

FRANCHISE DISCLOSURE DOCUMENT

VOLOFIT

VOLOFIT Franchising, LLC
a North Carolina limited liability company
2820 Selwyn Ave., Suite 692
Charlotte, NC 28209
(973) 699-4963
www.volo-fit.com
info@volo-fit.com

The franchise is the right to own and operate a high-end, boutique fitness studio that offers members a transformative functional fitness experience based on the four pillars of strength, endurance, agility and power in a group setting, along with related products and services under the VOLOFIT® name and marks (a “VOLOFIT Business”).

The investment necessary to begin operation of a VOLOFIT franchised business ranges from \$398,500 to \$734,700. This includes \$196,000 to \$207,500 that must be paid to franchisor or its affiliates.

If you and we enter into an area development agreement under which you agree to acquire multiple VOLOFIT Business franchises, the total investment necessary to do so is payment to us of a development fee, the amount of which depends on the number of franchises you agree to acquire. On signing the agreement, you will pay us a development fee equal to 50% of the initial franchise fee due under each franchise agreement you agree to execute per the area development agreement. A typical area development agreement would require that you acquire at least 3 franchises, so the typical development fee would be \$71,250, all of which is paid to the franchisor.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact VOLOFIT Franchising, LLC, 2820 Selwyn Ave., Suite 692, Charlotte, NC 28209, (973) 699-4963.

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

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

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

ISSUANCE DATE: April 20, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.
2. **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 guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY
MICHIGAN FRANCHISE INVESTMENT LAW ONLY

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the 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 ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this franchise disclosure document (this “Disclosure Document”), we use the terms “Franchisor” or “we” to refer to VOLOFIT Franchising, LLC. “You” means the person or entity that buys the franchise. If you are a legal entity (other than an individual), certain provisions of the Franchise Agreement (defined below) and related agreements will also apply to your owners.

Franchisor, Predecessors, Parent and Affiliates

We were formed as a North Carolina limited liability company on October 2, 2020. Our principal address is 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209. We have offered franchises since October 27, 2020.

We do business under our corporate name and as “VOLOFIT.” We do not currently do business under any other name. We do not currently operate, nor have we previously operated, a VOLOFIT Business(es) (defined below); however, our affiliate operates a VOLOFIT location in Charlotte, NC. We do not offer franchises in any other line of business, nor have we conducted business in any other line of business.

We do not have any predecessors.

We are a wholly owned subsidiary of our Parent, Novus Fitness Brands, LLC (“Parent”), which shares our principal address. Our Parent has never offered or sold VOLOFIT franchises and has never owned or operated a VOLOFIT Business. Neither our Parent or Affiliate offers franchises in any other line of business or provides products or services to our franchisees.

Our Agents for Service of Process

We disclose our agents for service of process in Exhibit A.

The Franchises We Offer

We offer and grant franchises to operate VOLOFIT Businesses. VOLOFIT Businesses are high-end, boutique fitness studios (typically 2,400 to 3,000 square feet) that offer members a transformative functional fitness experience based on the four pillars of strength, endurance, agility and power in a group setting along with related products and services we authorize from time to time (each a “VOLOFIT Business”). VOLOFIT Businesses operate under the name VOLOFIT® and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”). We may in the future replace our existing Marks with new trademarks, service marks, logos, commercial symbols, e-names, designs, artwork, and trade names, or create, use and license additional trademarks, service marks, logos, commercial symbols, e-names, designs, artwork, and trade names in conjunction with the operation of the VOLOFIT Business. You may be required to make expenditures in the future if we change, update or replace our existing Marks. VOLOFIT Businesses operate using our designated business formats, methods, procedures, designs, layouts, standards and specifications, including, but not limited to, our relationships with vendors, our software and computer programs, our online booking system, our reservation

procedures, any fitness programs and classes we have developed or may develop, marketing techniques, customer services standards, and the mandatory and suggested policies, procedures, standards and specifications, rules and requirements set out in our Operations Manual and otherwise in writing all of which we may further develop, change, discontinue, or otherwise modify from time to time (the “Franchise System”). We call the VOLOFIT Business that you will operate “your Business.”

To develop and operate a VOLOFIT Business, you must meet our strict standards for franchise owners and must enter into our current form of Franchise Agreement (the “Franchise Agreement”), which is attached to this Disclosure Document as Exhibit B. Under the Franchise Agreement, you will receive the right to use the Marks and the Franchise System to operate your Business within an area we specify at a site selected by you and approved by us (the “Premises”).

You will operate your Business as an independent business utilizing the Marks, business concepts, support, guidance and materials developed by us. You will offer and provide products and services to the general public under the terms and conditions in the Franchise Agreement and Operations Manual. You must offer for sale all services, products, and merchandise we designate, unless you obtain our approval not to offer certain services, products or merchandise. You may not offer other services, merchandise or products without our prior written approval.

