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
PEAKHEALTH4EVER LLC Sean Yeslow	6580 North State Rd 7	Coconut Creek	FL	33073	(954) 866-4540
Stretch Me LLC Salvatore Tozzi	1715 Lakewood Ranch Blvd	Bradenton	FL	34211	(941) 782-8070
BHW Stretch Operations INC Whit Williams*	311 E. Woolbright Road	Boynton Beach	FL	33435	(561) 739-8040
BHW Stretch Operations INC Whit Williams*	15065 S. State Road 7 Building B, Suite 700	Delray Beach	FL	33446	(561) 359-2838
BHW Stretch Operations INC Whit Williams*	11940 U.S. Highway 1 Unit 145	Palm Beach Gardens	FL	33408	(561) 644-2970
CTTVB LLC Colin Thompson	5240 U.S. Highway 1 Unit-A119	Vero Beach	FL	32967	(772) 217-3707
BHW Stretch Operations INC Whit Williams*	2621 North Federal Highway	Boca Raton	FL	33431	(561) 465-3730
BHW Stretch Operations INC Whit Williams*	6609 Woolbright Road #412	Boynton Beach	FL	33437	(561) 413- 5160
BHW Stretch Operations INC Whit Williams*	3640 N. Federal Highway Suite # 4	Lighthouse Point	FL	33064	(754) 666-4726
HMR Management, LLC Greg Hendrix	8203 Tourist Center Drive	Bradenton	FL	34201	(941) 351-7952
HMR Management LLC Tammy Aronow	2446 Laurel Road East	North Venice	FL	34275	(941) 483-3900
BHW Stretch Operations INC Whit Williams*	1906 Clint Moore Road # 6	Boca Raton	FL	33496	(561) 419-7895
JAX STRETCH PONTE VEDRA, LLC Ramiah Martin	266 Solana Road	Ponte Vedra Beach	FL	32082	(904) 834-6396
BHW Stretch Operations INC Whit Williams*	155 South State Road 7	Royal Palm Beach	FL	33411	(561) 249-0020
BHW Stretch Operations INC Whit Williams*	1702 Cordova Road	Fort Lauderdale	FL	33316	(954) 779-6960

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
K Webb Investments North Tallahassee Inc Katie Webb	6888 Thomasville Rd Unit 16	Tallahassee	FL	32312	(850) 270-9479
JAX STRETCH MANDARIN, LLC Ramiah Martin	11362 San Jose Boulevard Unit 6	Jacksonville	FL	32223	(904) 329-1603
Jonesville K Webb LLC Katie Webb	14254 W Newberry Rd Suite A-3	Newberry	FL	32669	(352) 554-4459
Gainesville K Webb LLC Katie Webb	3832 West Newberry Road Suite 1A	Gainesville	FL	32607	(352) 451-4107
BHW Stretch Operations INC Whit Williams*	1695 W. Indiantown Road Suite 17	Jupiter	FL	33458	(561) 529-2272
NonaPopp LLC Kevin Poppenberg	9145 Narcoossee Road	Orlando	FL	32832	(407) 440-4678
SZCELEPOPP LLC Kevin Poppenberg	1625 Future Way	Celebration	FL	34747	(407) 566-9663
PENSACOLA K WEBB INC Katie Webb	51 E Gregory Street Unit A	Pensacola	FL	32502	(850) 378-0132
Pinnacle Wellness Coral Springs, LLC Ryan Mancebo & Josh Thanos*	4686 Coral Ridge Dr	Coral Springs	FL	33076	(954) 278-3051
Pinnacle Wellness Pembroke Pines, LLC Ryan Mancebo and Josh Thanos*	14826 Pines Boulevard	Pembroke Pines	FL	33028	(954) 507-3793
Pinnacle Wellness Plantation LLC Josh Thanos*	10031 Cleary Boulevard	Plantation	FL	33324	(954) 990-4179
Pinnacle Wellness Weston LLC Josh Thanos*	2230 Weston Road	Weston	FL	33326	(954) 916-7092
Kleiman Enterprises INC Ben Kleiman	974 Del Mar Drive	The Villages	FL	32159	(352) 753-4554
BHW Stretch Operations INC Whit Williams*	7036 West Palmetto Park Road # 59	Boca Raton	FL	33433	(561) 419-7906
BHW Stretch Operations INC Whit Williams*	5975 North Federal Highway # 109	Fort Lauderdale	FL	33308	(954) 793-4385

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
BHW Stretch Operations INC Whit Williams*	5555 North Wickham Road, #104	Melbourne	FL	32940	(321) 622-6330
BHW Stretch Operations INC Whit Williams*	107 South Cedar Avenue	Tampa	FL	33606	(813) 816-0345
BHW Stretch Operations INC Whit Williams*	1705 Main Street	Dunedin	FL	34698	(727) 371-0091
Stretch Brickell LLC Mike Gorman	1390 Brickell Avenue, Suite 107	Miami	FL	33131	(305) 235-1999
Stretch By Doral LLC Adrian Garcia	9585 NW 41st Street	Doral	FL	33178	(305) 629-8249
BHW Stretch Operations INC Whit Williams*	4750 The Grove Drive # 156	Windermere	FL	34786	(407) 217-2959
BHW Stretch Operations INC Whit Williams*	501 N. Orlando Avenue Suite 209 C	Winter Park	FL	32789	(407) 335-4804
Stretch for Proffitt II LLC Wanda Simpson	6998 North US Highway 27 Suite 104	Ocala	FL	34482	(540) 272-7951
Stretch For Proffitt LLC Wanda Simpson	2370 SW College Road Unit 102	Ocala	FL	34471	(352) 421-5610
Stretch Kendall Lakes LLC Adrian Garcia	14453 SW 42nd St	Kendall	FL	33175	(305) 253-6434
Stretch Miami Lakes LLC Adrian Garcia	8032 NW 154th Street	Miami Lakes	FL	33016	(305) 235-6628
Stretch Miami LLC Jason M. Levine and Michael Gorman	7308 SW 57th Avenue	South Miami	FL	33143	(786) 636-1300
Stretch24 Pinecrest-Palmetto Bay LLC Sachin Kumar	14465 South Dixie Highway	Palmetto Bay	FL	33176	(305) 235-1999
Stretch 24 LLC Sachin Kumar	20614 Biscayne Blvd.	Aventura	FL	33180	(305) 749-6354
Kleiman Enterprises INC Ben Kleiman	2516 Burnsed Boulevard	The Villages	FL	32159	(352) 626-1812
Kleiman Enterprises INC Ben Kleiman	4315 S Highway 27	Clermont	FL	34711	(352) 308-1292

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
Stretch Sarasota LLC Maqui Alcala	2881 Clark Rd Suite 13	Sarasota	FL	34231	(941) 552-8029
Stretch South Beach LLC Adrian Garcia	735 5th Street	Miami Beach	FL	33139	(305) 235-1999
Stretch Trinity, LLC David Zamikoff	3142 Little Road	Trinity	FL	34655	(727) 494-7901
BHW Stretch Operations INC Whit Williams*	731 Village Boulevard # 109	West Palm Beach	FL	33409	(561) 323-2731
BHW Stretch Operations INC Whit Williams*	945 City Plaza Way	Oviedo	FL	32765	(407) 542-5118
Stretch Zone Holdings LLC and Bonnie Lane	5538 S Flamingo Rd Unit 52	Cooper City	FL	33330	(954) 306-3365
Stretch Zone Holdings LLC and Bonnie Lane	3149 Northeast 163rd Street	Miami Beach	FL	33160	(305) 760-2551
Stretch Zone Holdings LLC and Bonnie Lane	2359 Vanderbilt Beach Road, Suite 412	Naples	FL	34109	(239) 260-1061
BHW Stretch Operations INC Whit Williams*	1631 St. Lucie West Boulevard	Port St. Lucie	FL	34986	(772) 212-7317
BHW Stretch Operations INC Whit Williams*	2885 SE Ocean Boulevard	Stuart	FL	34996	(772) 708-5188
Stretch24 Cutler Bay LLC Sachin Kumar*	18511 S Dixie Hwy	Cutler Bay	FL	33157	(305) 315-2203
BHW Stretch Operations INC Whit Williams*	327 11 <sup>TH</sup> Avenue North	Saint Petersburg	FL	33701	(727) 290-9730
Stretchology II LLC Nicole Demesmin	1923 21 <sup>st</sup> St Northwest	Winter Haven	FL	33881	(863) 488-9663
Stretchology LLC Nichole Demesmin and Ursule Bisserseth	2113 East County Road 540A	Lakeland	FL	33813	(863) 563-9663
SZ Lake Mary LLC Landon Cheviron	3801 W Lake Mary Blvd Unit 125	Lake Mary	FL	32746	(571) 285-3472
SZ Ormond Beach, LLC Landon Cheviron, Mike Carrier, and Alex White*	254 N. Nova Road	Ormond Beach	FL	32174	(386) 492-7082

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
SZONE Naples, LLC Deanna Mahanand*	798 Neapolitan Way Unit 4613	Naples	FL	34103	(239) 228-6956
Stretch Kendall LLC Mike Gorman	12959 SW 112 Street	Miami	FL	33186	(305) 338-4932
West Yak Ventures LLC John Yakich	10801 Starkey Rd Suite 19	Seminole	FL	33777	(941) 704-1153
3STEWARTS ENTERPRISES, LLC Teresa Stewart	1810 Cumming Hwy Suite 1310	Canton	GA	30115	(770) 224-8912
Stretch GBJOE GA LLC Graham Greenlee	550 Lakeland Plaza	Cumming	GA	30040	(470) 655-2121
K1 Stretch LLC Thomas Kamplain	1575 Scenic Highway S. Suite 300	Snellville	GA	30078	(678) 615-3377
K2B LLC Kelly Boatright	4371 Roswell Rd	Marietta	GA	30062	(770) 282-7941
K2B Ventures LLC Kelly Boatright	857 Collier Road NW, Suite 19	Atlanta	GA	30318	(404) 748-1437
Pooler Stretch Corp Amanda Stewart*	1 N. Godley Station Boulevard Unit C103	Pooler	GA	31322	(912) 255-3758
Rock Bros, LLC* Lane Fenner and Gabe Cocco	3450 Cobb Parkway Suite 2-190	Acworth	GA	30101	(770) 485-7508
Rock Bros, LLC* Lane Fenner and Gabe Cocco	9700 Medlock Bridge Road Suite 188	Duluth	GA	30097	(770) 696-5595
Rock Bros, LLC* Lane Fenner and Gabe Cocco	1600 Kennesaw Due West Road NE Suite 404	Kennesaw	GA	30152	(770) 485-7333
Rock Bros, LLC* Lane Fenner and Gabe Cocco	1115 Woodstock Road # 210	Roswell	GA	30075	(470) 385-6580
Rock Bros, LLC* Lane Fenner and Gabe Cocco	1426 Towne Lake Parkway Suite 100	Woodstock	GA	30189	(470) 499-3539
Savannah Stretch LLC Amanda Stewart*	1909 East Victory Drive # 106	Savannah	GA	31404	(912) 239-6973
Stretch GBJOE GA LLC Graham Greenlee	145 Forest Blvd Suite 435	Dawsonville	GA	30534	(470) 281-9998
STRETCH ZONE KATHLEEN LLC Zach Beavers	678 Lake Joy Rd	Kathleen	GA	31047	(478) 276-8602

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
Rock Bros, LLC* Lane Fenner and Gabe Cocco	315 B Commerce Drive	Peachtree	GA	30269	(770) 282-6531
Stretch SSI Corp. Kelly Hanrahan	600 Sea Island Road Suite 9B	St. Simons Island	GA	31522	(912) 268-2495
DTF Group LLC Fred Young and Dannie James	208 Johnson Ferry Road NE Suite 208	Sandy Springs	GA	30328	(470) 823-4786
DTF Group LLC Fred Young and Dannie James	2095 S Milledge Avenue Suite B7	Athens	GA	30605	(706) 850-6884
DTF Group LLC Fred Young and Dannie James	6323 Grand Hickory Drive Suite 100-F	Braselton	GA	30517	(678) 804-9067
DTF Group LLC Fred Young and Dannie James	425 Buford Highway Suite 106 B	Suwanee	GA	30024	(678) 541-5956
Westside Stretch SV LLC John McFarland	2355 Cumberland Pkwy SE Suite 120	Atlanta	GA	30339	(770) 405-8031
Rock Bros, LLC* Lane Fenner and Gabe Cocco	5230 Windward Pkwy, Suite 108	Alpharetta	GA	30004	(470) 679-4325
STRETCH ZONE MACON LLC Zach Beavers	4357 Forsyth Rd, Suite 245	Macon	GA	31210	(478) 219-7452
Rage 43 LLC Rasheen Hartwell*	650 W Cherry St Suite 6	North Liberty	IA	52317	(319) 626-2303
Rage44, LLC Rasheen Hartwell*	6844 Championship Drive, IA	Bettendorf	IA	52722	(563) 200-1503
Stretch Central Iowa LLC Angela and Roderick Rippin	9250 SE University Ave Suite 112	West Des Moines	IA	50266	(515) 639-9225
Stretch Central Iowa LLC Angela and Roderick Rippin	1620 North Ankeny Blvd Suite 108	Ankeny	IA	50023	(515) 316-6266
Escape Hatch LLC Duncan Richardson	113 South 6 <sup>th</sup> Street	Boise	ID	83702	(208) 993-7979
Escape Hatch LLC Duncan Richardson	1245 W Chinden Blvd Suite 110	Meridian	ID	83646	(208) 579-2188
Rage 42, LLC Rasheen Hartwell	4700 Gilbert Avenue Unit 43B	Western Springs	IL	60558	(708) 469-7388

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Rage 40, LLC Rasheen Hartwell	2775 Showplace Drive Unit 111	Naperville	IL	60564	(630) 995-3690
Rage 41, LLC Rasheen Hartwell	876 75th Street	Willowbrook	IL	60527	(630) 323-9983
Flex Zone Inc* Waqas Abbasi	1612 W Algonquin Rd	Hoffman Estates	IL	60192	(847) 641-4040
Flex Zone Inc.* Waqas Abbasi	910 Milwaukee Ave Suite A-2	Lincolnshire	IL	60069	(847) 354-4900
Flex Zone Inc.* Waqas Abbasi	1628 S, Randall Road Unit 33	Algonquin	IL	601021	(224) 678-7015
Flex Zone Inc.* Waqas Abbasi	450 S Rand Road	Lake Zurich	IL	60047	(224) 662-4185
FlexZone Inc. LLC* Waqas Abbasi	4620 Hoffman Estates Blvd	Hoffman Estates	IL	60192	(224) 354-2040
FlexZone Incorporated* Waqas Abbasi	20771 N. Rand Road Suite K-2	Kildeer	IL	60047	224-677-6961
FlexZone, Inc LLC* Waqas, Abassi	1540 Commons Drive	Geneva	IL	60134	(630) 457-5086
SZ Glenview LLC Ben Smith*	2671 Navy Boulevard	Glenview	IL	60026	(847) 904-2786
Divine Fitness Ventures, LLC Vicki and Darryl Boggs	899 S College Mail Rd	Bloomington	IN	47401	(813) 381-4626
SZ Carmel LLC Ben Smith*	31 W. City Center Drive Suite 109	Carmel	IN	46032	(317) 564-4374
SZ Fishers LLC Ben Smith*	11398 Olio Road	Fishers	IN	46037	(463) 234-7275
SZ Zionsville LLC Ben Smith*	10725 N. Michigan Road # 130	Zionsville	IN	46077	(317) 344-3082
KBIZ 1 INC Kelly Harrick*	14559 Metcalf Avenue	Overland Park	KS	66223	(913) 766-1638
KBIZ 2 INC. Kelly Harrick*	4165 Somerset Drive	Prairie Village	KS	66208	(913) 232-7237
KBIZ INC Kelly Harrick*	9464 Renner Boulevard	Lenexa	KS	66219	(913) 735-3778
Stretch Bowling Green LLC Steve Sheehy	1132 Fairview Avenue Suite 102	Bowling Green	KY	42103	(270) 238-5504
Stretch Owensboro, LLC Steve Sheehy	2065 E. Parrish Avenue, Suite 200	Owensboro	KY	42303	(270) 681-5511

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SZ Springhurst, LLC Roy Switzer*	10542 Fischer Park Drive	Louisville	KY	40241	(502) 398-5595
SZ St. Matthews LLC Roy Switzer*	4404 Shelbyville Road	Louisville	KY	40207	(502) 916-4041
Triple L Holdings # 2 LLC Roy Switzer*	2927 Richmond Road	Lexington	KY	40509	(859) 368-7841
SZ Bocage Center BR LLC Jason Loerzel*	7575 Jefferson Highway Suite E	Baton Rouge	LA	70806	(225) 456-2734
SZ City Square BR LLC Jason Loerzel*	9730 Bluebonnet Boulevard Suite 4	Baton Rouge	LA	70810	(225) 930-5833
SZ Highland BR LLC Jason Loerzel*	19970 Highland Road Suite B-5	Baton Rouge	LA	70809	(225) 478-3780
SZ Mandeville LLC Jason Loerzel*	3403 North Highway 190 Pontchartrain Square	Mandeville	LA	70471	(985) 778-0252
Flexlife Wellness LLC Melanie Freibert	701 Metairie Road Suite 1B 105	Metairie	LA	70005	(504) 302-7118
Limber One LLC Jared Quoyeser	4701 Ambassador Caffery Pkwy, Suite B2	Lafayette	LA	70508	(337) 534-0661
SZ Uptown LLC Jason Loerzel*	5300 Tchoupitoulas Street	New Orleans	LA	70115	(504) 766-9886
Palmer Bay LLC Greg Vaslet	99 Commerce Way Suite D	Woburn	MA	01801	(617) 706-3575
Palmer Bay LLC Greg Vaslet	171 Broadway	Saugus	MA	01906	(339) 210-3146
Palmer Bay LLC Greg Vaslet	75 Andrew Avenue	Wayland	MA	01778	(617) 360-7004
Palmer River LLC Greg Vaslet	1200 Fall River Avenue Unit 3	Seekonk	MA	02771	(508) 557-0912
Palmer River North, LLC Greg Vaslet	287 School St Unit A-130	Mansfield	MA	2048	(774) 284-4105
Maynor Enterprises, LLC Ken Maynor*	25 Hooks Lane Suite 103	Pikesville	MD	21208	(410) 970-9250
Native Stretch LLC Ken Maynor*	12165 Clarksville Pike Suite 3-07	Clarksville	MD	21029	(410) 531-7021
Stretch Kentlands LLC David Drykerman*	251 Kentlands Boulevard Unit 13	Gaithersburg	MD	20878	(301) 798-7376

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Stretch Potomac LLC David Drykerman*	7919 Tuckerman Lane Suite 485	Potomac	MD	20854	(301) 637-0889
SZ Annapolis, LLC Devon Magretti	2315 – A forest Drive Suite 19	Annapolis	MD	21401	(443) 458-5171
Maynor Stretch LLC Ken Maynor*	800 Kenilworth Drive Floor 2	Towson	MD	21204	(443) 269-8878
KMM Services LLC Ken Maynor*	6080 Falls Road Suite 106	Baltimore	MD	21209	(410) 853-7168
SZ Severna Park LLC Joe and Devon Magretti	550 Governor Ritchie Hwy Unit	M Severna Park	MD	21146	(240) 749-8269
Stretch Bethesda, LLC David Drykerman*	5400 Westbard Ave, Suite 280	Bethesda	MD	20816	(240) 673-6430
SZ-CROFTON, LLC Devon Magretti	1633 Crofton Center Dr A106	Crofton	MD	21114	(443) 292-4494
STRETCHZONE KALAMAZOO, LLC Nathan Johnston	6749 S Westnedge Ave Suite B	Portage	MI	49002	(269) 447-2475
SZ Bloomfield, LLC Howard Luckoff	1083 W. Long Lake Road	Bloomfield Hills	MI	48302	(248) 594-7400
SZ West Bloomfield LLC Howard Luckoff	1449 N. Rochester Road	Rochester Hills	MI	48094	<a href="tel:(248)923-8800">(248) 923-8800</a>
SZ Detroit, LLC Howard Luckoff	17386 Haggerty Road	Livonia	MI	17386	(734) 805-1500
SZ Royal Oak LLC Howard Luckoff	31996 Woodward Avenue	Royal Oak	MI	48073	(248) 554-9800
SZ Washington LLC Howard Luckoff	7681 26 Mile Road	Washington Township	MI	48094	(248) 626-6000
Stretch Rochester, Inc. Steven Eng	3780 Marketplace Dr NW Suite 104	Rochester	MN	55901	(507) 272-3037
WelchZone, LLC Carter and Corey Welchlin	8250 Commonwealth Drive	Eden Prairie	MN	55344	(952) 236-7313
Wz 2, LLC Carter Welchlin	783 Radio Dr Suite 104	Woodbury	MN	55125	(651) 207-4662
KBIZ 3 INC. Kelly Harrick*	940 NW Pryor Road Suite B	Lee's Summit	MO	64081	(816) 434-5103
KBIZ 4, INC. Kelly Harrick*	6129 NW 63 <sup>rd</sup> Terrace Building 609	Kansas City	MO	64151	(816) 621-3333
KBIZ 5 Inc. Scott Harrick*	6231 Brookside Blvd	Kansas City	MO	64113	(816) 298-6992

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Stretch Memphis LLC Jon Boyd	1636 Clarkson Road	Chesterfield	MO	63017	(610) 574 – 9885
Stretch Springfield LLC Chris Blaine*	2924 S. Lone Pine Ave	Springfield	MO	65804	(417) 444-5121
Maypage, LLC John Mayfield	163 Turtle Creek Drive Suite # 60	Hattiesburg	MS	39402	(601) 602-2971
Stretch 601, LLC Steve Boyd	119 Colony Crossing Way Suite 620	Madison	MS	39110	(601) 790-7351
Stretch Zone Ocean Springs LLC Stephanie Shaw and Barry Gentry	1517 Bienville Blvd., Suite #7	Ocean Springs	MS	39564	(228) 215-3883
Greensboro Stretch LLC Kevin Gill	1310 Westover Terrace Unit 106	Greensboro	NC	27408	(336) 617-3074
Winston Salem Stretch LLC Kevin Gill	205 South Stratford Road	Winston Salem	NC	27103	(336) 829-5909
KFNKF Corp. Karen and Keith Filter	20545 Torrence Chapel Road Unit B	Cornelius	NC	28031	(704) 237-4700
Mooreville Stretch LLC Karen and Keith Filter	591 S. River Highway	Mooreville	NC	28117	(704) 677-7656
Ballantyne Stretch LLC Ken Maynor*	10822 Providence Road # 200	Charlotte	NC	28277	(980) 262-3026
CAROLINA SZ LLC Skip Lennon	3501 Oleander Dr Suite 4C	Wilmington	NC	28403	(910) 660-8038
CAROLINA SZ LLC Skip Lennon	1705 Eastwood Rd Suite 5-1E	Wilmington	NC	28403	(910) 660-8038
Stretch All, Inc. Eric Cudal	3325 Rogers Road Suite 105	Wake Forest	NC	27587	(984) 235-4037
Greenville Stretch, LLC Kevin Gill	1909 E. Fire Tower Road Suite G	Greenville	NC	27858	(252) 689-6691
Carolina Stretch LLC Jeff and Amy Klare	1949 Hoffman Rd Suite B-3	Gastonia	NC	28054	(704) 671-2717
SZ Cary, LLC Mike Carrier*	1157 Parkside Main St.	Cary	NC	27519	(919) 678-3001
SZ High Point LLC Landon Cheviron, Mike Carrier, and Alex White*	5872 Samet Drive Unit 127	High Point	NC	27265	(336) 803-4082

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Apex Stretch, LLC Kevin Gill	2038 Creekside Landing Drive	Apex	NC	27502	(919) 267-4007
Chapel Hill Stretch, LLC Kevin Gill	604 Meadowmont Village Circle	Chapel Hill	NC	27517	(919) 525-2507
KFNKF Corp. Karen and Keith Filter*	2025 E Arbors Drive, #220	Charlotte	NC	28262	(704) 526-0656
Guardian Business Solutions LLC Leslie Garth	16920 Wright Street # 162	Omaha	NE	68130	(402) 885-8805
Guardian Business Solutions LLC Leslie Garth	14450 Eagle Run Dr	Omaha	NE	68116	(531) 283-5043
Seaside Stretch LLC Hannah Sigda	849 W. Bay Avenue Unit 12	Barnegat	NJ	08005	(609) 339-2707
Stretchme Franklin Lakes LLC Jason Abrams*	842 Franklin Ave	Franklin Lakes	NJ	7417	(201) 862-8583
STRETCHME Cherry Hill LLC Mark Auerbach*	486 Evesham Road Suite 101	Cherry Hill	NJ	08003	(856) 685-7848
STRETCHME LLC Mark Auerbach*	1205 Tilton Road	Northfield	NJ	08225	(609) 867-9182
STRETCHME MOUNT LAUREL LLC Jason Abrams*	30 Centerton Road	Mt. Laurel Township	NJ	08054	(856) 548-7085
STRETCHME PRINCETON LLC Jason Abrams*	678 Nassau Park Blvd Unit 26B1	Princeton	NJ	08540	(609) 285-5794
SZ ABQ ALPHA, LLC Rob Salek and Erik Cala	6271 Riverside Plaza Lane Suite D-112A	Albuquerque	NM	87120	(505) 318-0701
SZ ABQ BETA LLC Rob Salek & Erik Cala	8060 Academy Rd NE Suite E	Albuquerque	NM	87111	(505) 318-0702
SOUTH SUMMERLIN SZ LLC Michelle Ginn**	9809 W. Flamingo Road Suite 6	Las Vegas	NV	89147	(702) 330-0062
Blue Diamond SZ LLC Michelle Ginn**	4945 Blue Diamond Road Suite # 120	Las Vegas	NV	89139	(725) 204-6738
Centennial SZ LLC Michelle Ginn**	8675 W. Rome Boulevard # 150	Las Vegas	NV	89149	(702) 268-7932

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Paseo Verde SZ LLC Michelle Ginn**	55 South Valle Verde Drive # 430	Henderson	NV	89012	(702) 954-4924
Trails Village SZ LLC Michelle Ginn**	1930 Village Center Circle Suite 1	Las Vegas	NV	89134	(702) 462 5811
RenoStretch, LLC Denise Mehr	8175 S. Virginia Street Suite B350	Reno	NV	89511	(775) 900-0274
RenoStretch, LLC Denise Mehr	5110 Mae Anne Ave, #503	Reno	NV	895223	(775) 360-6194
Manhasset Stretch LLC Ahmed Mohammad	981 Northern Boulevard	Manhasset	NY	11030	(516) 600-0167
Merrick Strech LLC Ahmed Mohamed	2155 Merrick Rd	Merrick	NY	11566	(516) 208-4979
Scarsdale Stretch LLC David Ganjei*	18 Chase Rd	Scarsdale	NY	10583	(914) 618-5468
Stretch City LLC John Bladek *	54 Crossing Boulevard	Clifton Park	NY	12065	(315) 542-5098
Stretch Ventures LLC Javier Valencia	385 NY-25A	Miller Place	NY	11764	(631) 743-9719
STRETCHZONE DELMAR, LLC John Bladek*	180 Delaware Ave	Delmar	NY	12054	(518) 280-0870
Union Square Stretch LLC David Ganjei and Ahmed Mohammad*	134 5 <sup>th</sup> Avenue	New York	NY	10011	(917) 780-4756
Wolf Road Stretch LLC John Bladek*	98 Wolf Road	Albany	NY	12205	(518) 280-0870
Woodbury Stretch LLC Ahmed Mohamed	8025 Jericho Turnpike	Woodbury	NY	11797	516-699-2491
Chappaqua Stretch LLC David Ganjei and Ahmed Mohamed*	27 S Greeley Ave.	Chappaqua	NY	10514	(914) 509-1446
SZ WEST ISLIP LLC Justin Aronoff	428 Montauk Hwy	West Islip	NY	11795	(631) 983-8080
Stretching Powell L.L.C. Nathan Johnston*	1274 W. 5th Avenue	Columbus	OH	43212	(614) 401-4200

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Stretching Grandview L.L.C. Nathan Johnston*	3967 Presidential Parkway	Powell	OH	43065	(614) 402 - 4176
Stretch OK Cinque LLC Wendy and Joe Uvino	6200 W Memorial Road, Suite C	Oklahoma City	OK	73142	(405) 506-0140
Stretch OK Due, LLC Wendy and Joe Uvino	10600 S. Pennsylvania Ave Suite 5	Oklahoma City	OK	73170	(405) 445-6700
Stretch OK Uno LLC Wendy and Joe Uvino	5629 N Penn Ave	Oklahoma City	OK	73112	(405) 242-3428
Stretch OK Tre, LLC Wendy and Joe Uvino	309 S. Bryant Ave, Suite #130	Edmond	OK	73034	(405) 547-3247
Donnasons LLC Stuart Horowitz and Kevin Sides	6010 South Yale Ave	Tulsa	OK	74135	(918) 584-8781
Stretch OK Quattro LLC Wendy and Joe Uvino	15124 Lleyton Ct. Suite #112	Edmond	OK	73013	(405) 643-4023
Beaverton SZ LLC Michelle Ginn**	11805 North West Cedar Falls Dr	Portland	OR	97229	(971) 329-4143
Lake Oswego SZ LLC Michelle Ginn**	4859 Meadows Rd Suite 157	Lake Oswego	OR	97035	(503) 342-0263
Stretch NW LLC Chad Mcmanamon*	14795 SW Murray Scholls Dr Suite 103	Beaverton	OR	97007	(971) 329-4143
SJ STRETCHZ LLC Sarah Spofford	8695 SW Jack Burns Blvd	Wilsonville	OR	97070	(503) 218-9071
STRETCH NW LLC Chad Mcmanamon*	3523 NE 15th Avenue	Portland	OR	97212	(503) 689-8743
STRETCHME Devon Village LLC Mark Auerbach*	841 Lancaster Avenue Unit 845	Wayne	PA	19087	(484) 367-7344
STRETCHME Exton LLC Mark Auerbach*	153 West Lincoln Highway	Exton	PA	19341	(484) 872-8320
STRETCHME Feasterville LLC Mark Auerbach and Jason Abrams*	124 East Street Road, PA	Feasterville	PA	10953	(215) 322-2418
STRETCHME Haverford LLC Mark Auerbach*	379 West Lancaster Avenue Store # 14	Haverford	PA	19041	(610) 448-9900

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STRETCHME Red Lion LLC Mark Auerbach*	10050 Roosevelt Boulevard Unit 7 G	Philadelphia	PA	19116	(215) 856 - 3658
Stretchme Upper Dublin LLC Jason Abrams*	1113 Market St	Dresher	PA	19025	(215) 366-7165
Stretch Brothers, LLC Chris Dommel and Neil Vaswani	1651 Lititz Pike	Lancaster	PA	17601	(717) 393-1234
Phaure Holdings LLC Dwayne and Bridget Phaure	2085 Mackenzie Road	Cranberry Township	PA	16066	(878) 208-7364
STRETCHME Washington Ave LLC Mark Auerbach*	2501 Washington Avenue Suite 102	Philadelphia	PA	19146	(267) 519-8892
Sumter Stretch LLC Scott Burkett	5580 Sunset Boulevard Unit E	Lexington	SC	29072	(803) 399-8315
Carolina Stretch LLC Scott Burkett	3000 Rosewood Drive	Columbia	SC	29205	(803) 834-6124
Clemson Stretch LLC* Karen and Keith Filter	133 Thomas Green Boulevard # 205B	Clemson	SC	29631	(864) 643-0271
Coleman Stretch LLC Brooke McCoy	320 W. Coleman Boulevard Suite # M	Mt. Pleasant	SC	29464	(843) 388-3331
GBJOE LLC Graham Greenlee	479 Bypass 72 NW Suite 103	Greenwood	SC	29649	(864) 531-5440
Greenville Stretch LLC* Karen and Keith Filter	67 Woodruff Industrial Lane, Suite 301 A	Greenville	SC	29607	(864) 373-9044
Lowcountry Stretch, LLC Todd Blackwell	22 Plantation Park Drive Unit 102	Bluffton	SC	29910	(843) 706-3259
Lowcountry Stretch, LLC Todd Blackwell	1509 Main Street , SC	Hilton Head	SC	29926	(843) 715-9352
N&J Stretch Investment -SCI LLC Nora Dahlman	1404 Whiskey Road Suite C-7	Aiken	SC	29803	(803) 262-5177
North Mt. Pleasant Stretch LLC Brooke McCoy	3381 S. Morgan Point Road Suite 505	Mt. Pleasant	SC	29466	(843) 388-3059
Stretch 430 LLC Dan Johnston	1365 Broadcloth Street Suite 103	Fort Mill	SC	29715	(803) 548-0015

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Stretch MB2 LLC William Sturm	651 Main Street	North Myrtle Beach	SC	29582	(843) 663-3539
Stretch Myrtle Beach LLC William Sturm	7825 North King's Highway	Myrtle Beach	SC	29572	(843) 808-9004
Stretch Myrtle South LLC Bill Sturm	970 Wood Duck Dr, Suite 104	Myrtle Beach	SC	29588	(843) 294-9663
StretchGBJOE, LLC Graham Greenlee	1621 Greenville St	Anderson	SC	29621	(864) 523-0096
Sumter Stretch LLC Scott Burkett	3384 Yampa St.	Sumter	SC	29150	(803) 494-1122
Summerville Stretch LLC Brooke Mccoy	318 Brighton Park Blvd, Suite A105	Summerville	SC	29483	(843) 900-3052
Johnson City Stretch LLC Kristy Dunn	3020 Franklin Terrace	Johnson City	TN	37604	(423) 430-6869
Chattanooga Stretch Inc Paul Powell	419 N. Market Street	Chattanooga	TN	37405	(423) 591-9663
Stretch Bellevue LLC Josh Travis	8054 Highway 100	Nashville	TN	37221	(615) 915-4614
Stretch Brentwood Inc. Terri Reiff	330 Mayfield Drive Suite C-9	Franklin	TN	37067	(615) 721-5190
Stretch Clarksville LLC Steve Sheehy	2560B Madison St	Clarksville	TN	37043	(931) 218-6036
Stretch601 LLC Steve Boyd	2037 Exeter Road Suite 9	Germantown	TN	38138	(901) 480-8981
Stretch Memphis LLC Steve Boyd	5101 Sanderlin Avenue Suite 115	Memphis	TN	38137	(901) 207-2553
Stretch Murfreesboro 2 LLC Terri Reiff	1144 Fortress Boulevard Suite G	Murfreesboro	TN	37128	(615) 900-3290
Stretch Brentwood 2 LLC Terri Reiff	710 Old Hickory Boulevard Suite 306	Brentwood	TN	37027	(615) 891-1600
Stretch Zone Green Hills, LLC Josh Travis	4004 Hillsboro Pike, 145R	Nashville	TN	37215	(615) 922-2000
Stretch Spring Hill LLC Terri Reiff	1990 Tollgate Blvd, Suite 105	Thompson's Station	TN	37179	(615) 241-9900