Area Development Agreement

At your request and based on information you provide us regarding your interests, capabilities, capitalization, and liquidity, we may elect to grant you the right to acquire multiple franchises to develop VOLOFIT Businesses under an area development agreement (an “Area Development Agreement”). Our current form of Area Development Agreement is attached to this Disclosure Document as Exhibit C. Under the Area Development Agreement, you would commit to acquiring franchises to develop an agreed upon number of VOLOFIT Businesses according to an agreed upon schedule (the “Development Schedule”), in an agreed upon geographic area (the “Development Area”). The Area Development Agreement only controls your rights and obligations to acquire franchises and enter into Franchise Agreements. To acquire such franchises, you would be required to sign our then-current form of individual Franchise Agreement for each VOLOFIT Business you develop, the terms of which may be materially different from our current form. We require you to execute a Franchise Agreement for your first VOLOFIT Business at the same time you execute your Area Development Agreement.

Area Representative Agreement

In a separate Disclosure Document, we grant to persons who will own a VOLOFIT Business and meet our qualifications and who are willing to undertake the investment and effort, the right to operate an area representative business. Area Representatives solicit and promote our sale of Unit Franchises for VOLOFIT Businesses to persons in a defined territory who meet our criteria to become a Franchisee and with whom we might be willing to grant a Unit Franchise, and render certain services to Franchisees, including but not limited to opening support, operational and management guidance, regional marketing support, in connection with their development and operation of VOLOFIT Businesses in accordance with the Unit Franchise agreement they sign with us.

Market and Competition

Your Business will be competing with other boutique studio fitness businesses and, generally, with other strength training, fitness classes, sports and work-out apparel, and related products and services. This includes other VOLOFIT Businesses, nationally recognized trade names in the physical fitness industry, and other local and regional businesses offering similar services and products. With respect to your sale of products, you will also be competing with other retailers of sports apparel and related products. Those retailers include department stores, sporting goods and other specialty stores, warehouse clubs, ecommerce, and national, regional and local retail stores. The market for fitness services and related products and services is highly competitive.

Regulations

It is your sole and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of your Business. You must comply with such laws and with all other laws that apply generally to all businesses. We are not aware of any specific federal regulations governing the personal training industry. However, the state or other locality in which you operate your Business may have codes, ordinances, statutes, or laws which license or regulate personal trainers, fitness centers, health clubs or businesses such as the one being offered in this Disclosure Document, and such regulations could affect the operations of your Business. These state and local laws may include such things as staffing, posting required statements concerning steroid and other drug use, requiring certain medical equipment in the Business (such as automated external defibrillators (AEDs)), limiting the supplements that health and fitness clubs can sell, requiring bonds if a health or fitness club sells memberships valid for more than a specified period of time, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called “presale” memberships), and imposing other restrictions on memberships that health or fitness clubs sell. Other regulations may apply to site location and building construction. You must know the laws and regulations applicable to your Business and ensure that you and your employees comply with all such laws and regulations. You are also responsible for obtaining any licenses or permits required for operating your Business and your coaches must obtain national certification as a personal trainer. You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations.

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.

ITEM 2 **BUSINESS EXPERIENCE**

Andrew (“Britt”) Canady – Founder and CEO

Mr. Canady has been our CEO since our inception in October 2020. From August 2018 to October 2020, Mr. Canady served as an area developer for Tough Mudder Bootcamp in Charlotte,

NC. In June 2019, Mr. Canady joined Tough Mudder Bootcamp as V.P. of Strategy and then CEO. Previously, Mr. Canady was with Bank of America in Charlotte, NC from February 2000 to February 2018, beginning as an associate and eventually as Managing Director and head of Middle Market Leveraged Finance. Since January 2019, Mr. Canady has served as an adjunct professor teaching business law and international finance management at the University of North Carolina at Charlotte in Charlotte, NC. Mr. Canady has over 22 years of legal and finance experience backing small and middle market company, franchise and business growth, acquisitions and divestitures.

Michael Huzl – Founder, CFO and Vice President of Business Development

Mr. Huzl has been our CFO and Vice President of Business Development since inception in October of 2020 and is based in Charlotte, NC. Mr. Huzl also served as the CFO and Vice President of Business Development for TM Bootcamp Franchising, LLC beginning in July 2019 in Charlotte, NC. Mr. Huzl is a Certified Public Accountant (CPA). From April 2012 through July 2019, Mr. Huzl held several roles for Nucor Corporation, in Charlotte, NC, including Corporate Accountant and, most recently, Financial Lead of a division, Nucor Energy, and Financial Lead on the raw materials business development team.

Jeff Kulik – Founder and Chief Strategy Officer

Mr. Kulik has been our CSO since our inception in October of 2020 and is based in Glen Ridge, NJ. From 2016 to October 2020, Mr. Kulik was retired. From 1996 to 2016, Mr. Kulik held various positions with Bank of America Merrill Lynch Investment Banking Group in New York, N.Y., beginning as an Associate and eventually as a Managing Director.

Caitlin Donato – Chief of Fitness and Operations and Area Representative

Ms. Donato has been our Chief of Fitness and Operations since inception in October of 2020. Ms. Donato has also served as the National Director of Programming and Fitness for TM Bootcamp Franchising, LLC from March 2020 to January 2021. From December 2017 until March 2020, Ms. Donato was the Global Manager of Template Design for Orangetheory Fitness in Boca Raton, FL. From March 2015 until December 2017, Ms. Donato was a Studio Coach with Orangetheory Fitness in Plantation, FL.