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4D Stretch LLC Chris Davis	7320 Milwaukee Ave Suite 500	Lubbock	TX	79424	(806) 300-0148
4D Stretch LLC Chris Davis	3415 N. Loop 250 W Suite 304	Midland	TX	79707	(432) 360-2207
CAD Capital Investments LLC Danny Leverett*	405 North Carroll Avenue	Southlake	TX	76092	(817) 612-1666
KKW-SZ Lakeway LLC Kevin Wood*	2009 Main Street # 300	Lakeway	TX	78734	(512) 368-5099
KKW-SZ Westlake, LLC Kevin Wood*	701 South Capital of Texas Highway Suite F630	West Lake Hills	TX	78746	(512) 294-2390
KKW-SZ Four Points LLC Kevin Wood*	7301 North FM 620 Suite 115	Austin	TX	78730	(512) 992-0415
Catch A Stretch LLC Ichan Stall	6101 Long Prairie Road Suite 748	Flower Mound	TX	75028	(972) 928-9488
Catch A Stretch, LLC Ichan Stall	110 W. Sandy Lake Road Unit 124	Coppell	TX	75019	(469) 506-1717
EAHG, LLC Amber McCreynolds	401 N. Hwy 77 Suite 14	Waxahachie	TX	75165	(469) 550-2000
FLEXLIFE, LLC Valerie Jones	2816 Marketplac Dr., Suite 130	Waco	TX	76711	(254) 732-2218
Full Life 281, LLC Jennifer Steger	3111 TPC Parkway Suite 104	San Antonio	TX	78259	(210) 757-3379
Full Life SA LLC Jennifer Steger	23110 W. IH-10 Suite 207	San Antonio	TX	78257	(210) 698-7725
Inertia Health and Wellness LLC Kent Miller	5850 N. Mesa Street	El Paso	TX	79912	(915) 493-8685
Inertia Health and Wellness, LLC Kent Miller	1605 George Dieter Drive # 306	El Paso	TX	79936	(915) 493-8685
JLS Heights LLC Joslin Sansom	204 Central Expressway S Suite 11	Allen	TX	75013	(214) 785-7028
JLS HEIGHTS ROCKWALL, LLC Joslin Sansom	2455 Ridge Rd, Suite 100	Rockwall	TX	75087	(469) 272-8969
Semper Gumby LLC* Seth Parker	4843 Colleyville Boulevard Suite 201	Colleyville	TX	76034	(561) 465-3730

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SHM Holdings, Inc. Helen Martin Scott Harrick	10850 Louetta Road Suite 300	Houston	TX	77070	(832) 639-8826
SHM Holdings, Inc. Helen Martin Scott Harrick	8000 Research Drive, Ste #330	Houston	TX	77382	(832) 831-3946
T & D Endeavors LLC David Ankenman	650 W Bough Lane #139	Houston	TX	77024	(832) 804-9876
Small Village Stretch LLC Christine Tanner*	8222 Agora Parkway Suite 108	Live Oak	TX	78233	(210) 272-0033
Stretch Assistance, LLC Xiomara Thomas	11619 Bandera Road Suite 104	San Antonio	TX	78250	(210) 998-2001
Stretch Fort Worth LLC Alex Artymovich	3292 Fort Worth Hwy	Hudson Oaks	TX	76087	(682) 532-1022
EAHG, LLC Amber McReynolds	2840 FM157, Suite 112	Mansfield	TX	76063	(682) 400-8987
STRETCH FORT WORTH LLC Alex and Shelby Artymovich	6530 Hawks Creek Court	Westworth Village	TX	76114	(682) 250-3050
ALEXANDER MATTHEWS LEGACY LLC Debbie Alexander	9430 Fry Road, #700	Cypress	TX	77433	(281) 758-5655
CAD Capital Investments LLC Danny Leverett*	2240 TX 114, Suite #640	Trophy Club	TX	76262	(682) 502-4072
Soul Purpose LLC Hannah and Josh Hoyt	4000 Five Points Blvd, Suite 165	Arlington	TX	76018	(682) 270-0065
Stretch Relief at Lincoln Heights, SA, LLC Kathryn Comfort*	999 E. Basse Road Suite 196	San Antonio	TX	78209	(210) 267-5487
Stretch Relief SA LLC Kathryn Comfort*	946 North Loop 1604 W. Suite 150	San Antonio	TX	78232	(210) 369-9888
Stretch Relief Tyler LLC Kathryn Comfort*	130 E. Ninth Street	Tyler	TX	75701	(903) 630-3782
KKWSZ Premier Services, LLC Kevin Wood*	4500 Williams Drive #224	Georgetown	TX	78633	<a href="tel:5127631129">(512) 763-1129</a>

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KKW-SZ William Cannon LLC Kevin Wood*	4220 W. William Cannon Drive Suite 130	Austin	TX	78749	(512) 300-0619
CAD Capital Investments LLC Danny Leverett*	1240 William D. Tate Avenue	Grapevine	TX	76051	(817) 722-6150
CJLO Stretch Kerrville, LLC Christine Tanner	317 Sidney Baker Street S. Suite 500	Kerrville	TX	78028	(830) 377-3206
CJLO STRETCH CORPUS CHRISTI LLC Christine Tanner	4938 S. Staples Street Suite C-11	Corpus Christi	TX	78412	(361) 452-0007
SZ Plano LLC Michelle Sepulveda*	5809 Preston Road # 586	Plano	TX	75093	(972) 797-9663
SZ Preston LLC Michelle Sepulveda*	8307 Preston Road	Dallas	TX	75225	(214) 396-3989
SZ Stretch Five LLC Jennifer Young	5730 Lebanon Road	Frisco	TX	75034	(972) 787-0043
SZ Stretch Four LLC Michelle Sepulveda*	6959 Arapaho Road Suite 113	Dallas	TX	75248	(214) 396-9344
T & D Endeavors LLC David Ankenman	11037 Shadow Creek Pkwy Suite 103B	Pearland	TX	77584	(281) 741-8146
Stretch Zion, LLC Doug Gillespie	1165 S. State Street	Orem	UT	84097	(385) 375-2900
StretchCenterville, LLC Doug Gillespie	330 N. Marketplace Drive Suite B800	Centerville	UT	84014	(360) 910-3413
StretchEmigration, LLC Richard Gillespie	1844 E. Fort Union Boulevard Suite 7	Cottonwood Heights	UT	84121	(801) 679-1655
StretchEnsign LLC* Richard Gillespie	1440 S. Foothill Drive Suite 160	Salt Lake City	UT	84108	(385) 270-5865
StretchOlympus LLC Richard Gillespie	196 West 12300 South Suite 102	Draper	UT	84020	(801) 251-0791
Coharie Enterprises LLC Ken Maynor*	14169 Midlothian Turnpike	Midlothian	VA	23113	(804) 250-4630
Stretch Ashburn LLC David Drykerman*	44050 Ashburn Shopping Plaza # 171	Ashburn	VA	20147	(703) 721-8401
Tidewater Stretch LLC Ken Maynor*	630 Hilltop West Shopping Center	Virginia Beach	VA	23451	(757) 937-8976

<b>Name of Franchisee</b>	<b>Address of Franchise Business</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number of Franchise Business</b>
SZ Reston, LLC David Drykerman *	1468 North Point Village Center	Reston	VA	20194	(703) 822-5296
SZON Manassas LLC Deanna Mahanand*	4608 Merchant Plaza	Woodbridge	VA	22192	(571) 285-3472
SZONE Gainesville LLC Deanna Mahanand*	7538 Limestone Rd	Gainesville	VA	20155	(571) 261-9363
Stretch Vienna, LLC David Drykerman*	138 Maple Ave West	Vienna	VA	22180	(703) 574-3119
Lumbee Enterprises, LLC Ken Maynor*	12241 West Broad Street, Suite D	Short Pump	VA	23233	(804) 499-3018
Stretch NW LLC Chad McManamon	19111 Southeast 34th Street # 105	Vancouver	WA	98683	(360) 984-3636
SZ Gig Harbor LLC Cherie Hart	5500 Olympic Dr. NW Suite I-103	Gig Harbor	WA	98335	(253) 528-4344
ROM Brookfield LLC Andrew Jones	95 N. Moorland Road Unit E5	Brookfield	WI	53005	(262) 794-3462
ROM Delafield LLC Andrew Jones	3272 Gold Road Unit A	Delafield	WI	53018	(262) 303-4032
ROM Glendale, LLC Andrew Jones	385 W. Fountainview Drive Suite F-120	Glendale	WI	53217	(414) 321-7027
ROM M Falls LLC Andrew Jones	W176 N 9356 Rivercrest Drive Unit 200	Menomonee Falls	WI	53051	(262) 293-3519
ROM Madison LLC Andrew Jones	114 West Towne Mall Suite C-60	Madison	WI	53719	(608) 824-2098
ROM Oak Creek LLC Andrew Jones	8907 S. Howell Avenue Unit 100	Oak Creek	WI	53154	(414) 301-4950
Stretch Jones 2 LLC Andrew Jones	1004 Main Ave	De Pere	WI	54115	(920) 351-5090
Stretch Jones, LLC Andrew Jones	3440 W College Avenue	Appleton	WI	54914	(920) 903-1255
WV Stretch LLC Jack Spatafore	300 W Main St, Ste 2	Bridgeport	WV	26330	(304) 848-6800

\*Area Developer

\*Area Developer

**FRANCHISES EXECUTED BUT NOT YET OPERATIONAL**

The following are the names, states and cities where franchises are to be located and business telephone numbers or e-mail addresses of the 53 Franchise Businesses in the United States as of December 31, 2024 that are not yet operational but have signed a Franchise Agreement:

<b>Name of Franchisee</b>	<b>City Where Franchise Is To Be Located</b>	<b>State</b>	<b>Business Telephone Number or E-mail Address of Franchisee</b>
Josh Oneal and Melissa Wright	Auburn	AL	(706) 302-1717
Alex Patel*	TBD	AL	(256) 648-5458
Hayden Sawyer	Mobile	AL	(205) 405-6779
Jerry Cahoon	Scottsdale	AZ	(602) 505-6907
Cindy Baytosh and Joe Lake	TBD	CA	(951) 538-0110
Ornin Hormozi*	Folsom	CA	(209) 815-0301
Nehal Samtani	Bakersfield	CA	(847) 372-5999
Pattie Pedrucci and Stephanie Welch	Stockton	CA	(209) 292-8672
Bryan Moore	Applewood	CO	(210) 865-2273
Seth and Amy Nehrke	Cherry Creek	CO	(954) 547-4784
Whit Williams*	Darien	CT	(203) 914-7156
Ramiah Martin	St. John's	FL	(904) 907-2963
Sean Fransk	Apollo	FL	(813) 390-1600
Ram and Deanna Mahanand*	Marco Island	FL	(301) 370-8024
Josh Thanos and Ryan Mancebo*	Margate	FL	(954) 610-9264
Mike Carrier and Landon Cheviron*	New Symrna Beach	FL	(336) 899-5022
Nora Dahlman and Jeff Cleary*	Augusta	GA	(646) 415-2332
John McFarland	Midtown Atlanta	GA	(785) 213-2741
Terri Reiff	Brookhaven	GA	(404) 386-9121
Doug Allen	Cedar Rapids	IA	(319) 382-3232
Michael Scott and Fernando Zengotita*	West Boylston	MA	(508) 207-7270
Devon and Joe Magretti*	Cockeysville	MD	(410) 693-8162
Howard Luckoff	Canton	MI	(248) 310-5500
Stephanie Shaw and Barry Gentry	Biloxi	MS	(228) 396-1005
Rich Antoine	Raleigh	NC	(919) 777-4197
Tracey and Samantha Coppedge	Burlington	NC	(336) 270-4252

<b>Name of Franchisee</b>	<b>City Where Franchise Is To Be Located</b>	<b>State</b>	<b>Business Telephone Number or E-mail Address of Franchisee</b>
Nora Dahlman and Jeff Cleary	Pinehurst	NC	(646) 415-2332
Ray Kalustyan	Chester	NJ	(908) 202-2430
Javier Valencia	Commack	NY	(631) 600-7674
Jordan and Ben Lieb and Jenkins Marshall	Westchester County	NY	(610) 316-1649
Michael Milani	South Hampton	NY	(646) 296-9005
Ahmed Mohamed*	Nassau County	NY	(917) 981-8085
Ahmed Mohamed*	Nassau County	NY	(917) 981-8085
Nate and Rynne Johnston*	Cincinnati	OH	(517) 206-3405
Steve Sheehy*	Mentor	OH	(440) 670-7370
Jay Hopson and Chad McManamon	Tigard	OR	(503) 957-8980
Jason Abrams*	King of Prussia	PA	(267) 567-5006
Jason Abrams*	Doylestown	PA	(267) 567-5006
Chris Dommel and Neil Vaswani	Mechanicsburg	PA	(443) 877-7080
Devinn Earnest	Reading	PA	(717) 350-2838
Scott Burkett	Florence	SC	(803) 983-0408
Ed Bagingito	TBD	TX	(601) 400-0319
Brian LeBlanc	Spring	TX	(502) 435-0351
Danny Leverett*	Keller	TX	(817) 975-2277
Michelle Sepulveda	Lakewood	TX	(713) 962-1944
Christine and James Tanner	New Braunfels	TX	(210) 365-2876
Kevin and Kim Wood*	Round Rock	TX	(586) 805-6100
Kevin and Kim Wood*	North Austin	TX	(586) 805-6100
Danny Keeton	South Fort Worth	TX	(682) 250-0600
Fred Young and Dannie James	Houston	TX	(404) 975-7209
David Drykerman*	Arlington	VA	(240) 899-2454
Srilekha Palle	Chantilly	VA	(703) 839-3976
Jack Spatafore	Morgantown	WV	(304) 629-6493

\*Area Developer

#### **FORMER FRANCHISEES.**

The following are the names, last known cities and states, and current business telephone numbers or cell numbers of the Franchisees in the United States that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not

communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document:

**NONE**

**TRANSFERRED FRANCHISES**

The following are the names, last known home addresses and home telephone or cell numbers of the 99 franchisees in the United States that have sold their Franchise to another during the most recently completed fiscal year:

<b>Name of Transferor/Former Franchisee</b>	<b>City</b>	<b>State</b>	<b>Current Business Telephone Number or Last Known Cell or Home Telephone Number</b>
Crimson Tide Stretch, LLC	Tuscaloosa	AL	(334) 701-6484
Lori Gordon	Birmingham	AL	(205) 370-0444
Paul Powell and Alicia Hicks	Mountain Brook	AL	(334) 701-6484
Stretch Memphis LLC	Little Rock	AR	(843) 540-1149
Andrew Jones	Horizon	AZ	(608) 359-0122
Andrew Jones	Madison Village	AZ	(608) 359-0123
Andrew Jones	Ahwatukee	AZ	(608) 359-0124
Andrew Jones	Longbow	AZ	(608) 359-0125
North-South 40, LLC	Horizon	AZ	(907) 351-7665
North-South 40, LLC	Longbow	AZ	(907) 351-7665
North-South 40, LLC	Ahwatukee	AZ	(907) 351-7665
SZ Kierland LLC	Kierland	AZ	(859) 582-4300
SZ Scottsdale LLC	Summit	AZ	(859) 582-4300
S1 Stretch Aspen LLC	Aspen	CO	(954) 684-8078
SZ Kerr LLC	Colorado Springs	CO	(830) 377-2588
ATS Zone LLC	Amelia Island	FL	(912) 506-9292
DDBBM LLC	PGA West	FL	(772) 349-8780
Eric Fundora	Kendall	FL	(786) 300-2750
HJJE LLC	East Parkland	FL	(772) 349-8780
HMBBE, Inc.	Boynton Beach	FL	(772) 349-8780
HMDB, Inc.	Delray	FL	(772) 349-8780
HMJB LLC	PGA East	FL	(772) 349-8780
HMJBII LLC	East Boca	FL	(772) 349-8780
HMJBSW LLC	Boynton West	FL	(772) 349-8780
HMLHP, Inc.	Lighthouse Point	FL	(772) 349-8780
HMR Management, LLC	North Venice	FL	(770) 842-6512
HMWB, Inc.	West Boca	FL	(772) 349-8780

<b>Name of Transferor/Former Franchisee</b>	<b>City</b>	<b>State</b>	<b>Current Business Telephone Number or Last Known Cell or Home Telephone Number</b>
Jacksonville Stretch LLC	Ponte Vedra Beach	FL	(912) 258-2025
JBHM LLC	Wellington	FL	(772) 349-8780
JBHMII, LLC	East Fort Lauderdale	FL	(772) 349-8780
Jennifer Meredith	Titusville	FL	(321) 795-3523
Mandarin Stretch LLC	Mandarin	FL	(912) 258-2025
Martiny LLC	Gainesville	FL	(352) 316-5510
Martiny LLC	Jonesville	FL	(352) 316-5510
MBBDD LLC	Jupiter	FL	(772) 349-8780
SHM Advisors Inc.	North Federal	FL	(772) 349-8780
SHM Advisors Inc.	Palmetto Park	FL	(772) 349-8780
SHMMEL, LLC	Melbourne	FL	(772) 349-8780
Stretch 2 LLC	Dunedin	FL	(610) 574-9885
Stretch 3 LLC	St. Petersburg	FL	(610) 574-9885
Stretch Enterprises I LLC	Windermere	FL	(772) 349-8780
Stretch Enterprises II LLC	Oviedo	FL	(772) 349-8780
Stretch Enterprises III LLC	Winter Park	FL	(772) 349-8780
Stretch Treasure Coast Inc.	Stuart	FL	(772) 349-8780
Stretch Treasure Coast Inc.	Port St. Lucie	FL	(772) 349-8780
Stretch One LLC	Hyde Park	FL	(610) 574-9885
Andrea Longfellow	Athens	GA	(404) 281-8173
Andrea Longfellow	Suwanee	GA	(404) 281-8173
Andrea Longfellow	Sandy Springs	GA	(404) 281-8173
ELW Foods LLC	Cumming	GA	(407) 616-7596
Ray Yarbrough	Macon	GA	(478) 747-5341
Ray Yarbrough	Kathleen	GA	(478) 747-5341
Velocity Enterprises II LLC	Braselton	GA	(404) 281-8173
Paul Weatherholt	Dawsonville	GA	(407) 616-7596
James Li	Boise	ID	(408) 981-8187
James Li	Meridian	ID	(408) 981-8187
SZ Boilers, LLC	Metairie	LA	(504) 453-5476
CPA 2 Enterprises LLC	Woburn	MA	(617) 777-7000
CPA 3 Enterprises LLC	Saugus	MA	(617) 777-7000
CPA Enterprises LLC	Wayland	MA	(617) 777-7000
Andy John	Lake Falls Village	MD	(410) 952-4000
Andy John	Kenilworth	MD	(410) 952-4000
Jon Boyd	Chesterfield	MO	(843) 540-1149