Dianna Bailer – Chief Marketing Officer

Ms. Bailer has been our Chief Marketing Officer since November 2022. Since June 2021, Ms. Bailer has also served as Chief Marketing Officer of EarthWise Pet in Seattle, WA. Since November 2021, Ms. Bailer has served as Chief Marketing Officer of Bloomin' Blinds in Dallas, TX. From March 2016 to May 2021, Ms. Bailer was the VP of Operations and Marketing / General Manager for Franchise Performance Group in Nashville, TX.

Scott Sharp – Area Representative

Ms. Sharp has been an Area Representative of VOLOFIT Franchising, LLC in Colleyville, TX since October 2022. Since January 2020, Mr. Sharp has also served as CEO of Regulatory Data in Colleyville, TX. From March 2004 to January 2020, Mr. Sharp was the Vice President of First Baird BancShares in Bedford, TX.

ITEM 3

LITIGATION

There is no litigation that 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: When you sign the Franchise Agreement, you will pay us an initial franchise fee ranging from \$30,000 to \$50,000. The amount of the initial franchise fee varies depending on how many Franchise Agreements you sign or pursuant to an Area Development Agreement, as follows: (i) \$50,000 each for the 1st and 2nd Franchise Agreements; (ii) \$42,500 each for the 3rd and 4th Franchise Agreements; (iii) \$35,000 each for the 5th through 9th Franchise Agreements; and (iv) \$30,000 each for the 10th and subsequent Franchise Agreements. The initial franchise fee is payable in a lump sum, is fully earned when you pay it, and is not refundable. The initial franchise fee is uniform for all persons who sign a Franchise Agreement.

Development Fee. If you enter into an Area Development Agreement, you will pay us a development fee equal to 50% of the initial franchise fee due under each Franchise Agreement you agree under that agreement to execute (the “Development Fee”). You must pay us the Development Fee in a lump sum when you sign the Area Development Agreement, and it is fully earned and non-refundable. Typically, we would expect an area developer to agree to open and develop at least 3 VOLOFIT Businesses, in this example, the Development Fee would be \$71,250 (\$25,000 for each of the 1st two agreements, and \$21,250 for the 3rd). We apply the Development Fee as a credit against the initial franchise fee due under each Franchise Agreement that you execute per the Area Development Agreement, subject to a maximum credit under any Franchise Agreement of the portion of the Development Fee attributable to that Franchise Agreement, and a maximum credit for all Franchise Agreements, in the aggregate, equal to the total Development Fee. You must sign the Franchise Agreement for the first VOLOFIT Business you agree to develop and pay the initial franchise fee for that VOLOFIT Business at the same time you sign the Area Development Agreement. The manner of calculating the Development Fee is uniform for all persons entering into an Area Development Agreement.

Training Fees: Upon scheduling your initial training (but in no event later than thirty (30) days after the completion of the Owner’s Training), you will pay us, in a lump sum, \$5,000 in consideration of our providing initial training and business training. Initial training will be provided to you (or your Managing Owner) and/or your General Manager (as defined in Item 15). This amount covers the fee for you and up to two (2) of your representatives to attend our initial training program and is uniform and non-refundable. If you wish, at your option, to have more than three (3) representatives attend our initial training program, you will pay us an additional training fee of \$1,000 per additional trainee. In addition, this fee covers the required on-site Business Trainings (as defined in Item 15).

Pre-Opening Assistance Fee: If you fail to achieve our pre-opening minimum membership targets as described in the Operations Manual, we may, at our sole discretion, send our pre-opening assistance team to your Business to assist with increasing your Business’s pre-opening. We will charge you a non-refundable fee of \$5,000 per member of our pre-opening assistance team we send to your Business for up to 4-days and estimate we will send 1 to 2 members, which will result in a fee ranging from \$5,000 to \$10,000. This amount includes all travel expenses. This fee is payable immediately upon written notice to you from us that we are sending our pre-opening assistance team to your Business and is not refundable.

Opening Inventory: You are required to purchase an opening inventory package of VOLOFIT-branded apparel, heart-rate monitors and other retail products for resale. When the order is placed, you will pay us, in a lump sum, between \$6,000 and \$7,500 for an initial inventory package. The amount will vary depending on how much retail space you have and the amount of inventory you want to carry. These purchases and payments are not refundable under any circumstances.

VOLOFIT Turn-key Studio Package: We require that you purchase certain exercise equipment, furniture, and audio and technology equipment for your Business from us or our affiliates, which includes, but is not limited to, fitness equipment and storage racks, floor and/or wall mounted pull-up racks and bars, front desk and other lobby furniture, retail rack, refrigerator, lockers, and a comprehensive technology and audio package (the “Turn-key Studio Package”). You will pay us a total of \$135,000 for the Turn-key Studio Package. A non-refundable deposit of \$25,000 for the Turn-key Studio Package will be due at execution of your Franchise Agreement. The remaining balance will be due upon signing the lease for your VOLOFIT Business premises or when the equipment is ordered, whichever occurs earlier. The Turn-key Studio Package is not refundable under any circumstances.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	7% of Gross Sales	Monthly	“Gross Sales” means all revenue and monetary value received or receivable through or attributable to the operation of your Business (whether or not in compliance with this Agreement) based on the gross (undiscounted price) of all products and services sold at, through or in association with your Business and all other revenue sources, whether for cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds you in good faith give to your customers in accordance with our refund policy. The cash value of all redeemed gift certificate, gift card and similar program payments will be included in Gross Sales as and in accordance with the policies set forth in our