<b>Name of Transferor/Former Franchisee</b>	<b>City</b>	<b>State</b>	<b>Current Business Telephone Number or Last Known Cell or Home Telephone Number</b>
Andrew Jones	Landfall	NC	(608) 359-0120
Andrew Jones	Midtown Wilmington	NC	(608) 359-0121
Margaret Edwards	Landfall (Wilmington)	NC	(919) 344-9199
Margaret Edwards	Midtown Wilmington	NC	(919) 344-9199
Stretch of Greenville NC, LLC	Greenville	NC	(404) 386-9121
Trifecta Stretch, LLC	Apex	NC	(919) 370-4155
Trinity Stretch Chapel Hill, LLC	Chapel Hill	NC	(919) 370-4155
Bendy, LLC	Legacy	NE	(402) 651-5352
Randy Baylor	Grayhawk	NE	(402) 651-5352
Houssam Nasser	Franklin Lakes	NJ	(917) 981-8085
Go Direct Solutions, LLC	South Summerlin	NV	(435) 212-3162
Stretch Reno LLC	South Reno	NV	(415) 606-1308
Stretch Reno LLC	Northwest Reno	NV	(415) 606-1308
Stretch Grandview LLC	Grandview	OH	(404) 386-9121
Stretch Powell LLC	Powell	OH	(404) 386-9121
Frances Lynch and Melissa McClellan	Edmond	OK	(970) 581-1221
Frances Lynch and Melissa McClellan	Gaillardia	OK	(970) 581-1221
Stretch Memphis LLC	Germantown	TN	(843) 540-1149
Stretch Memphis LLC	East Memphis	TN	(843) 540-1149
Big Stretch - Four Points, LLC	Four Points	TX	(512) 470-7482
Big Stretch - Georgetown, LLC	Georgetown	TX	(512) 470-7482
Big Stretch - Lakeway, LLC	Lakeway	TX	(512) 470-7482
Big Stretch - Westlake, LLC	Westlake	TX	(512) 470-7482
Big Stretch, LLC	William Cannon	TX	(512) 470-7482
Dean Allen	Southlake	TX	(817) 715-4357
Dean Allen	Grapevine	TX	(817) 715-4357
SHM Holdings Inc	Memorial	TX	(772) 349-8780
SZ Kerr LLC	Kerrville	TX	(830) 377-2588
SZ Kerr LLC - Corpus Christi Series	Corpus Christi	TX	(830) 377-2588
Fisher's Landing SZ LLC	Fisher's Landing	WA	(760) 815-0369
Rom Brookfield LLC	Brookfield	WI	(262) 853-3034
Rom Delafield LLC	Delafield	WI	(262) 853-3034
Rom Glendale LLC	Glendale	WI	(262) 853-3034
Rom M Falls LLC	Menomonee Falls	WI	(262) 853-3034

Name of Transferor/Former Franchisee	City	State	Current Business Telephone Number or Last Known Cell or Home Telephone Number
Rom Madison LLC	Madison	WI	(262) 853-3034
Rom Oak Creek LLC	Oak Creek	WI	(262) 853-3034

\*Area Developer

**YOUR CONTACT INFORMATION**

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

**EXHIBIT M - FINANCIAL STATEMENTS**

STRETCH ZONE FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2024 and 2023

**STRETCH ZONE FRANCHISING, LLC**

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## INDEPENDENT AUDITORS' REPORT

To the Member of Stretch Zone Franchising, LLC:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Stretch Zone Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in member's deficit, and cash flows for each of the years 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 of Stretch Zone Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with 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 of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*EisnerAmper LLP*

EISNERAMPER LLP  
West Palm Beach, Florida  
April 30, 2025



# STRETCH ZONE FRANCHISING, LLC

## Balance Sheets

	December 31,	
	2024	2023
<b>ASSETS</b>		
Current assets:		
Cash	\$ 392,825	\$ 3,083,795
Cash - restricted	56,773	-
Accounts receivable, net	1,496,658	883,442
Furniture inventory	37,028	25,040
Due from related parties	12,648	10,558
Contract asset, current	50,475	6,475
Celebrity endorsement and marketing	121,568	131,056
Prepaid expenses	73,805	72,397
	<b>2,241,780</b>	4,212,763
Property and equipment, net	92,103	27,989
Celebrity endorsement and marketing, net	364,703	476,783
Contract asset, net of current portion	517,333	48,408
Operating lease, right of use assets, net	876,811	620,498
Security deposits	36,155	36,155
	<b>\$ 4,128,885</b>	<b>\$ 5,422,596</b>
<b>LIABILITIES AND MEMBER'S DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 615,560	\$ 669,263
Accrued expenses	223,520	75,203
Term note, current	700,000	1,710,305
Deferred revenue, current	1,703,106	1,360,541
Due to related party	413	413
Operating lease liabilities, current	104,899	182,981
	<b>3,347,498</b>	3,998,706
Term note, net of current portion and debt issuance costs	36,958,353	37,463,521
Operating lease liabilities, net of current portion	807,051	504,830
Deferred revenue, net of current portion	17,261,106	15,166,441
	<b>58,374,008</b>	57,133,498
Commitments and contingencies (Note I)		
<b>MEMBER'S DEFICIT</b>	<b>(54,245,123)</b>	<b>(51,710,902)</b>
	<b>\$ 4,128,885</b>	<b>\$ 5,422,596</b>

The accompanying notes are an integral part of these financial statements

# STRETCH ZONE FRANCHISING, LLC

## Statements of Operations

	For the Year Ended	
	<u>2024</u>	<u>2023</u>
<b>Revenues:</b>		
Royalties	\$ 6,128,174	\$ 6,249,900
Franchise and ADA fees	2,163,759	1,563,002
Media fund	2,032,074	2,063,598
Grand opening	186,540	-
Equipment	153,457	339,535
Training	486,281	436,917
Technology	1,504,868	1,098,504
Miscellaneous	174,997	140,480
	<u>12,830,150</u>	<u>11,891,936</u>
Total revenues		
	<u>12,830,150</u>	<u>11,891,936</u>
Operating expenses	<u>10,537,649</u>	<u>9,172,888</u>
<b>Other expenses:</b>		
UAR expense	-	(12,466,993)
Interest expense	(4,971,167)	(3,915,418)
	<u>(4,971,167)</u>	<u>(16,382,411)</u>
Total other expense		
	<u>(4,971,167)</u>	<u>(16,382,411)</u>
<b>Net loss</b>	<u>\$ (2,678,666)</u>	<u>\$ (13,663,363)</u>

## STRETCH ZONE FRANCHISING, LLC

### Statements of Changes in Member's Deficit

<b>Member's deficit, January 1, 2023</b>	<b>\$ (23,843,149)</b>
Net loss	(13,663,363)
Capital contribution	1,059,487
UAR liability settled at Acquisition by Parent	30,364,516
Class C Units issued for celebrity endorsement	385,186
Distributions to member	(39,027,436)
Distributions to former member	<u>(6,986,143)</u>
<b>Member's deficit, December 31, 2023</b>	<b><u>(51,710,902)</u></b>
Net loss	(2,678,666)
LTIP expense	<u>144,445</u>
<b>Member's deficit, December 31, 2024</b>	<b><u><u>\$ (54,245,123)</u></u></b>

# STRETCH ZONE FRANCHISING, LLC

## Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,678,666)	\$ (13,663,363)
Reconciliation of net loss to net cash (used in) provided by operating activities:		
Depreciation expense	5,886	6,977
Bad debt expense	80,000	-
Amortization of celebrity endorsement	121,568	97,297
Amortization of contract asset	25,475	6,167
Amortization of debt issuance costs	194,832	146,390
Change in operating lease right-of use asset	152,948	160,413
LTIP expense	144,445	-
UAR liability	-	12,466,993
(Increase) decrease in:		
Accounts receivable	(693,216)	(243,840)
Contract asset	(538,400)	(27,750)
Due from/to related party, net	(2,090)	27,016
Furniture inventory	(11,988)	26,051
Prepaid expenses	(1,408)	(17,121)
Increase (decrease) in:		
Accounts payable	(53,703)	267,483
Accrued expenses	148,317	65,779
Deferred revenue	2,437,230	3,692,827
Operating lease liability	(185,122)	(161,310)
Net cash (used in) provided by operating activities	<u>(853,892)</u>	<u>2,850,009</u>
<b>Cash flows from investing activities:</b>		
In-progress software	(70,000)	-
Net cash used in investing activities	<u>(70,000)</u>	<u>-</u>
<b>Cash flows from financing activities:</b>		
Debt issuance costs	-	(972,564)
Proceeds from term note	-	40,000,000
Repayment of term note	(1,710,305)	-
Contribution from member	-	1,059,487
Distributions to member and former member	-	(46,013,579)
Net cash used in financing activities	<u>(1,710,305)</u>	<u>(5,926,656)</u>
<b>Net change in cash and restricted cash</b>	<b>(2,634,197)</b>	<b>(3,076,647)</b>
Cash and restricted cash beginning of year	<u>3,083,795</u>	<u>6,160,442</u>
<b>Cash and restricted cash at end of year</b>	<b>\$ 449,598</b>	<b>\$ 3,083,795</b>
<b>Reconciliation of cash and restricted cash to balance sheet:</b>		
Cash	\$ 392,825	\$ 3,083,795
Restricted cash	<u>56,773</u>	<u>-</u>
Total cash and restricted cash	<u>\$ 449,598</u>	<u>\$ 3,083,795</u>
<b>Cash paid for interest</b>	<b>\$ 4,776,335</b>	<b>\$ 3,428,028</b>
<b>Non-cash investing and financing transactions:</b>		
Celebrity endorsement issued for Class C Units of Parent	\$ -	\$ 385,186
UAR liability settled at acquisition by the Parent	\$ -	\$ 30,364,516
Amendment to lease agreement	\$ 409,261	\$ -

The accompanying notes are an integral part of these financial statements

# STRETCH ZONE FRANCHISING, LLC

## Notes to Financial Statements December 31, 2024 and 2023

### NOTE A - NATURE OF BUSINESS AND LIQUIDITY

The accompanying financial statements include the accounts of Stretch Zone Franchising, LLC (the "Company"), a wholly owned subsidiary of Stretch Zone Holdings, LLC (the "Former Parent"). The Company was organized on November 15, 2015, in the state of Florida. The Company's only business is to offer and sell franchises under the Stretch Zone name and to provide support to its health clubs across the United States. Effective March 31, 2023, the Company was sold by Stretch Zone Holdings, LLC to SZ PEP Holdco, LLC, the Acquiror (the "Parent").

On March 31, 2023, the beneficial owners of the Parent entered into a securities purchase agreement with a third party effectively selling approximately an 80% interest in the Company to the third party, with those beneficial owners retaining the approximately 20% rollover interest. This transaction resulted in a change in control of the Company, which triggered the payment of the unit appreciation rights (see Note J).

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Basis of presentation:

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### [2] Liquidity:

For the year ended December 31, 2024, the Company incurred a net loss of approximately \$2,679,000, used approximately \$854,000 of cash in operations and at December 31, 2024 had a working capital deficit of approximately \$1,106,000. Based on the Company's business plan, the Company believes its existing resources and cash flows projected to be generated from operations can satisfy its working capital requirements and obligations for at least the next 12 months from the date of issuance. However, if performance expectations fall short or expenses exceed expectations, the Company may need to reduce expenses or raise additional capital or financing to continue operations. Failure to do so would have a material adverse impact on its financial condition. There can be no assurance that any contemplated additional capital or financing will be available on acceptable terms, if at all.

#### [3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### [4] Restricted cash:

In 2024, the Company introduced a new marketing program that allows franchisees to allocate funds monthly into a pooled account, with the Company acting as the custodian. These funds are classified as restricted cash on the Company's balance sheet. Although the Company holds these funds, it does not have control over them. The funds are reserved exclusively for the benefit of the franchisees and are used solely for marketing purposes as determined by the franchisees.

The pooled account is designed to enhance the marketing efforts of franchisees by providing a centralized fund that can be used for collective marketing campaigns, promotional activities, and other initiatives aimed at increasing brand visibility and customer engagement. Franchisees contribute a predetermined amount each month, which is then managed by the Company in accordance with the terms of the marketing program.

The Company's role as custodian involves ensuring the proper allocation and usage of the funds, maintaining accurate records, and providing regular reports to the franchisees on the status and utilization of the pooled account. Despite holding the funds, the Company does not have the authority to use them for any purposes other than those specified by the franchisees. The funds remain restricted and are not available for the Company's operational needs or other expenses.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [5] Accounts receivable:

The Company's accounts receivable is recorded at amounts billed to customers, net of allowance for expected credit losses. The allowance for expected credit losses is the Company's best estimate of probable credit losses in the Company's existing accounts receivable. Accounts are written off when they are deemed uncollectible.

The allowance for expected credit losses estimate is derived from a review of the Company's historical losses. The estimate is adjusted for management's assessment of the current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company.

As of December 31, 2024, the allowance for credit losses amounted to \$80,000. As of December 31, 2023, the allowance for credit losses amounted to \$0.

##### [6] Furniture inventory:

The Company's furniture inventory is recorded at cost on first in first out basis. Costs of furniture inventory includes all costs incurred, including inbound freight. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and non-sellable inventory and records the necessary provision to reduce such inventory to net realizable value. Any provision is recorded in operating expenses. No provision expense was recorded for the years ended December 31, 2024 and 2023.

##### [7] Property and equipment:

Furniture and fixtures are stated at cost, less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful life of the assets ranging from 60 to 84 months. Maintenance and repairs are expensed as incurred.

In-progress software consists of application development costs for franchisees. The software is anticipated to be completed in the second quarter of 2025. The estimated useful life of the asset is 48 months and amortization will begin when it is first placed in service.

##### [8] Leases:

The Company accounts for leases in accordance with the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") No. 842, *Leases*. Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying balance sheets. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term. In calculating the related lease liabilities the Company utilized historical experience when determining the noncancellable portion of the lease term and elected to use the risk-free rate as the discount rate.

The Company determines if an arrangement is a lease at inception.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Concentrations:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. At times such deposits may be in excess of the FDIC insurance limit. As of December 31, 2024, the Company had nominal balances over the stated FDIC insured limit.

The credit risk associated with trade receivables is mitigated due to a large number of customers, generally the Company's franchisees, and their broad dispersion over many different geographic areas. For the years ended December 31, 2024 and 2023, there was no concentration above 10% of revenues or accounts receivable.

While the Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores from one equipment vendor, they believe other vendors would be available.

##### [10] Income taxes:

The Company is a limited liability company. The Company is treated as a disregarded entity for income tax purposes, and, as a result, its taxable results are included in the tax return of its Parent. Accordingly, no provision for federal or state income taxes is reflected in the financial statements.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest and penalties on any income tax liability would be reported as income tax expense. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

##### [11] Revenue recognition:

The Company accounts for revenue under FASB ASC Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), and ASC Subtopic 952-605, *Franchisors - Revenue Recognition*.

The Company's revenues are primarily comprised of the following.

###### *Franchise and Area Development Fees:*

Franchise fees consist primarily of initial and successor franchise fees and upfront fees from area development agreements ("ADAs") and transfer fees.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property. As all other services the Company provides under the ADA and franchise agreement are highly interrelated, they are therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use its intellectual property over the term of each franchise agreement.

Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Revenue recognition: (continued)

Initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's ADAs generally consist of an obligation to grant geographically exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee for the first franchise agreement and half of the initial franchise fee for any subsequent franchise agreements. The Company may pay a commission upon the collection of fees under an ADA and or a franchise agreement that is amortized straight-line over the term of the respective franchise agreement.

##### *Royalties:*

Royalties are calculated as a percentage of franchise weekly fees over the term of the franchise agreement. The Company's franchise royalties represent sales-based royalties that are related entirely to this performance obligation under the franchise agreement or ADA and are recognized as revenue when the franchise sales occur.

##### *Grand Opening:*

The Company provides certain services to the franchisees for the grand opening of each of its locations. The services provided include training, on-site Master Practitioner, travel and related expenses for the personnel to support the first week of operations, advertising and marketing support before, during and initially after the grand opening. The revenue is earned upon the opening of the location and completion of providing these services. Unearned grand opening revenue is included in deferred revenue until earned.

##### *Training Fees:*

The Company provides training to franchisees in addition to the initial training included in the franchise agreement upon request. The Company bills training per person per day. Revenue is recognized upon completion of the training.