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			Operations Manual from time to time. Gross Sales also include all insurance proceeds you receive for loss of business due to a casualty to or similar event at your Business.
Brand Promotion Fund	2% of Gross Sales	Monthly	The Brand Promotion Fund (as defined in Item 11) will be used to promote the Marks, patronage of VOLOFIT Businesses, and the VOLOFIT brand generally. We have broad discretion with respect to how we spend the contributions.
Local Advertising Cooperative	Not currently assessed, but estimated to be 2% of Gross Sales if a co-op is established	Monthly, as determined by us	We do not currently require that you contribute to a Local Advertising Cooperative, but we reserve the right, if we establish one, to require you, on written notice, to contribute up to 2% of the Gross Sales of your Business or such greater amounts determined by the majority voted of the members of the co-op. If you are required to contribute to a Local Advertising Cooperative, we may require that contributions to the co-op be made directly to us for use as directed by the co-op.
Technology Fee	Currently \$950 per month	Monthly	The technology fee is an amount equal to the pro rata portion of the actual costs we incur attributable to the technology services and software to which we provide you access in connection with the operation of your Business. We require that you pay a fixed amount each month, and may, at our option, apply a true-up to be applied on the last calendar month of the year to cover our actual technology expenses paid on your behalf.
Music Service and License Fee	If implemented then our then-current fee	Monthly	The music service and license fee is an amount equal to the amount of actual costs we incur to obtain a music service provider and to cover all music licensing fees which allow you to play music during group fitness classes. We require that you pay a fixed amount each month, and may, at our option, apply a true-up to be applied on the last calendar month of the year to cover our actual music and license expenses paid on your behalf.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Inventory and Equipment Replenishment	Will vary based on amount of inventory purchased	As incurred	You will purchase from us or our affiliates replenishment of your resale inventory of VOLOFIT-branded apparel, heartrate monitors and such other inventory items as we periodically may require you to purchase from us, and replacement and updated equipment as necessary to ensure that the equipment used in your Business satisfies our operating standards. There are no contractual limits on the dollar amount or number of times that we can require you to replenish, replace and update the equipment or inventory to comply with our System Standards (as defined in Item 11).
Interest on Late Payment	The higher of 2% per month or the maximum rate allowed by law.	As incurred	Owed only on amounts not paid by their due dates.
Late Payment Fee	\$100 per occurrence	As incurred	Owed only if checks returned or ACH requests declined due to insufficient funds or returned for other reasons.
Non-Compliance Fee	A 1-point increase in your Royalty rate, or \$1,000 per infraction, as determined by us in our sole discretion. For example, your Royalty rate would increase from 7% to 8% if you are not in compliance with the Franchise Agreement	As incurred	Payable in the same manner as your Royalty during the time that you are not in compliance with the Franchise Agreement until the non-compliance has been cured. If the \$1,000 penalty is assessed, it will be payable upon written notice.
Fee for failure to attend monthly and/or quarterly meetings	\$500 per instance	As incurred	We may, at our option, conduct monthly or quarterly operations and/or marketing calls for all Volofit franchisees that you or your manager must attend. If you or your manager fail to attend then we reserve the right to charge you a \$500 fee.
Transfer Fee (Franchise Agreement)	\$10,000	As incurred	Payable as a condition of our approval of a transfer.
Transfer Fee (Area Development Agreement)	The greater of (i) 2% of the sales price, or (ii) \$25,000	As incurred	Payable as a condition of our approval of a transfer.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer Expense – Area Development Agreement	Up to \$15,000 of our expenses incurred in connection with your sale of the Area Development Agreement.	As incurred	You must pay all of our expenses incurred in connection with the sale or transfer of your rights under the Area Development Agreement.
Renewal Fee (Franchise Agreement)	\$7,500	Upon renewal	Paid in lieu of an initial franchise fee on renewal of the Franchise Agreement.
Inspection and Audit Fee	As incurred.	Within 15 days of receipt of report	Reimbursement of costs of audit or inspection of your records, but only if audit or inspection was triggered by your failure to provide required reports or if we discover underreporting of Gross Sales by more than 2%.
Management Fee	10% of Gross Sales plus costs and expenses	As incurred	Payable only if we may assume management of your Business due to your (i) abandonment or failure to operate your Business, (ii) failure to comply with provisions of the Franchise Agreement, or (iii) termination of the Franchise Agreement.
Additional training	\$1,000 to \$7,500	As incurred	Payable only if you request and we agree to provide training or assistance beyond the initial training and business training programs. The cost varies depending on the type of additional training you request. To attend a monthly training session at our corporate headquarters, we will charge you \$1,000 per person who attends. For any additional session at our headquarters (beyond our initial training program, business training program and your first additional training session), we will charge you \$5,000 per person, per session. If you request a private training session at your Business, we will charge you \$7,500 plus our personnel's travel costs.
Annual Conference Fee	Estimated to be \$500 per day	At time of registration	If we conduct an annual conference, we may charge you and your personnel a fee to attend the conference.
Vendor or Equipment Testing Fees	Estimated to be \$2,000	As incurred	If you ask us to approve, and we agree to evaluate, a specific vendor or non-compliant or non-sanctioned equipment, we may require you to reimburse us the costs we incur in evaluating that vendor or equipment.
Insurance Reimbursement	Estimated to be \$5,000	As incurred	Payable only if you fail to obtain and maintain required insurance, and we, at our option, obtain or reinstate the insurance for you. You reimburse us for the cost of the insurance plus a reasonable fee for our services and our out of pocket expenses.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification	Will vary under circumstances	As incurred	Payable only if an indemnifiable claim is asserted against us and certain related parties arising out of your Business's operations.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement or Area Development Agreement and we are the prevailing party in any relevant litigation or arbitration.
Liquidated Damages	Will vary under circumstances	As incurred	Payable only if we terminate the Franchise Agreement for your default or if you abandon your Business. Amount equals the net present value of the Royalty and Brand Promotion Fund contributions (and, if applicable, Local Advertising Cooperative contributions) that would have been due had the Franchise Agreement not been terminated, through the earlier of (a) 5 years following termination, or (b) the scheduled expiration date of the Franchise Agreement. Calculations based on Gross Sales of your Business for the 12 months preceding termination (subject also to minimum Royalty requirements), or if your Business has not been in operation for at least 12 months, the average monthly gross sales of all VOLOFIT Businesses during our fiscal year immediately preceding termination.

1. All fees are uniformly imposed by and payable to us or our affiliates and are non-refundable.
2. If you fail to report the Gross Sales for any payment to us, for each fee that is calculated on such unreceived report of Gross Sales, we may debit your account 110% of the average of the last three debits we made of that fee.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$50,000	Lump Sum	On signing Franchise Agreement	Us
Architectural Design, Permitting, Engineering and Leasehold Improvements ³	\$109,500 - \$377,000	As Arranged	As Invoiced	Suppliers
Turn-key Studio Package ⁴	\$135,000	As Arranged	As Invoiced	Us or suppliers

TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Pre-Opening Assistance Fee ⁵	\$0 - \$10,000	Lump Sum	As Incurred	Us
Signage ⁶	\$12,000 - \$21,000	As Arranged	As Invoiced	Suppliers
Security Deposit ⁷	\$0 - \$14,000	As Arranged	As Invoiced	Landlord
Opening Inventory and Supplies ⁸	\$6,000 - \$7,500	Lump Sum	As Incurred	Us
Grand Opening Advertising ⁹	\$35,000 - \$50,000	As Arranged	As Incurred	Suppliers
Training Expenses ¹⁰	\$5,500 - \$7,000	Lump Sum	Upon scheduling your initial training (but in no event later than three (3) months after signing the Franchise Agreement)	Us, our affiliates or suppliers
Professional Fees, Permits and Licenses ¹¹	\$5,000 – \$6,500	As Invoiced	As Incurred	Suppliers
Insurance Premium ¹²	\$5,500 - \$6,700	As Invoiced	As Invoiced	Suppliers
Additional Funds (3 months) ¹³	\$35,000 - \$50,000	As Arranged	As Incurred	Suppliers and employees
TOTAL ESTIMATED INITIAL INVESTMENT ¹⁴	\$398,500 - \$734,700			

NOTES

1. All fees payable to us or our affiliates are not refundable. Whether any of the other payments are refundable will depend on the arrangement between you and the supplier.
2. If you are signing multiple Franchise Agreements at once or signing an Area Development Agreement, the initial franchise fees after the first two (2) agreements will be reduced as described in Item 5 and could be as low as \$30,000. If the Franchise Agreement is signed pursuant to an Area Development Agreement, we will credit the portion of the Development Fee attributable to that agreement toward the initial franchise fee due under the corresponding franchise agreement.
3. Leasehold improvements include build-out costs such as lighting, flooring, mirrors, cooling/heating systems and other costs associated with building out your Business. The ability to negotiate a moderate level of Tenant Improvement Allowance with your landlord has been assumed based on our past experience. Depending on the terms you negotiate with your landlord, the landlord may or may not contribute to your leasehold improvements and your costs will vary based on the level of contribution of the landlord. The cost of construction materials and labor will vary, depending on location and other factors, and cannot be accurately projected by us; as a result, the costs shown above may be low or high. In addition, continued supply chain issues and/or inflation could lead to unforeseeable increases in these amounts.
4. This number the cost of your Turn-key Studio Package (\$135,000) as defined in Item 5, which is payable to us.