##### *Media Fund Fees:*

The Company has established a Media Fund. The Company uses the media funds to create various advertising, marketing and promotional materials deemed beneficial. Media fund revenue is recognized as a percentage of gross sales and is recognized as received throughout the year from the franchisees. An initial amount of \$500 per franchise was required to start the fund and is included in the deferred revenue as discussed below.

##### *Equipment Sales:*

Equipment revenue consists of the sale of furniture. Equipment revenue is recognized upon transfer of control of the ordered items, generally upon shipment to each store. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in these transactions.

Management determined the Company to be the principal because the Company is the primary obligor as it has latitude in establishing prices for the equipment sales to franchisees, takes inventory risk, the Company has supplier selection discretion, and is involved in the determination of product specifications, and the Company bears all credit risk associated with obligations to the equipment manufacturers.

The related cost of the equipment is recorded in operating expenses which amounted to \$203,896 and \$340,815 for the years ended December 31, 2024 and 2023, respectively.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Revenue recognition: (continued)

###### *Technology Fees:*

The Company provides various technology solutions to franchisees in addition to the initial Technology implementation included in the franchise agreement, the Company provides ongoing support to the franchisees. Revenues for these services are recognized when provided.

###### *Disaggregated revenues:*

For the years ended December 31, 2024 and 2023, respectively, \$10,510,547 and \$9,876,500 of revenues represent performance obligations that were satisfied at a point in time, \$2,319,603 and \$2,015,436 of revenues represent performance obligations that were satisfied over time.

##### [12] Deferred revenue:

Deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees and the initial media fund fee, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Grand opening fees are included in deferred revenue and recognized upon the opening of the franchise location. Deferred revenue represents cash received from franchisees for ADAs, grand opening fees and franchise fees for which revenue recognition criteria have not yet been met. As of December 31, 2024, 2023 and 2022, deferred revenue amounted to approximately \$19,000,000, \$16,500,000 and \$12,800,000, respectively.

##### [13] Long Term Incentive Plan ("LTIP")

The LTIP units are settled in Class C units of SZ Pep Holdco, LLC. Employees of the Company became eligible to participate in the LTIP in 2023 and grants were issued in Class C units of which one-third of the units vest over a four-year vesting schedule ("Time-Based") and the remainder ("Performance-Based"), upon the consummation of a sale of the Company. The Performance-Based units have two tranches of one-third of the units each. These tranches will vest upon a sale valued at certain multiples of Invested Capital, as defined. Under ASC Topic 718, *Stock-Based Compensation*, the Company will recognize the expense at the time the shares are vested, or certain hurdles are probable of being achieved. The probability of being achieved will be assessed annually.

The Company will account for forfeitures when they occur and will reverse previously recognized compensation costs for awards forfeited before the completion of the requisite service or performance benchmarks.

##### [14] Unit appreciation rights ("UAR") plan:

The Company elected to account for unit appreciation rights ("UAR") using the intrinsic value under ASC Topic 718, *Stock-Based Compensation*, and has determined that the awards are liabilities as they can only be settled in cash. Therefore, the intrinsic value was remeasured annually, and the liability was adjusted for the vested portion of the awards.

##### [15] Newly adopted accounting pronouncements:

The Company has evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 50,985	\$ 50,985
In-progress software	70,000	-
Less: accumulated depreciation	<u>(28,882)</u>	<u>(22,996)</u>
	<u>\$ 92,103</u>	<u>\$ 27,989</u>

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to \$5,886 and \$6,977, respectively.

#### NOTE D - CONTRACT ASSETS AND LIABILITIES

Contract assets represent commissions paid to various agents of the Company for franchise agreements. The contract asset balance as of January 1, 2023 was \$33,300. The Company amortizes the contract assets over the term of the franchise agreement, primarily 10 years. Contract asset amortization is classified as commission expense and for the years ended December 31, 2024 and 2023 was \$25,475 and \$6,167, respectively.

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees. The contract liabilities balance as of January 1, 2023 was \$12,834,155. ADA fees paid by franchisees, and transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, as well as grand opening fees which were recognized when earned. The Company classified these contract liabilities as deferred revenue in its balance sheet based on its best estimate of when the underlying revenue will be recognized.

#### NOTE E - RELATED PARTY TRANSACTIONS

The Company earns revenues for royalties, training, equipment sales, and other franchise-related transactions from certain franchise stores that are owned by the Parent. Revenues for the years ended December 31, 2024 and 2023 include \$84,771 and \$89,260, respectively, from these stores. Total payments received from these franchises during the years ended December 31, 2024 and 2023 totaled \$82,681 and \$91,858, respectively, and \$12,648 and \$10,558 were receivable from these franchises as of December 31, 2024 and 2023, respectively, and are included in due from related parties on the accompanying balance sheets.

In January 2021, the Former Parent added three board members, including the celebrity discussed in Note F, that are franchise holders who they considered influential to the business. The total revenues from the three board members franchises were \$361,557, for the period ended March 31, 2023. All three board members resigned on March 31, 2023 and are thereafter no longer considered related parties.

The Company also entered into a multi-year agreement in 2021 with a group in Miami, Florida, that is the Company's sole agent to secure franchise agreements within this area. The agreement requires the group to provide training and services or facilitate the services, in exchange for their commissions, for which the group also received an area development agreement to open five locations at no cost of which four are still available. The value of these locations was determined to be zero, based on the services provided in exchange for the locations.

## **STRETCH ZONE FRANCHISING, LLC**

### **Notes to Financial Statements December 31, 2024 and 2023**

#### **NOTE F - CELEBRITY ENDORSEMENT AND MARKETING**

In January 2021, the Company entered into an agreement with a board member whereby a celebrity endorsement contract was established for a term of four years with the ability for the Company to use the celebrity's likeness for an additional twelve months. Effective March 31, 2023, the celebrity resigned from the board of directors and is no longer considered a related party. The agreement calls for annual payments relating to increased royalty revenue, with a minimum payment for year one of \$200,000. Effective June 2023, the agreement was modified to limit the payment to quarterly payments of \$125,000, with the first payment due on September 30, 2023. The terms of the original contract were extended to December 31, 2028. The Company paid \$500,000 and \$632,497 for the years ended December 31, 2024, and 2023, respectively.

The agreement enabled the celebrity to open 20 stores valued at \$533,250, under a consolidated area development agreement, encompassing three development areas on December 31, 2021. The Company determined the value of the 20 stores based on its current arrangements with third-party entities and recorded an asset, celebrity endorsement, and an offsetting deferred revenue for \$533,250. The celebrity endorsement asset is being amortized on a straight-line basis over five years, modified for the amendment and extension, whereas the deferred revenue is being recognized as revenue ratably upon each store opening. During the years ended December 31, 2024 and 2023, the celebrity did not open any additional franchise locations, however one location was transferred and sold during each of the years ended December 31, 2024 and 2023. In 2023, the revenue for the eleven stores, was \$279,640, and in 2024, the revenue for the nine stores was \$231,476. At December 31, 2024 and 2023, the remaining unamortized deferred revenue was \$213,300 for eight unopened franchise locations. These franchise locations paid the Company \$231,476 and \$285,273 in total revenue for the years ended December 31, 2024 and 2023 and there were \$0 and \$5,000 in accounts receivable, respectively.

The Parent issued 11,478 units of Class C units of the Parent, valued at \$385,186, on September 1, 2023, as additional compensation to the celebrity and was included in the celebrity endorsement. The amortization of the celebrity endorsement was \$121,568 and \$97,297 for the years ended December 31, 2024 and 2023, respectively. The Company also issued 100,000 unit appreciation rights to the celebrity in December 2021. As of December 31, 2022, based on the appreciation in intrinsic value along with the probability of a change in control, which occurred on March 31, 2023 with the sale of the Company, the Company recorded a liability due to the unit appreciation rights to the celebrity of \$12,256,470 which was paid in March 31, 2023, of which \$2,000,000 was settled in ownership of Class B units in the Parent.

#### **NOTE G - SENIOR CREDIT FACILITY**

On March 31, 2023, the Company and its Parent entered into a Senior Credit Facility Agreement (the "Loan Agreement") with two lenders. The Loan Agreement provides for borrowings through March 31, 2028 (the "Maturity Date"). Borrowings will bear interest at the Federal Reserve Bank of New York's daily secured overnight financing rate, plus an additional margin ranging from 6.5 to 7 percent based on a leverage ratio calculated for the Company. Interest is payable monthly, and the principal balance is payable in full at the maturity date. The maximum amount that may be outstanding under the Loan Agreement is \$47,000,000, and consists of a \$40,000,000 senior secured term loan, a \$2,000,000 secured delayed draw term loan, and a \$5,000,000 uncommitted senior secured delayed draw term loan. Interest is payable monthly, and the principal balance is payable in full at the maturity date. As part of the Loan Agreement, the lenders invested \$2,000,000 in the Company's new parent. The Company has included net of the term note, debt issuance costs, effective March 31, 2023. The debt issuance costs are being amortized over five years using the effective interest method. The amortization of the debt issuance costs for the years ended December 31, 2024 and 2023 were \$194,832 and \$146,390, respectively, which were included in interest expense on the statements of operations.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE G - SENIOR CREDIT FACILITY (CONTINUED)

The balance of the term loan and amortization of debt issuance costs are as follows:

	<u>2024</u>	<u>2023</u>
Term note	\$ 38,289,695	\$ 40,000,000
Unamortized loan costs	<u>(631,342)</u>	<u>(826,174)</u>
Term note, net of debt issuance costs	37,658,353	39,173,826
Term note, current	<u>(700,000)</u>	<u>(1,710,305)</u>
Term note, net of current portion and debt issuance costs	<u>\$ 36,958,353</u>	<u>\$ 37,463,521</u>

The Company is anticipating a payment of approximately \$700,000, in May 2025, subject to the “Excess Cash Sweep” provision of the Loan Agreement. The Company has to comply with certain financial covenants under the terms of the Loan Agreement. As of December 31, 2024, the Company was not in compliance with these covenants. However, on April 18, 2025, the Company received a Second Amendment to the Senior Facility Agreement and Waiver. See Note L Subsequent Events.

#### NOTE H - LEASE COMMITMENTS

In March 2021, the Company commenced a non-cancelable operating lease for office space and a training facility for ninety-one months terminating in 2028. The Company is required to pay a proportionate share of the landlord’s operating expenses. Rent for the facility commenced on May 1, 2021 for a total of \$9,873 a month with stated annual increases of approximately three percent, with rent concessions of \$6,037 a month for the first twelve months, \$6,218 for the thirteenth month and \$1,133 a month for an additional thirteen months. The Company also recognized on January 1, 2022 an operating lease liability of \$826,511, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 1.45%, and a right-of-use asset of \$781,891, which represents the operating lease liability of \$826,511 adjusted for deferred rent of \$44,620.

The Company is a party to a lease for the franchise that they acquired and sold in 2020 from a former franchise owner. The franchise location has a five-year lease with the landlord which they have subleased to the franchise owner effective August 2020, on a month-to-month agreement based on the contractual amount plus sales tax and common area maintenance due to the landlord. The lease agreement was signed on February 27, 2020 with a term of five years, starting at \$4,075, plus taxes and common areas maintenance with a three percent rent increase on an annual basis. The Company recognized a right-of-use asset of \$157,837, and an operating lease liability of \$157,837, discounted using the risk-free rate of 0.88% related to the franchise location.

In July 2024 the Company signed an Amendment to the non-cancelable operating lease for office space and a training facility noted above to modify and extend the term of the lease for three years and added additional space for the remaining term of the lease. The landlord provided the leasehold improvements for the additional space. However, the Company increased its payment to the landlord by \$20,242 for the period from August 2024 through December 2024. The landlord provided additional rent concessions from August 2024 through December 2024 of \$10,788 per month. At December 31, 2024, the additional space had not been released to the Company. On February 17, 2025 the Company received notification from the landlord of the Commencement Date for the additional space. Upon the Commencement Date, the Company will value the right of use asset and the lease liability effective February 17, 2025.

**STRETCH ZONE FRANCHISING, LLC**

**Notes to Financial Statements  
December 31, 2024 and 2023**

**NOTE H - LEASE COMMITMENTS (CONTINUED)**

The Amendment modified the operating lease liability to \$912,840 and the right-of-use asset to \$967,501, with payments discounted using the risk-free rate at the Amendment date of 4.28%.

The weighted average years outstanding on the remaining lease at December 31, 2024 and 2023 is 6.45 and 4.45 years, respectively. The weighted average discount rate of the remaining leases at December 31, 2024 and 2023 is 4.28% and 1.38%, respectively.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>		
2025	\$	141,220
2026		136,011
2027		140,092
2028		134,597
2029		160,899
Thereafter		<u>335,944</u>
Total future minimum lease payments		1,048,763
Amount representing interest		<u>(136,813)</u>
Present value of net future minimum lease payments	\$	<u><u>911,950</u></u>

Future minimum lease payments under the sublease with the franchise discussed above for December 31, 2025 is \$9,170.

Cash paid for amounts related to operating leases during 2024 and 2023 are as follows:

<u>Year Ended December 31,</u>	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases measurement of lease liabilities		
Operating cash flows from operating leases	<u>\$ 186,062</u>	<u>\$ 173,580</u>

Total lease expense for the years ended December 31, 2024 and 2023 was \$222,636 and \$171,149, net of \$50,517 and \$57,000 of sublease revenue, respectively.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2024 and 2023

#### NOTE I - COMMITMENTS AND CONTINGENCIES

In 2020 the Former Parent settled the case of Michael S. Bush (“Bush”) v. Jordan Gold (“Gold”); Bonnie Lane; and Stretch Zone Holdings, LLC, a Florida limited liability company. Pursuant to the terms of the settlement, the Parent made an initial payment in exchange for Bush’s equity ownership of the Parent before the end of the fiscal year of 2020. The settlement also requires additional payments in varying amounts through December 2023 by the Former Parent or Gold.

At December 31, 2023, the Former Parent and Gold made all the required payments under the settlement agreement.

The Company is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, other than disclosed above, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

#### NOTE J - UNIT APPRECIATION RIGHTS LIABILITY AND LONG-TERM INCENTIVE PLAN

On December 28, 2021, the Company adopted a unit appreciation rights plan. The plan provided the right to receive payment in cash based upon varying vesting schedules and only upon a change in control, as defined. The payment is determined upon the fair value appreciation of these rights, as defined, from the date of issue to the date of conversion, and the awards expire upon termination of continuous service, as defined. Since the inception of the plan, 251,081 appreciation rights, as defined in the unit appreciation rights plan agreement, were granted. At December 31, 2022, the Company recorded a liability of \$17,897,523 based on the appreciation in intrinsic value, the probability of a change in control, and the portion of the vested units. The intrinsic value appreciation was based on the transaction price of the change in control transaction effective March 31, 2023 and represents the actual cash paid at that time under the plan. The unvested units vested upon the change in control and the Company recognized an additional liability and related expense of \$12,199,919 at March 31, 2023. This liability was settled through the proceeds from the acquisition by the Parent.

The Parent issued a long-term incentive plan to the employees, consultants and board members. The units issued vest over time or performance based.

Below is the details of the issuance of the long-term incentive plan units:

	<b>Time-Based Units</b>	<b>Performance- Based Units</b>	<b>Total</b>
Total Unvested Units at December 31, 2022	-	-	-
Granted	32,491	42,048	74,539
Vested	(11,468)	-	(11,468)
Forfeited	(3,823)	(7,645)	(11,468)
Total Unvested Units at December 31, 2023	17,200	34,403	51,603
Granted	11,126	22,251	33,377
Vested	(4,300)	-	(4,300)
Forfeited	(1,003)	(2,676)	(3,679)
Total Unvested Units at December 31, 2024	<b>23,023</b>	<b>53,978</b>	<b>77,001</b>

## **STRETCH ZONE FRANCHISING, LLC**

### **Notes to Financial Statements December 31, 2024 and 2023**

#### **NOTE J - UNIT APPRECIATION RIGHTS LIABILITY AND LONG-TERM INCENTIVE PLAN (CONTINUED)**

The fair value of the service based restricted stock units are measured on the date of grant and amortized over the vesting period. The vesting period is four years. As of December 31, 2024, the unrecognized stock-based compensation was \$773,000 which is expected to be recognized over 3.2 years.

Performance-based restricted stock awards are measured based on their fair value of the date of the grant and are all unamortized at December 31, 2024 totaling \$1.75 million. As of December 31, 2024, there are no recognized stock-based compensation expense related to the performance-based restricted stock awards.

The Parent issued 11,468 units of Class C units that vested immediately, valued at \$385,186 on September 1, 2023, as additional compensation of the celebrity and was included in the celebrity endorsement (see Note F). The value of the unvested Class C units amounted to approximately \$2,587,000.

For the years ending December 31, 2024 and 2023, the Company recognized \$144,445 and \$0 on the time-based units that vested during the period, respectively.

#### **NOTE K - DEFINED CONTRIBUTION PLAN**

Effective April 1, 2022, the Company formed a 401(k) Plan (the "Plan"), under the provisions of Section 401(a) of the Internal Revenue Code, to provide employees of the Company with retirement benefits. The Plan covers all eligible employees of the Company. All full-time employees who are twenty-one years of age become eligible to participate in the Plan when they complete twelve months and 1,000 hours of continuous service during the Plan year.

The Company may contribute to the Plan at its discretion. For the years ended December 31, 2024 and 2023, the Company incurred administrative expenses and contributions on behalf of the employees of \$138,800 and \$144,135, respectively.

#### **NOTE L - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 30, 2025, which is the date the financial statements were available to be issued.