5. Payable to us only if we are required to send our representatives to assist you in selling membership packages prior to opening (see Item 5).
6. For both interior and exterior signage.
7. The security deposit will be negotiated with the landlord. In some cases, our affiliates have been able to negotiate the requirement to pay a security deposit out of the lease; in other cases, our affiliates have agreed to pay a security deposit to avoid having to provide personal guarantees under the lease. If you are required to pay a security deposit, we estimate that the amount of the deposit will be equal to one month's rent.
8. The opening inventory and supplies include your opening inventory of retail items including, but not limited to, shirts, shorts, pants, gloves, hats, drinks and water bottles, along with inventory of heart rate monitors, which is payable to us. It also includes various other supplies that you will need to operate your VOLOFIT Business such as cleaning supplies, soap and shampoo, etc.
9. The Franchise Agreement requires you to spend at least \$35,000 for a grand opening marketing program. We anticipate you purchasing advertising materials from our designated third-party suppliers, but in some circumstances, we may supply you with materials for your grand opening marketing program.
10. You must pay us or our affiliates a training fee in consideration of our providing an initial training program for you (or your Managing Owner as defined in Item 15) and your General Manager, which will take place at our headquarters, Corporate studio or other location at our discretion, and a business training program at your Business location. The range reflects our estimate of your travel and related expenses (airfare, lodging and food) in connection with you and your General Manager participating in our initial training program.
11. We recommend that you consult with an attorney, accountant or other advisor prior to purchasing a franchise.
12. You must obtain insurance policies and coverages necessary to comply with applicable law, that you determine to be necessary to protect your interests, and as necessary to comply with our minimum insurance requirements as set forth in the Franchise Agreement. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. This estimate contemplates an annual installment payable upon obtaining our minimum insurance requirements for the Business, but is subject to a premium rebate if cancelled earlier. Currently, we require you to carry workers' compensation insurance, general liability insurance, automobile liability insurance, umbrella liability insurance, professional liability insurance, and risk property insurance. For a full list of our insurance policy requirements, please refer to Item 8 below.
13. Our estimates of the amounts needed to cover your Businesses' expenses for the start-up phase (i.e., 3 months from the date your Business opens for business) include: replenishing your inventory, initial advertising and promotional expenditures, payroll for managers and other employees, uniforms, utilities and other variable costs. We have relied on our experience and that of our affiliates and franchisees in calculating these amounts. These amounts do not include any estimates for debt service on loans that you obtain to finance your Business.

14. The initial investment range presented in this table is for the development of a VOLOFIT Business with approximately 2,400 to 3,000 square feet. If you elect to develop a larger VOLOFIT Business with more square footage, the total investment range would increase.

The estimated initial investment figures shown above for setting-up and opening each VOLOFIT Business is primarily based on our and our franchisees' experience planning the development of a VOLOFIT Business, including estimates and quotes we and our franchisees received from vendors and suppliers for the items we require in the operation of a VOLOFIT Business. Because these figures are only estimates, it is possible both to reduce and to exceed costs in any of the areas listed above. Neither we nor any of our affiliates offer direct or indirect financing for any part of the initial investment.

(AREA DEVELOPMENT AGREEMENT)

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Development Fee for Multiple VOLOFIT Businesses ¹	50% of the initial franchise fee due under each Franchise Agreement you agree to execute per the Area Development Agreement	Lump Sum	When you sign the Area Development Agreement.	Us
TOTAL ESTIMATED INITIAL INVESTMENT ^{2,3}	\$71,250 (for 3 VOLOFIT Businesses)			

NOTES

1. You must sign a separate Franchise Agreement and incur the total investment cost for a new VOLOFIT Business (as estimated in this Item 7 above for "Franchise Agreements") for each VOLOFIT Business you develop under an Area Development Agreement.
2. Actual costs will depend on the number of VOLOFIT Businesses specified in the Development Schedule. The Development Fee equals 50% of the initial franchise fee due under each Franchise Agreement you agree to execute per the Area Development Agreement. For example, if you agree to open 3 VOLOFIT Businesses, the Development Fee would be 2 times \$25,000 (for the first two franchise agreements) plus \$21,250 (for the third franchise agreement), or \$71,250 total. We apply the Development Fee as a credit against the initial franchise fee due under each Franchise Agreement that you execute per the Area Development Agreement, subject to a maximum credit under any Franchise Agreement equal to the portion of the Development Fee attributable to that agreement and a maximum credit for all such Franchise Agreements, in the aggregate, equal to the total Development Fee. The Development Fee is non-refundable.
3. This estimate assumes that you agree under the Area Development Agreement to develop 3 VOLOFIT Businesses (which is what we expect to be the typical commitment under an Area Development Agreement). If you agree to develop more VOLOFIT Businesses, the amount shown above for your Development Fee will be increased by 50% of the initial franchise fee applicable to the additional Franchise Agreements (see Item 5). The Development Fee is the only investment we require in connection with signing an Area Development Agreement; however, we cannot

guarantee that you will not incur additional expenses entering into an Area Development Agreement. Since you are required to sign the first Franchise Agreement when you sign the Area Development Agreement, refer to the chart above for the investment estimated to be required under that agreement.

You should review all figures in this Item 7 carefully with a business advisor before you decide to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Suppliers

We require that we approve of all products and services you offer and sell from your Business and all vendors from whom you procure real estate, design, engineering, construction management, purchasing and any other services, products, and all other items that you use for or sell through the development or operation of your Business. You (1) will offer and sell at and from your Business all of the products and services that we periodically specify; (2) will not offer or sell at or from your Business or the Premises any products or services we have not authorized, even if they were previously authorized; (3) purchase all goods and services used in the development or operation of your Business only from those manufacturers, vendors, distributors, suppliers, and producers (collectively referred to herein as “vendors”) that we approve or specify, which may include us or our affiliates; and (4) discontinue purchasing any such items or purchasing items from vendors that, in either case, we subsequently disapprove. If necessary, we will provide you a list of our approved vendors in writing. You may not deviate from our approved products and services without prior written approval from us. Currently, you must purchase our proprietary inventory, and the Turn-key Studio Package from us, our designated suppliers or other suppliers approved by us in writing. We are not the only approved suppliers of any of the products or services you offer at your Business. You must also enter into a software agreement with, and purchase software from, a supplier(s) we designate (as detailed in Item 11).

You must use only those types of equipment (including the Computer System as defined below), furniture, fixtures, signs and inventory (“Operating Assets”) that we have approved according to our specifications and standards for appearance, function and performance.

We develop the specifications and standards, but we will not issue to you or to our approved suppliers (except as we deem necessary for purposes of production) the specifications and standards for proprietary Operating Assets. We will communicate the approved Operating Assets to you in writing. As of the date of this Disclosure Document, none of our officers or owners owns any interest in an approved supplier.

You must maintain in force at your sole expense all insurance policies and coverages necessary to comply with applicable law, that you determine to be necessary to protect your interests, and as necessary to comply with the requirements we set forth in writing. All insurance policies for liability coverage must name us and any affiliates we designate as additional named insureds and all insurance policies must provide for 30 days’ prior written notice to us of any material modification, cancellation or expiration. You must furnish us copies of your Certificate of Insurance or other evidence showing proof of your compliance with this requirement.

Currently you must carry the following minimum coverages: worker's compensation in the minimum amount required by law, including employer's liability with a minimum liability of \$1,000,000 per occurrence; general liability insurance providing coverage for bodily injury, property damage, personal and advertising injury and contractual and product liability with a minimum liability of \$1,000,000 per occurrence and \$2,000,000 in the general aggregate; professional liability insurance with a minimum of \$5,000,000 per occurrence; automobile liability insurance with a combined single limit of \$1,000,000 per accident; risk property insurance on a full replacement cost basis covering all of your assets; and umbrella liability insurance in excess of the policies described above with a minimum liability of \$1,000,000 per occurrence and in the aggregate.

Such insurance policies must be written by an insurance company acceptable to us and which has a rating of "A-8" or higher with A.M. Best Company and will include the types and coverage amounts as we require from time to time as set forth in the Operations Manual. The types and amounts of coverage we require are minimums that we establish for our own benefit. We make no representation that such minimums will be adequate for your needs or desires. You will conduct your own investigation and, at your discretion, purchase such coverages over and above the minimums we establish as you determine to be appropriate for your own situation.

Approval of Alternative Suppliers

If you request our approval of a new supplier and we choose to evaluate your proposed supplier, we may require you to reimburse us the costs we incur in making this evaluation, which we estimate to range from \$1,000 to \$2,000. We will advise you of our decision on your request within a reasonable time (typically within 8 weeks) after our receipt of the information we request from you or from the proposed supplier regarding the supplier's qualifications. We may impose limits on the number of approved suppliers. We may elect to withhold approval of a supplier or revoke approval of any supplier, if at any time the supplier fails to meet any of our criteria. Our supplier approval criteria are not available to you. We have the right to revoke approval of particular suppliers if we determine that the suppliers or their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved supplier. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

Revenue from Franchisee Purchases

We and our affiliates may derive revenue or other material consideration from purchases made by you and other VOLOFIT Business owners from us, our affiliates, and approved vendors. Consideration may be in the form of rebates and other consideration paid by third-party approved suppliers and mark-ups on purchases you make from us or our affiliates. Unless provided in the agreement with the approved supplier, neither we nor our affiliates will be obligated to spend funds received from approved suppliers nor are we or they bound to spend these funds in any particular manner or for any particular purpose.

As of the issuance date of this FDD, we have not derived any revenue from required purchases from franchisees.

We estimate that 80% to 90% of your initial investment and 80% to 90% of your ongoing expenditures will be restricted by our specifications in some manner.

Cooperatives

As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above.

Negotiated Prices

We or our affiliates may negotiate purchase arrangements, including prices and terms, with designated and approved suppliers for VOLOFIT Businesses.

Material Benefits

Except as disclosed above, we and our affiliates do not currently provide any material benefits to franchisees based on their use of designated or approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

Franchise Agreement

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
A. Site selection and acquisition/lease	Sections 2.A and 2.B	Items 8 and 11
B. Pre-opening purchases/leases	Sections 2.A and 2.C	Items 5, 7, 8 and 11
C. Site development and other pre-opening requirements	Section 2	Items 7, 8 and 11
D. Initial and ongoing training	Sections 4.A, 4.B and 4.C	Items 5, 7 and 11
E. Opening	Section 2	Item 11
F. Fees	Section 3	Items 5, 6 and 7
G. Compliance with standards and policies	Section 8	Items 8, 11 and 14
H. Trademarks and proprietary information	Sections 5 and 6	Items 13 and 14
I. Restriction on products/services offered	Sections 8.B and 8.C	Items 8 and 16
J. Warranty and customer service requirements	Section 8.E	Not applicable
K. Territorial development and sales quotas	Not applicable in the Franchise Agreement	Not applicable
L. Ongoing product/service purchases	Section 8.B	Item 8
M. Maintenance, appearance and remodeling requirements	Sections 8.A and 8.I	Item 11