On April 18, 2025 the Company received a Second Amendment to the Senior Credit Facility and Waiver (the "Amendment and Waiver") by and among the Parent, the Company, and the Lender. The Amendment and Waiver waived the Acknowledged Events of Default for 2024 and presumed through March 31, 2025 as it related to certain covenants and the Excess Cash Flow. The Amendment and Waiver modified the Maximum Consolidated Senior Leverage Ratio. The 2024 Excess Cash Flow is \$700,000, payment of which was extended to May 12, 2025. The Parent under a guaranty agreement, agreed to issue the Promissory Notes noted below for the prepayment of principal under the Senior Credit Facility of \$4,300,000 on the date of this agreement.

On April 18, 2025, the Parent entered into \$4,300,000 of Unsecured Subordinated Convertible Promissory Notes with a maturity date of October 19, 2026 at an applicable interest rate equal to the greater of (a) one-half of one percentage point (0.50%) below the Prime Rate or (b) three percentage points (3.00%) per annum, for the purpose of the prepayment noted above under the Amendment and Waiver.

# STRETCH ZONE FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022

**STRETCH ZONE FRANCHISING, LLC**

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## **INDEPENDENT AUDITORS' REPORT**

To the Member of  
Stretch Zone Franchising, LLC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Stretch Zone Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's deficit, and cash flows for each of the years 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 of Stretch Zone Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*EisnerAmper LLP*

EISNERAMPER LLP  
West Palm Beach, Florida  
April 29, 2024



# STRETCH ZONE FRANCHISING, LLC

## Balance Sheets

	December 31,	
	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,083,795	\$ 6,160,442
Accounts receivable	883,442	639,602
Furniture inventory	25,040	51,091
Due from related parties	10,558	48,182
Contract asset	6,475	3,700
Celebrity endorsement and marketing, net	131,056	106,650
Prepaid expenses	72,397	55,276
Total current assets	4,212,763	7,064,943
Property and equipment, net	27,989	34,966
Celebrity endorsement and marketing, net, long-term	476,783	213,300
Contract asset, long-term	48,408	29,600
Operating lease, right of use assets	620,498	780,911
Security deposits	36,155	36,155
Total assets	\$ 5,422,596	\$ 8,159,875
<b>LIABILITIES AND MEMBER'S DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 669,263	\$ 401,780
Accrued expenses	75,203	9,424
Term note, current	1,710,305	-
Deferred revenue, current	1,360,541	1,395,170
Due to related party	413	11,021
Operating lease liabilities, current	182,981	161,310
UAR liability	-	17,897,523
Total current liabilities	3,998,706	19,876,228
Term note - long-term, net of debt issuance costs	37,463,521	-
Operating lease liabilities, long-term	504,830	687,811
Deferred revenue, long-term	15,166,441	11,438,985
Total liabilities	57,133,498	32,003,024
Commitments and contingencies (see Note I)		
<b>MEMBER'S DEFICIT</b>	<b>(51,710,902)</b>	<b>(23,843,149)</b>
Total liabilities and member's deficit	\$ 5,422,596	\$ 8,159,875

# STRETCH ZONE FRANCHISING, LLC

## Statements of Operations

	Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>		
Royalties	\$ 6,249,900	\$ 4,723,154
Franchise and ADA fees	1,563,002	911,918
Media fund	2,063,598	1,497,709
Equipment	339,535	364,423
Training	436,917	352,917
Technology	1,098,504	611,550
Miscellaneous	140,480	128,862
	<u>11,891,936</u>	<u>8,590,533</u>
Total revenues		
Operating expenses	<u>9,172,888</u>	<u>7,690,543</u>
<b>Other expense:</b>		
UAR expense	(12,466,993)	(17,897,523)
Interest expense	(3,915,418)	-
	<u>(16,382,411)</u>	<u>(17,897,523)</u>
Total other expense		
<b>Net loss</b>	<u>\$ (13,663,363)</u>	<u>\$ (16,997,533)</u>

The accompanying notes are an integral part of these financial statements

## STRETCH ZONE FRANCHISING, LLC

### Statements of Changes in Member's Deficit

<b>Member's deficit, January 1, 2022</b>	\$ (4,325,616)
Net loss	(16,997,533)
Distributions to member	<u>(2,520,000)</u>
<b>Member's deficit, December 31, 2022</b>	(23,843,149)
Net loss	(13,663,363)
Capital contribution	1,059,487
UAR liability settled at Acquisition by Parent	30,364,516
Class C Units issued for celebrity endorsement	385,186
Distributions to member	(39,027,436)
Distributions to former member	<u>(6,986,143)</u>
<b>Member's deficit, December 31, 2023</b>	<b><u><u>\$ (51,710,902)</u></u></b>

# STRETCH ZONE FRANCHISING, LLC

## Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (13,663,363)	\$ (16,997,533)
Reconciliation of net loss to net cash provided by operating activities:		
Depreciation expense	6,977	6,531
Bad debt expense	-	8,351
Amortization of celebrity endorsement	97,297	106,650
Amortization of contract asset	6,167	3,700
Amortization of debt issuance costs	146,390	-
Change in operating lease right-of use asset	160,413	158,817
UAR liability	12,466,993	17,897,523
(Increase) decrease in:		
Accounts receivable	(243,840)	(494,155)
Contract asset	(27,750)	(37,000)
Due from/to related party, net	27,016	(24,089)
Furniture inventory	26,051	(51,091)
Prepaid expenses	(17,121)	22,724
Increase (decrease) in:		
Accounts payable	267,483	(629)
Accrued expenses	65,779	537
Deferred revenue	3,692,827	5,017,476
Operating lease liability	(161,310)	(135,227)
Net cash provided by operating activities	<u>2,850,009</u>	<u>5,482,585</u>
<b>Cash flows from investing activities:</b>		
Property and equipment purchases	-	(32,380)
Net cash used in investing activities	<u>-</u>	<u>(32,380)</u>
<b>Cash flows from financing activities:</b>		
Debt issuance costs	(972,564)	-
Proceeds from term note	40,000,000	-
Contribution from member	1,059,487	-
Distributions to member and former member	(46,013,579)	(2,520,000)
Net cash used in financing activities	<u>(5,926,656)</u>	<u>(2,520,000)</u>
<b>Net change in cash</b>	<b>(3,076,647)</b>	2,930,205
Cash, beginning of year	<u>6,160,442</u>	<u>3,230,237</u>
<b>Cash, end of year</b>	<u><u>\$ 3,083,795</u></u>	<u><u>\$ 6,160,442</u></u>
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid for interest	\$ 3,428,028	\$ -
<b>Non-cash transactions:</b>		
Celebrity endorsement issued for Class C Units of Parent	\$ 385,186	\$ -
UAR liability settled at acquisition by the Parent	\$ 30,364,516	\$ -

The accompanying notes are an integral part of these financial statements

# **STRETCH ZONE FRANCHISING, LLC**

## **Notes to Financial Statements December 31, 2023 and 2022**

### **NOTE A - NATURE OF BUSINESS**

The accompanying financial statements include the accounts of Stretch Zone Franchising, LLC (the "Company"), a wholly owned subsidiary of Stretch Zone Holdings, LLC (the "Former Parent"). The Company was organized on November 15, 2015, in the State of Florida. The Company's only business is to offer and sell franchises under the Stretch Zone name and to provide support to its health clubs across the United States. Effective March 31, 2023, the Company was sold by Stretch Zone Holdings, LLC to SZ PEP Holdco, LLC, the Acquiror (the "Parent").

On March 31, 2023, the beneficial owners of the Parent entered into a securities purchase agreement with a third party effectively selling approximately an 80% interest in the Company to the third party, with those beneficial owners retaining the approximately 20% rollover interest. This transaction resulted in a change in control of the Company, which triggered the payment of the unit appreciation rights (see Note J).

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **[1] Basis of presentation:**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### **[2] Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **[3] Accounts receivable:**

The Company's accounts receivable is recorded at amounts billed to customers, net of allowance for expected credit losses. The allowance for expected credit losses is the Company's best estimate of probable credit losses in the Company's existing accounts receivable. Accounts are written off when they are deemed uncollectible.

The allowance for expected credit losses estimate is derived from a review of the Company's historical losses. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company.

As of December 31, 2021, the accounts receivable balance was \$153,798. As of December 31, 2023, 2022 and 2021, the allowance for expected credit losses amounted to \$0.

#### **[4] Furniture inventory:**

The Company's furniture inventory is recorded at cost on first in, first out basis. Costs of furniture inventory includes all costs incurred, including inbound freight. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and non-sellable inventory and records the necessary provision to reduce such inventory to net realizable value. Any provision is recorded in operating expenses. No provision expense was recorded for the years ended December 31, 2023 and 2022.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [5] Property and equipment:

Furniture and fixtures are stated at cost, less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful life of the assets of 60 to 84 months. Maintenance and repairs are expensed as incurred.

##### [6] Leases:

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") No. 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the standard using the Effective Date Method. Under this method, the Company recognized and measured lease assets and liabilities existing at January 1, 2022 (the beginning of the period of adoption), with certain practical expedients available.

In calculating the related lease liabilities at the time of adoption, the Company utilized historical experience when determining the noncancellable portion of the lease term and elected to use the risk-free rate as the discount rate.

The Company determines if an arrangement is a lease at inception.

Operating leases are recorded as operating lease ROU assets and operating lease liabilities (current portion and long-term portion) on the accompanying balance sheet. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU assets result in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the ROU asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

##### [7] Concentrations:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. At times such deposits may be in excess of the FDIC insurance limit. As of December 31, 2023, the Company had approximately \$2,800,000 over the stated FDIC insured limit.

The credit risk associated with trade receivables is mitigated due to a large number of customers, generally the Company's franchisees, and their broad dispersion over many different geographic areas. For the years ended December 31, 2023 and 2022, there was no concentration above 10% of revenues or accounts receivable.

While the Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores, from one equipment vendor, it believes other vendors would be available.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [8] Income taxes:

The Company is a limited liability company. The Company is treated as a disregarded entity for income tax purposes, and, as a result, its taxable results are included in the tax return of its Parent. Accordingly, no provision for federal or state income taxes is reflected in the financial statements.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest and penalties on any income tax liability would be reported as income tax expense. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

##### [9] Revenue recognition:

The Company accounts for revenue under FASB ASC Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), and ASC Subtopic 952-605, *Franchisors - Revenue Recognition*.

The Company's revenues are comprised of franchise revenue, equipment sales, training fees, media fund, and other miscellaneous revenue.

##### *Franchise fees:*

Franchise fees consist primarily of initial and successor franchise fees and upfront fees from area development agreements ("ADAs") and transfer fees.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property. As all other services the Company provides under the ADA and franchise agreement are highly interrelated, they are therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use its intellectual property over the term of each franchise agreement.

##### *Royalties:*

Royalties are calculated as a percentage of franchise weekly fees over the term of the franchise agreement. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The Company's franchise royalties represent sales-based royalties that are related entirely to its performance obligation under the franchise agreement and are recognized as franchise sales occur.

Additionally, under ASC 606, initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee for the first franchise agreement and half of the initial franchise fee for any subsequent franchise agreements. The Company may pay a commission under an area representative agreement that is amortized straight-line over the term of the respective franchise agreement.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Revenue recognition: (continued)

###### *Training fees:*

The Company provides training to franchisees in addition to the initial training included in the franchise agreement upon request. The Company bills training per person per day. Revenue is recognized upon completion of the training.

###### *Media funds:*

The Company has established a Media Fund. The Company uses the media funds to create various advertising, marketing and promotional materials deemed beneficial. Media Fund revenue is recognized as a percentage of gross sales and is recognized as received throughout the year from the franchisees. An initial amount of \$500 per franchise was required to start the fund and is included in the Deferred Revenue as discussed below.

###### *Equipment sales:*

Equipment revenue consists of the sale of furniture. Equipment revenue is recognized upon transfer of control of the ordered items, generally upon shipment to each store. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in these transactions.

Management determined the Company to be the principal because the Company is the primary obligor as it has latitude in establishing prices for the equipment sales to franchisees, takes inventory risk, the Company has supplier selection discretion, and is involved in the determination of product specifications, and the Company bears all credit risk associated with obligations to the equipment manufacturers.

The related cost of the equipment is recorded in operating expenses which amounted to \$340,815 and \$346,652 for the years ended December 31, 2023 and 2022, respectively.

###### *Technology fees:*

The Company provides various technology solutions to franchisees in addition to the initial technology implementation included in the franchise agreement, the Company provides ongoing support to the franchisees. Revenues for these services are recognized when provided.

###### *Disaggregated revenues:*

For the years ended December 31, 2023 and 2022, respectively, \$9,876,500 and \$7,067,555 of revenues represent performance obligations that were satisfied at a point in time, and \$2,015,436 and \$1,522,978 of revenues represent performance obligations that were satisfied over time.

##### [10] Deferred revenue:

Deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees and the initial media fund fee, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deferred revenue represents cash received from franchisees for ADAs and franchise fees for which revenue recognition criteria have not yet been met. As of December 31, 2023, 2022 and 2021, deferred revenue amounted to approximately \$16,500,000, \$12,800,000, and \$7,800,000, respectively.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Long Term Incentive Plan ("LTIP")

The LTIP units are settled in units of SZ Pep Holdco, LLC. Employees of the Company were eligible to participate in the LTIP in 2023 and grants were issued in Class C units of which one-third of the units vest over a four-year vesting schedule ("Time-Based") and the remainder ("Performance-Based"), upon the consummation of a sale of the Company. The Performance-Based units have two tranches of one-third of the units each. These tranches will vest upon a sale valued at certain multiples of Invested Capital, as defined. Under ASC Topic 718, *Stock-Based Compensation*, the Company will recognize the expense at the time the shares are vested, or certain hurdles are probable of being achieved. The probability of being achieved will be assessed annually. The Company will account for forfeitures when they occur and will reverse previously recognized compensation costs for awards forfeited before the completion of the requisite service or performance benchmarks.

##### [12] Unit appreciation rights ("UAR") plan:

The Company has elected to account for unit appreciation rights ("UAR") using the intrinsic value under ASC Topic 718, *Stock-Based Compensation*, and has determined that the awards are liabilities as they can only be settled in cash. Therefore, the intrinsic value is remeasured annually, and the liability is adjusted for the vested portion of the awards.

##### [13] Newly adopted accounting pronouncements:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires the immediate recognition of estimated credit losses that are expected to occur over the life of many financial assets, such as accounts receivable. The new model referred to as the CECL model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures.

This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees, and net investments in leases, as well as trade receivables. Topic 326 was effective for the Company on January 1, 2023 and its adoption did not have a material impact on the Company's financial statements.

The Company has also evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 50,985	\$ 50,985
Less: accumulated depreciation	<u>(22,996)</u>	<u>(16,019)</u>
	<u>\$ 27,989</u>	<u>\$ 34,966</u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$6,977 and \$6,531, respectively.

#### NOTE D - CONTRACT ASSETS AND LIABILITIES

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. The Company classified these contract liabilities as deferred revenue in its balance sheet based on its best estimate of when the underlying revenue will be recognized. Contract assets represent commissions paid to an agent of the Company for franchise agreements. There was no contract asset as of December 31, 2021.

#### NOTE E - RELATED PARTY TRANSACTIONS

The Company earns revenues for royalties, training, equipment sales, and other franchise-related transactions from certain franchise stores that are owned by the Parent. Revenues for the years ended December 31, 2023 and 2022 include \$89,260 and \$81,323, respectively, from these stores. Total payments received from these franchises during the years ended December 31, 2023 and 2022 totaled \$91,858 and \$69,366, respectively, and \$10,558 and \$13,156 was receivable from these franchises as of December 31, 2023 and 2022, respectively, and is included in due from related parties on the accompanying balance sheets.

In January 2021, the Former Parent added three board members, including the celebrity discussed in Note F, that are franchise holders who they considered influential to the business. The total revenues from the three board members franchises were \$361,557 for the period ended March 31, 2023. All three board members resigned, and thereafter were not considered related parties. The total revenues from these three board members franchises were \$1,217,869, deferred revenues totaled \$713,208, and amounts totaling \$33,399 were included in accounts receivable at December 31, 2022 and for the year then ended.

The Company also entered into an agreement in 2021 with a group in Miami, Florida, that is the Company's sole agent to secure franchise agreements within this area. The agreement requires the group to provide training and services or facilitate the services, in exchange for their commissions, for which the group also received an area development agreement to open five locations at no cost. The group opened three and five locations as of December 31, 2023 and 2022, respectively. The value of these locations was determined to be zero, based on the services provided in exchange for the locations.

## **STRETCH ZONE FRANCHISING, LLC**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **NOTE F - CELEBRITY ENDORSEMENT AND MARKETING**

In January 2021, the Company entered into an agreement with a board member whereby a celebrity endorsement contract was established for a term of four years with the ability for the Company to use the celebrity's likeness for an additional twelve months. Effective March 31, 2023, the celebrity resigned from the board of directors and is no longer considered a related party. The agreement calls for annual payments relating to increased royalty revenue, with a minimum payment for year one of \$200,000. The Company paid \$632,497 and \$725,013 for the years ended December 31, 2023, and 2022, respectively. Effective June 2023, the agreement was modified to limit the payment to quarterly payments of \$125,000, with the first payment due on September 30, 2023. The terms of the original contract were extended to December 31, 2028. The agreement also enabled the celebrity to open 20 stores valued at \$533,250, under a consolidated area development agreement, encompassing three development areas on December 31, 2021. The Company determined the value of the 20 stores based on its current arrangements with third-party entities and recorded an asset, celebrity endorsement, and an offsetting deferred revenue for \$533,250. The celebrity endorsement asset is being amortized on a straight-line basis over five years, modified for the amendment and extension, whereas the deferred revenue is being recognized as revenue ratably upon each store opening. During the year ended December 31, 2023, the celebrity did not open any additional franchise locations, however, one location was transferred and sold during 2023 and five stores were opened in 2022. In 2022, the revenue for the twelve stores, of which two were not opened, resulted in revenue of \$303,988 and in 2023, the revenue for the eleven stores, was \$279,640. The 2023 and 2022 remaining unamortized deferred revenue was \$213,300 for eight unopened franchise locations. These franchise locations paid the Company \$285,273 and \$303,988 in total revenue for the years ended December 31, 2023 and 2022 and there is \$5,000 and \$0 in accounts receivable, respectively. The Parent issued 11,478 Class C units of the Parent, valued at \$385,186, on September 1, 2023, as additional compensation to the celebrity and was included in the celebrity endorsement. The amortization of the celebrity endorsement was \$97,297 and \$106,650 for the years ended December 31, 2023 and 2022, respectively. The Company also issued 100,000 unit appreciation rights to the celebrity in December 2021. As of December 31, 2022, based on the appreciation in intrinsic value along with the probability of a change in control, which occurred on March 31, 2023 with the sale of the Company, the Company recorded a liability due to the unit appreciation rights to the celebrity of \$12,256,470 which was paid in March 31, 2023, of which approximately \$2,000,000 was settled in ownership of Class B units in the Parent.

#### **NOTE G - SENIOR CREDIT FACILITY**

On March 31, 2023, the Company and its Parent entered into a Senior Credit Facility Agreement (the "Loan Agreement") with two lenders. The Loan Agreement provides for borrowings through March 31, 2028 (the "Maturity Date"). Borrowings will bear interest at the Federal Reserve Bank of New York's daily secured overnight financing rate, plus an additional margin ranging from 6.5 to 7 percent based on a leverage ratio calculated for the Company. Interest is payable monthly, and the principal balance is payable in full at the maturity date. The maximum amount that may be outstanding under the Loan Agreement is \$47,000,000, and consists of a \$40,000,000 senior secured term loan, a \$2,000,000 secured delayed draw term loan, and a \$5,000,000 uncommitted senior secured delayed draw term loan. Interest is payable monthly, and the principal balance is payable in full at the maturity date. In connection with the Loan Agreement above, the Company must comply with certain financial covenants. As part of the Loan Agreement, the lenders invested \$2,000,000 in the Company's new parent. The term note was recorded net of debt issuance costs of \$972,564, which are being amortized over five years. The balance of the term loan at December 31, 2023 was \$40,000,000 and the debt issuance costs were \$826,174. The amortization of the debt issuance costs for the year ended December 31, 2023 was \$146,390, which were included in interest expense on the statement of operations. The Company is anticipating a payment of approximately \$1,500,000, in March 2024, subject to the "Excess Cash Sweep" provision of the Loan Agreement. Debt issuance cost amortization for the next twelve months is \$194,832. The Company has to comply with certain financial covenants under the terms of the Loan Agreement. As of December 31, 2023, the Company is in compliance with these covenants.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE H - LEASE COMMITMENTS

In March 2021, the Company commenced a non-cancelable operating lease for office space and a training facility for ninety-one months terminating in 2028. The Company is required to pay a proportionate share of the landlord's operating expenses. Rent for the facility commenced on May 1, 2021 for a total of \$9,873 a month with stated annual increases of approximately three percent, with rent concessions of \$6,037 a month for the first twelve months, \$6,218 for the thirteenth month and \$1,133 a month for an additional thirteen months. The Company recognized on January 1, 2022 an operating lease liability of \$826,511, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 1.45%, and an ROU asset of \$781,891, which represents the operating lease liability of \$826,511, adjusted for deferred rent of \$44,620.

The Company is a party to a lease for the franchise that it acquired and sold in 2020 from a former franchise owner. The franchise location has a five-year lease with the landlord which they have subleased to the franchise owner effective August 2020, on a month-to-month agreement based on the contractual amount, plus sales tax and common area maintenance due to the landlord. The lease agreement was signed on February 27, 2020 with a term of five years, starting at \$4,075, plus taxes and common areas maintenance with a three percent rent increase on an annual basis. The Company recognized an ROU asset of \$157,837, and an operating lease liability of \$157,837, discounted using the risk-free rate of 0.88% related to the franchise location.

The weighted average years outstanding on the remaining leases at December 31, 2023 and 2022 is 4.45 and 5.45 years, respectively. The weighted average discount rate of the remaining leases at December 31, 2023 and 2022 is 1.38%.

Future minimum lease payments are as follows:

<b>Year Ending December 31,</b>	
2024	\$ 182,981
2025	141,224
2026	136,011
2027	140,092
2028	<u>120,010</u>
Total future minimum lease payments	<u>720,318</u>
Amount representing interest	<u>(32,507)</u>
Present value of net future minimum lease payments	<u><u>\$ 687,811</u></u>

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE H - LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under the sublease with the franchise discussed above are as follows:

<u>Year Ending December 31,</u>	
2024	\$ (54,777)
2025	<u>(9,174)</u>
	<u>\$ (63,951)</u>

Cash paid for amounts related to operating leases during 2023 and 2022 are as follows:

<u>Year Ended December 31,</u>	<u>2023</u>	<u>2022</u>
Operating cash flows from operating leases measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 173,580</u>	<u>\$ 139,499</u>

Total lease expense for the years ended December 31, 2023 and 2022 was \$171,149 and \$183,543, net of \$57,000 and \$54,000 of sublease revenue, respectively.

#### NOTE I - COMMITMENTS AND CONTINGENCIES

In 2020, the Former Parent settled the case of Michael S. Bush ("Bush") v. Jordan Gold ("Gold"); Bonnie Lane; and Stretch Zone Holdings, LLC, a Florida limited liability company. Pursuant to the terms of the settlement, the Parent made an initial payment in exchange for Bush's equity ownership of the Parent before the end of the calendar year of 2020. The settlement also requires additional payments in varying amounts through December 2023 by the Former Parent or Gold.

At December 31, 2023, the Former Parent and Gold made all the required payments under the settlement agreement.

The Company is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, other than disclosed above, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

## STRETCH ZONE FRANCHISING, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE J - UNIT APPRECIATION RIGHTS LIABILITY AND LONG-TERM INCENTIVE PLAN

On December 28, 2021, the Company adopted a unit appreciation rights plan. The plan provides the right to receive payment in cash based upon varying vesting schedules and only upon a change in control, as defined. The payment is determined upon the fair value appreciation of these rights, as defined, from the date of issue to the date of conversion, and the awards expire upon termination of continuous service, as defined. Since the inception of the plan, 251,081 appreciation rights, as defined in the unit appreciation rights plan agreement, have been granted. At December 31, 2022, the Company recorded a liability of \$17,897,523 based on the appreciation in intrinsic value, the probability of a change in control, and the portion of the vested units. The intrinsic value appreciation was based on the transaction price of the change in control transaction effective March 31, 2023 and represents the actual cash paid at that time under the plan. Vested units as of December 31, 2022 was 120,000. The unvested units vested upon the change in control and the Company recognized an additional liability and related expense of \$12,199,919 at March 31, 2023. This liability was settled through the proceeds from the acquisition.

The Parent issued a long-term incentive plan to the employees, consultants and board members. The units issued vest over time or performance based.

Below is detail of the issuance of the long-term incentive plan units:

	<u>Time-Based Units</u>	<u>Performance- Based Units</u>	<u>Total</u>
Total unvested units at December 31, 2022	-	-	-
Granted	32,491	42,048	74,539
Forfeited	(3,823)	(7,645)	(11,468)
Vested	<u>(11,468)</u>	<u>-</u>	<u>(11,468)</u>
Total unvested units at December 31, 2023	<u><b>17,200</b></u>	<u><b>34,403</b></u>	<u><b>51,603</b></u>

The Parent issued 11,468 units of Class C units that vested immediately, valued at \$385,186 on September 1, 2023, as additional compensation of the celebrity and was included in the celebrity endorsement (see Note F). The value of the unvested Class C units amounted to approximately \$1,733,000.

#### NOTE K - DEFINED CONTRIBUTION PLAN

Effective April 1, 2022, the Company formed a 401(k) Plan (the "Plan"), under the provisions of Section 401(a) of the Internal Revenue Code, to provide employees of the Company with retirement benefits. The Plan covers all eligible employees of the Company. All full-time employees who are twenty-one years of age become eligible to participate in the Plan when they complete twelve months and 1,000 hours of continuous service during the Plan year.

The Company may contribute to the Plan at its discretion. For the years ended December 31, 2023 and 2022, the Company incurred administrative expenses and contributions on behalf of the employees of \$144,135 and \$87,735, respectively.

#### NOTE L - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 29, 2024, which is the date the financial statements were available to be issued.

**UNAUDITED FINANCIAL STATEMENTS**

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

**Stretch Zone Franchising, LLC**  
**Balance Sheet**  
As of March 31, 2025

Accrual Basis

---

	<u>Mar 31, 25</u>
<b>ASSETS</b>	
Current Assets	2,363,325.57
Fixed Assets	199,612.71
Other Assets	2,112,634.29
<b>TOTAL ASSETS</b>	<u><b>4,675,572.57</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	59,553,142.11
Equity	-54,877,569.54
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>4,675,572.57</b></u>

# Stretch Zone Franchising, LLC

## Profit & Loss

January through March 2025

Accrual Basis

	Jan - Mar 25
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Billable Expense Income	-1,254.07
Club Ready - Royalties	1,416,631.78
Franchise Fee	445,863.26
Media Fund	472,464.24
Rebate Income	840.00
SCORE Audit Program	47,125.00
Store FAD Revenue	73,553.00
Technology Fee	407,380.00
Training SZ	131,132.07
<b>Total Income</b>	2,993,735.28
<b>Cost of Goods Sold</b>	32,019.55
<b>Gross Profit</b>	2,961,715.73
<b>Expense</b>	
(A) Other G&A	1,203,375.32
Advertising & Marketing	489,239.30
Bank Charges	14,389.22
Commission - MIA	1,618.74
Depreciation Expense	490.37
Dues & Subscriptions	15,989.05
FAC Expenses	348.66
Insurance	26,035.04
Interest Expense	1,092,793.88
Legal & Professional Fees	87,896.24
Meals and Entertainment	1,948.18
Office Equipment	6,643.51
Office Expenses	7,328.32
Office Supplies	8,712.02
Other General and Admin Expense	-16,568.99
Payroll Expenses	24,626.14
Payroll Service	3,671.34
Payroll Taxes	75,603.85
PEG Expenses	27,967.68
Real Estate Discovery	7,500.00
Reimbursable Zee Expense	310,160.64
Rent or Lease	111,828.59
Repair & Maintenance	674.93
Shipping, Delivery and Postage	3,495.98
Taxes & Licenses	2,225.00
Travel	1,362.25
Uncategorized Expense	1,937.70
Utilities	2,950.79
Website	79,917.85
<b>Total Expense</b>	3,594,161.60
<b>Net Ordinary Income</b>	-632,445.87
<b>Net Income</b>	-632,445.87

**EXHIBIT N – FRANCHISE TERMINATION AND RELEASE AGREEMENT**



## **FRANCHISE TERMINATION AND RELEASE AGREEMENT**

**THIS FRANCHISE TERMINATION AND RELEASE AGREEMENT** (this "Agreement") is signed and effective on \_\_\_\_\_ (the "Effective Date") among Stretch Zone Franchising, LLC, as the Franchisor ("we," "us," "our," or "Franchisor"); \_\_\_\_\_ LLC, a \_\_\_\_\_ limited liability company, ("Franchisee"); and \_\_\_\_\_ ("Guarantor").

### **BACKGROUND**

A. We and Franchisee entered into a Stretch Zone Franchise Agreement dated \_\_\_\_\_ and certain ancillary documents thereto (collectively, the "Franchise Agreement"), under which we granted and Franchisee accepted a Stretch Zone Franchise at \_\_\_\_\_ (the "Franchise Business").

B. Franchisee's obligations under the Franchise Agreement and other agreement with us are guaranteed by Guarantor under the Guaranty of Franchisee's Obligations dated \_\_\_\_\_ (the "Guaranty").

C. The parties desire to terminate the Franchise Agreement and the Guaranty and to release us from, and against, all obligations arising in connection with the Franchise Agreement and the Guaranty, except as otherwise provided in this Agreement.

The parties agree as follows:

### **TERMS**

1. **Termination of Franchise Agreement and Guaranty.** The parties agree that the Franchise Agreement and all of the parties' respective obligations under the Franchise Agreement and/or the Guaranty are terminated (except as stated in Section 4).

2. **Release of Franchisor.** Franchisee and Guarantor, with the intention of binding themselves and their respective predecessors and affiliates, their respective officers, directors, employees, agents, direct and indirect owners, and representatives, and their respective heirs, executors, administrators, successors and assigns, as applicable (collectively, "Franchisee Parties"), hereby irrevocably and unconditionally release, acquit and forever discharge Franchisor, its predecessors and affiliates, their respective officers, directors, employees, agents, direct and indirect owners and representatives, and their respective heirs, executors, administrators, successors and assigns, as applicable (collectively, the "Franchisor Parties"), from any and all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) (collectively, "Claims"), known or unknown, suspected or unsuspected, fixed or contingent, in each case that arise out of or relate to any act, omission or event occurring

on or before the Effective Date, that were or could have been asserted and that arise from or relate, directly or indirectly, in any way to the Franchise Agreement and/or the Franchise Business. Franchisee and Guarantor, for themselves and the other Franchisee Parties, represent and warrant that no Franchisee Party has assigned or transferred any Claim released under this Section 2 to any person or entity that is not bound by this Section 2 and covenants not to sue any Franchisor Party with respect to any Claim released under this Section 2. This Section 2 does not, however, discharge or impair any right of indemnity, surety or contribution that any Franchisor Party may have against any Franchisee Party in connection with any claim that may later be asserted against any Franchisor Party by any third party.

All representations requiring franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under state law including the Maryland Franchise Registration and Disclosure Law. The Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

3. **Warranty of No Prior Assignment.** Each party represents and warrants to the other party that he, she or it has made no prior assignment to any person not a signatory to this Agreement of any claim he, she or it may have against the other party.

4. **Post-Term Covenants.** The termination and release provided in Sections 1 and 2 have no effect on Franchisee's obligations under the Franchise Agreement that expressly or by their nature survive the termination of the Franchise Agreement. These obligations specifically include obligations of confidentiality, the mutual indemnification provisions for matters arising before the date of this Agreement, and provisions concerning governing law and dispute resolution, that continue in full effect after the termination of the Franchise Agreement and until they are satisfied or by their nature expire.

6. **Return of Confidential Information.** Franchisee will immediately return to us all Confidential Information (as defined in the Franchise Agreement) in Franchisee's possession or control.

7. **Nondisclosure.** Franchisee and Guarantor will not discuss with, disclose to or communicate with anyone the terms of this Agreement or the facts surrounding, causing or resulting from the Stretch Zone Franchise, including any prospective, existing or former Stretch Zone Franchisee, unless required by legal process. Franchisee and Guarantors will only state that Franchisee has left the Stretch Zone System. Franchisee and Guarantor understand that the FTC Franchise Rule requires us to disclose Franchisee's name, home address and telephone number in our Franchise Disclosure Document for a specified period of time.

8. **No Admission of Liability.** By signing this Agreement, no party admits any liability to the other or the truth or falsity of any allegation, statement, communication or fact discussed, disclosed or communicated in any manner, regarding any transaction, communication, contact, statement or action between the parties or in connection with this Agreement, the Franchise Agreement or the Guarantee signed by the parties.

9. **Entire Agreement.** This Agreement represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations if any made by the parties.

10. **Binding Effect.** All of the terms of this Agreement, regardless of whether expressed, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective legal representatives, heirs, successors and permitted assigns.

11. **Interpretation.** Each of the parties agree that they have been or have had the opportunity to have been represented by their own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement, if any. Therefore, the parties agree that the provisions of this Agreement or any of the other documents will not be construed against any party more strictly than against the other.

The parties have signed this Agreement as of the date below, effective as of the Effective Date.

**FRANCHISOR:**

**STRETCH ZONE FRANCHISING LLC**, a  
Florida limited liability company

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_, 20\_\_

**GUARANTOR:**

\_\_\_\_\_  
Name: \_\_\_\_\_

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**EXHIBIT P – FORM OF REGIONAL ADVERTISING COOPERATIVE  
AGREEMENT**



## **REGIONAL ADVERTISING COOPERATIVE AGREEMENT**

This Regional Advertising Cooperative Agreement (this "Agreement") is signed on \_\_\_\_\_ among Stretch Zone Franchising, LLC, a Florida limited liability company (the "Franchisor"); \_\_\_\_\_, d/b/a Stretch Zone (the "Member"); and \_\_\_\_\_ DMA Stretch Zone Regional Advertising Cooperative, an unincorporated association (the "DMA Cooperative").

### **BACKGROUND**

A. The Franchisor and the Member are Franchisor and Franchisee respectively under a Stretch Zone Franchise Agreement (the "Franchise Agreement") relating to a Franchised Business within the \_\_\_\_\_ Designated Marketing Area ("DMA").

B. Under Section 7.2 of the Franchise Agreement, the Franchisor has the right to establish a Regional Advertising Cooperative in any DMA.

C. This Agreement and Bylaws included in Exhibit A creates the DMA Cooperative for the furtherance of each Member's sales and promotional efforts in connection with each Member's operation of a Stretch Zone Franchise (collectively the "Franchises") and the Member's membership in and participation with the DMA Cooperative.

The parties agree as follows:

### **TERMS**

1. **PURPOSE**. The purpose of the DMA Cooperative is the furtherance of each Member's sales and promotional efforts in connection with the operation of their Stretch Zone Franchises through the joint pooling of funds for the creation and placement of advertising and promotional campaigns and plans in the DMA. The DMA Cooperative will open a bank account in its name with Bank of America into which advertising contributions are deposited and from which the expenses incurred are paid. The Franchisor will be granted access to the account for monitoring purposes.

2. **TERM**. This Agreement remains in effect until the Member ceases to be a Stretch Zone Franchisee.

3. **MEMBERSHIP AND CONTRIBUTIONS**.

(a) **Qualification**. Membership is open to all Stretch Zone Franchisees who are in good standing with Franchisor in the DMA and who sign this Agreement as required by the Franchise Agreement.

(b) **Voting Rights.** The Member is entitled to 1 vote within the DMA Cooperative on each matter that is required to be submitted to a vote of the Members as described in Article 3, Section 3 of the attached Bylaws of the DMA Cooperative.

(c) **Contributions.** The Member will contribute to the DMA Cooperative on a monthly basis, an amount not to exceed 1% of its Gross Revenues. The initial amount of monthly Contributions will be determined at the organizational meeting of the Members. All payments will be made through the ClubReady Electronic Payment system described in Section 3.3 of the Franchise Agreement. The amount of monthly Contributions to the DMA Cooperative will be reviewed and revised accordingly by majority vote of the Members at any regular meeting of the Members as provided in Article 4, Section 1 of the Bylaws.

(d) **Delinquent Payments.** All late payments accrue interest at the rate of 1.5% per month beginning the date payment was due until fully paid or at the highest rate permitted by applicable state law, whichever is less, calculated on a daily basis.

(e) **Failure to Make Payments.** If the Member fails to make 2 or more consecutive monthly contributions to the DMA Cooperative, the Franchisor may elect to terminate this Agreement and the Franchise Agreement for the Franchise Business if payment is not made within 30 days of receipt of the Franchisor's written demand for payment. If the delinquent payments are not made within the 30-day cure period, the Franchisor may immediately terminate this Agreement and the Franchise Agreement for the Franchise Business upon notice to the Member without providing any additional time to cure.

4. **ALLOCATION OF PROCEEDS.** The funds collected by the DMA Cooperative from its Members will be used for any of the following expenditures as approved by the Members in accordance with the Bylaws and signed by the DMA Cooperative and the Franchisor in the form attached as Exhibit B:

- (a) Television and radio media placement;
- (b) Agency expenses relating to the placement of the advertising;
- (c) Point-of-Purchase (P.O.P.) materials for the DMA Cooperative's promotions; and
- (d) Administrative, professional fees and miscellaneous expenses related to the placement of advertising.

Provided the expenditures relate directly to advertising and promotions, other use of funds may be agreed upon by consent of 67% of the Members of the DMA Cooperative present at a meeting to decide on an alternative use of funds, called and held in accordance with Article 3 of the Bylaws.

5. **OBLIGATIONS OF DMA COOPERATIVE.** The DMA Cooperative is responsible for the following in addition to any other obligations imposed by the Bylaws:

- (a) The placement of advertising in the DMA that meets the Franchisor' standards and specifications;
- (b) The submission of all proposed advertising and promotional plans and campaigns to the Franchisor for its prior approval as described in the Advertising Submission Agreement included as Exhibit B.

(c) The signing and delivery of an Advertising Submission Agreement to the Franchisor with all proposed advertising and promotional plans and campaigns;

(d) The filing of any and all periodic reports to the Franchisor which may be required pursuant to the Bylaws;

(e) Compliance with any requests by the Franchisor to cease the use of advertising campaigns or plans which the Franchisor, in its sole judgment, deems inappropriate or inconsistent with its standards; and

(f) Providing notification to the Franchisor if any Member fails to make 2 or more consecutive monthly contributions to the DMA Cooperative.

6. **OBLIGATIONS OF FRANCHISOR.** In connection with the DMA Cooperative's placement of advertising in the DMA, the Franchisor is responsible for the following:

(a) The review of all advertising and promotional plans and campaigns, in whatever form, proposed for use by the DMA Cooperative, in the DMA;

(b) The Franchisor's approval or disapproval of all proposed advertising and promotional plans and campaigns submitted to the Franchisor will be within 10 days of the Franchisor's receipt of the items.

7. **MISCELLANEOUS.**

(a) **Modification.** No change or modification of this Agreement is valid unless it is in writing, making specific reference to amending this Agreement and signed by all of the parties.

(b) **No Waiver.** No waiver of any breach of any condition in this Agreement constitutes a waiver of any later breach.

(c) **No Other Agreements.** There are no verbal understandings between the parties. All conditions of the relationship between the parties are set forth in this Agreement, the Bylaws and the Franchise Agreement.

(d) **Governing Law.** This Agreement is governed by, and construed in accordance with, the laws of the state in which the DMA is located, which law shall govern upon a conflict of laws.

(e) **Unenforceability.** The invalidity or unenforceability of any particular provision of this Agreement does not affect the other provisions. This Agreement will be construed in all respects as if the invalid or unenforceable provisions were omitted.

(f) **Binding Effect/Assignment.** This Agreement becomes binding and inures to the benefit of the parties, its heirs, successors and assigns. The Franchisor reserves the right to assign, pledge, hypothecate or transfer this Agreement, or its interests in this Agreement, provided that the Member's rights and privileges granted in this Agreement are not affected. The Member can not assign or transfer this Agreement without the Franchisor's prior written consent.

**[SIGNATURE PAGE FOLLOWS]**

The parties have signed this Agreement the day and year first above written.

**FRANCHISOR:**

Stretch Zone Franchising, LLC

By: \_\_\_\_\_  
Tony Zaccario, CEO and President

**COOPERATIVE:**

\_\_\_\_\_  
DMA Stretch Zone Regional Cooperative

By: \_\_\_\_\_  
Its:

**MEMBER:**

By: \_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT A



BYLAWS FOR \_\_\_\_\_ DMA COOPERATIVE  
(an Unincorporated Association)

**ARTICLE 1**  
**Statement of Purpose**

Stretch Zone Franchising, LLC, a Florida limited liability company; and franchisor of the Stretch Zone Franchises creates the \_\_\_\_\_ DMA Cooperative as an unincorporated association organized for the furtherance of each Franchised Outlet and Company-Owned Outlet located in the \_\_\_\_\_ DMA (the "Members") for sales and promotional efforts in connection with each Member's operation of a Stretch Zone Franchise Business (collectively the "Franchises") through the joint pooling of funds for a common advertising effort. The Members believe that the Franchises will be best served by a cooperative effort to coordinate the placement of advertising and promotional campaigns in the DMA in accordance with the terms of the DMA Membership Agreement that has been signed by all Members, as well as these Bylaws.

**ARTICLE 2**  
**Offices**

The DMA Cooperative may have such offices within the boundaries the DMA as may be designated for the business of the DMA Cooperative.

**ARTICLE 3**  
**Membership and Contributions**

Section 1. **Qualifications.** All Franchised Outlet Members must be Franchisees under a Franchise Agreement with the Franchisor and currently not in default under their respective Franchise Agreement (the "Franchise Agreement") and be a party to a DMA Membership Agreement among the Franchisor, the DMA Cooperative and the Member.

Section 2. **Voting Rights.** Each Member is entitled to 1 vote per Franchise Business owned on each matter submitted to a vote of the Members.

Section 3. **Matters on Which Members Are Entitled to Vote.** Each Member is entitled to vote on all matters affecting: (a) the allocation of funds for advertising in the DMA; (2) the nature and type of advertising to be placed by the DMA Cooperative; (3) all matters affecting the use of funds and the placement of advertising; (4) determination of increases in Members' contributions; (5) amendment of these Bylaws; (6) the dissolution of the DMA Cooperative; and (7) the election of the Officers. The Officers will decide all other matters with respect to the operation of the DMA Cooperative and the contracting for the production and placement of advertising.

Section 4. **Termination of Membership.** Membership will be terminated: (a) at the time as a Member transfers, sells, assigns or otherwise disposes of its Franchise; (b) its Franchise Agreement with the Franchisor is terminated or expires; or (c) the Member otherwise ceases to be a Stretch Zone Franchisee in good standing with the Franchisor.

#### **ARTICLE 4 Meetings of Members**

Section 1. **Regular Meetings.** The regular meetings of the Members will be held at a time and place as the Members determine for the transaction of any business as may come before the meeting. The Members may provide, by resolution, the time and place, for the holding of additional regular meetings without notice other than the notice provided by the resolution.

Section 2. **Special Meetings.** Special meetings of the Members may be called by or at the request of a majority of the Members. The person or persons authorized to call special meetings of the Members may fix any time and place, as the place for holding any special meeting called by them.

Section 3. **Notice.** Notice of any special meeting will be given at least 7 days before the meeting by written notice delivered personally or mailed to each Member at his, her or its business address or by e-mail. If mailed, the notice is deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If e-mailed, the recipient must acknowledge receipt by reply e-mail. The notice of any special meeting will set forth the purpose, time and place of the meeting. Any Member may waive notice of any meeting. The attendance of a Member at a meeting constitutes a waiver of notice of the meeting, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business because that meeting is not lawfully called or convened.

Section 4. **Quorum.** A majority of the number of the Members of the DMA Cooperative attending a meeting constitutes a quorum for the transaction of business at any meeting of the Members. If less than such majority is present at a meeting, a majority of the Members present may adjourn the meeting from time to time without further notice.

Section 5. **Proxies.** Any Member unable to attend a meeting of the Members may provide a written proxy granting another Member the right to vote for the absent Member on a particular issue or at a particular meeting of the DMA Cooperative. No proxy is valid for more than 30 days and must be in writing, signed and dated by the Member granting said proxy.

#### **ARTICLE 5 Officers**

Section 1. **Number.** The officers of the DMA Cooperative are a President, a Vice President, a Secretary and Treasurer, each of whom will be elected by the Members. Other officers and assistant officers as may be deemed necessary may be elected or appointed by the Members. Any 2 or more offices may be held by the same person except the offices of President and Secretary.

Section 2. **Election and Term of Office.** The officers of the DMA Cooperative will be initially elected at the organizational meeting of the Members and at future meetings preceding the expiration of the officer's terms of office. The term of office for each officer is 1 year. Each officer will hold office until his or her successor has been duly elected and has been qualified, or until his or her death, or until he or she resigns or has been removed in the manner provided in

this Agreement.

Section 3. **Removal.** The Members may remove any officer whenever in their judgment the best interests of the DMA Cooperative would be served, but removal is without prejudice to the contract rights, if any, of the person so removed.

Section 4. **Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Members for the unexpired portion of the term.

Section 5. **President.** The President is the principal executive officer of the DMA Cooperative and, along with the Vice President, Secretary and Treasurer generally supervises and controls all of the routine business affairs of the DMA Cooperative. He or she will perform all duties incident to the office of President and such other duties as may be prescribed by the Members from time to time.

Section 6. **Vice President.** In the absence of the President or upon his or her death, inability or willful refusal to act, the Vice President will perform all the duties of the President, and when so acting, has all the powers of and be subject to all the restrictions upon the President. The Vice President will, along with the President, Secretary and Treasurer generally supervise and control all of the business affairs of the DMA Cooperative. The Vice President will perform such other duties as from time to time may be assigned to them by the President or the Members.

Section 7. **Secretary.** The Secretary will along with the President, the Vice President and the Treasurer generally supervise and control all of the business affairs of the DMA Cooperative. The Secretary will further: (a) keep the minutes of the meetings of the Members; (b) see that all notices are duly given in accordance with the provisions of these Bylaws, or as required by law; (c) be custodian of the corporate records and of the seal of the DMA Cooperative, and see that the seal of the DMA Cooperative is affixed to all documents as may be necessary or appropriate; and (d) in general, perform all duties incident to the office of Secretary, and such other duties as from time to time may be designated to him or her by the President or the Members.

Section 8. **Treasurer.** If required by the Members, the Treasurer will obtain a bond for the faithful discharge of his or her duties in such sum, and with such surety or sureties, as the Members determine. The Treasurer will, along with the President, Vice President and Secretary, generally supervise and control all of the business affairs of the DMA Cooperative. The Treasurer will further: (a) have charge and custody of, and be responsible for, all funds of the DMA Cooperative from any source whatsoever, and deposit all such moneys in the name of the DMA Cooperative at Bank of America, N.A.; (b) disburse the funds of the DMA Cooperative, as may be ordered by the Members, taking proper vouchers for the disbursements, and render to the President and Members an account of all his or her transactions as Treasurer and of the financial condition of the DMA Cooperative; (c) collect all Members' contributions and provide an annual accounting of the DMA Cooperative's use of the contributions to the Franchisor and the Members; (d) notify the Franchisor if any Member fails to make 2 or more consecutive monthly contributions to the DMA Cooperative as required by the terms of the DMA Membership Agreement; and (e) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Members.

**ARTICLE 6**  
**Order of Business**

Unless changed or suspended at any meeting by the vote of a majority of the Members, the order of business of all meetings of the Members shall be as follows:

1. Reading of Minutes of Last Meeting.
2. Report of Officers.
3. Financial Report of Treasurer.
4. Unfinished Business.
5. New or Miscellaneous Business.
6. Elections (when appropriate).

**ARTICLE 7**  
**Checks**

All checks or demands for money and notes of the DMA Cooperative shall be signed by 2 officers of the DMA Cooperative, one of whom is the Treasurer.

**ARTICLE 8**  
**Fiscal Year**

The Officers will, by resolution, fix the fiscal year of the DMA Cooperative.

**ARTICLE 9**  
**Amendments**

The power to alter, amend, or repeal these Bylaws or adopt new Bylaws is vested in the Members provided, however, that all proposed changes, amendments, alterations, and revisions that affect the interests of the Franchisor, must also be approved by the Franchisor before their adoption by the Members.

**EXHIBIT B**



**ADVERTISING SUBMISSION AGREEMENT**

On \_\_\_\_\_, the undersigned, \_\_\_\_\_, \_\_\_\_\_ of the \_\_\_\_\_ DMA Cooperative, has submitted to Stretch Zone Franchising, LLC, a Florida limited liability company (the "Franchisor") certain advertising materials (the "Proposed Advertising") which, by the terms of the Franchise Agreements entered into by the Members and the Franchisor, must be approved by the Franchisor before their use. The Proposed Advertising includes all electronic media (cable, radio and television).

The undersigned acknowledges and agrees that upon submission of the Proposed Advertising for approval by the Franchisor, the undersigned grants and assigns to the Franchisor all rights in and to all or any part of the Proposed Advertising and any revisions to the Proposed Advertising. These rights include the exclusive right to demand changes or modifications to the Proposed Advertising, as well as ownership of all intellectual property rights, including such rights under trademark, copyright and trade secret laws.

The Franchisor grants the undersigned a non-exclusive license to use the Proposed Advertising solely in accordance with all of the policies and procedures established by Franchisor with respect to the content, quality, style or approval of the Proposed Advertising and to refrain from deviating therefrom in any way.

The undersigned, by affixing its signature hereto, acknowledges and agrees to all of the terms and conditions contained herein.

\_\_\_\_\_  
DMA Cooperative

By: \_\_\_\_\_  
Its:

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 30, 2025
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	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 Q - RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Stretch Zone Franchising, LLC offers you a Franchise Business, we must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Franchise Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Stretch Zone Franchising, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Stretch Zone Franchising, LLC, located at 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309. Its telephone number is (954) 799-6419.

The FTC issuance date of this Franchise Disclosure Document is April 30, 2025.

The franchise seller for this offering is (check one):

Al Haskett, Vice President of Franchise Development, CDO, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Tony Zaccario, President & CEO, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Jordan Levine, Chief Operating Officer, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Zack Olson, Manager of Franchise Development, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Steven Stahl, Franchise Development Coordinator, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

The name and address of the franchisor's registered agent authorized to receive service of process is listed in Exhibit B.

I received this Franchise Disclosure Document dated April 30, 2025 that included the following Exhibits:

- |   |   |
|---|---|
| A - State Addenda to FDD  | I – Telephone Number Assignment                           |
| B – List of State Administrators and<br>our Agents for Service of Process | J – Security Agreement and UCC-1                          |
| C – Franchise Agreement   | K – Software License Agreement                            |
| D – Approved Location Addendum  | L – List of Franchisees                                   |
| E – Area Development Agreement  | M – Financial Statements                                  |
| F - State Addenda to Agreements   | N – Franchise Termination Release Agmt                    |
| G – Guaranty  | O – Table of Contents of Manual                           |
| H – Agreement with Landlord   | P – Form of Regional Advertising Cooperative<br>Agreement |
|   | Q – Receipt   |

**Prospective Franchisee:**

Sign \_\_\_\_\_ Dated: \_\_\_\_\_

Print \_\_\_\_\_

(copy #1 - to be retained for your records)

## RECEIPT

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If Stretch Zone Franchising, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

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| G – Guaranty   | O – Table of Contents of Manual                        |
| H – Agreement with Landlord  | P – Form of Regional Advertising Cooperative Agreement |
|  | Q – Receipt  |

**Prospective Franchisee:**

Sign \_\_\_\_\_ Dated: \_\_\_\_\_

Print \_\_\_\_\_

Please print out the last 2 pages of this FDD (our copy of the Receipt) sign it, print your name and add the date you signed the Receipt. Then do any of the following:

- |   |   |
|---|---|
| 1. You can mail the signed Receipt back to us at:   | Tony Zaccario, President & CEO<br>6700 North Andrews Avenue #210<br>Fort Lauderdale, FL 33309 |
| 2. You can e-mail the signed Receipt back to us, by scanning the signed Receipt to create a PDF and e-mail the signed Receipt back to us as an attachment to: | <a href="mailto:tzaccario@stretchzone.com">tzaccario@stretchzone.com</a>                      |