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
N. Insurance	Section 8.F	Items 7 and 8
O. Advertising	Section 9	Items 5, 6, 7, 8 and 11
P. Indemnification	Section 16.D	Item 6
Q. Owner's participation, management, and staffing	Sections 8.C and 8.K	Items 11 and 15
R. Records/reports	Section 10	Items 6 and 11
S. Inspections/audits	Section 11	Items 6 and 11
T. Transfer	Section 12	Items 6 and 17
U. Renewal	Section 13	Items 6 and 17
V. Post-termination obligations	Section 15	Item 17
W. Non-competition covenants	Sections 7.A and 15.D	Item 17
X. Dispute resolution	Section 17	Item 17
Y. Guaranty	Section 1.B and Exhibit B to the Franchise Agreement	Item 15

Area Development Agreement

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

OBLIGATION	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
A. Site selection and acquisition/lease	Section 3.A	Items 8 and 11
B. Pre-opening purchases/leases	Not applicable	Items 5, 7, 8 and 11
C. Site development and other pre-opening requirements	Section 3	Items 7, 8 and 11
D. Initial and ongoing training	Not applicable	Items 5, 7 and 11
E. Opening	Not applicable	Item 11
F. Fees	Section 4	Items 5, 6 and 7
G. Compliance with standards and policies	Not applicable	Items 8, 11 and 14
H. Trademarks and proprietary information	Section 5	Items 13 and 14
I. Restriction on products/services offered	Not applicable	Items 8 and 16

OBLIGATION	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
J. Warranty and customer service requirements	Not applicable	Not applicable
K. Territorial development and sales quotas	Section 3	Not applicable
L. Ongoing product/service purchases	Section 8.B	Item 8
M. Maintenance, appearance and remodeling requirements	Not applicable	Item 11
N. Insurance	Not applicable	Items 7 and 8
O. Advertising	Not applicable	Items 5, 6, 7, 8 and 11
P. Indemnification	Section 9.B	Item 6
Q. Owner's participation, management, and staffing	Not applicable	Items 11 and 15
R. Records/reports	Section 3.E	Items 6 and 11
S. Inspections/audits	Not applicable	Items 6 and 11
T. Transfer	Section 7	Items 6 and 17
U. Renewal	Not applicable	Items 6 and 17
V. Post-termination obligations	Sections 8.B, 8.C and 8.D	Item 17
W. Non-competition covenants	Section 8.C	Item 17
X. Dispute resolution	Section 10	Item 17
Y. Guaranty	Section 6.C and Exhibit B to the Area Development Agreement	Item 15

ITEM 10 **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases or other obligations.

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

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

Our Pre-opening Obligations – Area Development Agreement: Under the Area Development Agreement, we will provide you with the following assistance (section references are to the Area Development Agreement):

1. We will grant you the Development Area within which you will assume the responsibility to develop the number of VOLOFIT Businesses indicated in the Development Schedule, each under separate Franchise Agreements. (Area Development Agreement - Section 2.A)

2. Consultation and approval of proposed sites based on our then-current standards for sites. (Area Development Agreement - Section 3.A)

Our Pre-opening Obligations – Franchise Agreement. Under the Franchise Agreement, we will provide you with the following assistance:

Before you open your Business, we or our affiliates will provide you the following assistance:

1) Consultation on and approval of the site based on our then-current standards for sites. (Franchise Agreement – Sections 2.B and 4.G)

2) Review and approval of the lease, sublease or other document for the premises of your Business (each a “Possession Agreement”). (Franchise Agreement – Section 2.B)

3) A copy of our then-current prototypical plans showing the standard layout and placement specifications for all required Operating Assets. (Franchise Agreement – Section 2.C)

4) A list of the Operating Assets, including the required equipment, signs, fixtures, opening inventory and supplies and approved sources of each, including us or any affiliate as applicable. Unless an Operating Asset comes from us, we will not deliver any Operating Asset to you. You will be responsible for installation of the Operating Assets. (Franchise Agreement – Section 2.C)

5) Develop or authorize and supervise the development of the schematic design of your Business. (Franchise Agreement – Section 2.C)

6) Design the exercise routines and designate the equipment that will be the focal point of your Business. (Franchise Agreement – Section 2.C)

7) We will provide our initial training and business training programs to up to 3 of your representatives. (Franchise Agreement - Section 4.A)

8) We will provide information and specifications (for non-proprietary Operating Assets) with respect to required Operating Assets and lists of approved suppliers or vendors, as necessary. (Franchise Agreement – Sections 2.C and 8.B)

9) If you fail to achieve our pre-opening minimum membership targets as described in the Operations Manual, we may, at our sole discretion, send our pre-sales assistance team to your Business to assist you with increasing your Business’s pre-opening sales. (Franchise Agreement – Section 4.C)

10) We will approve media, materials, programs and strategies for use in your grand opening marketing campaign. (Franchise Agreement – Section 9.A)

11) We will provide you with access to our Operations Manual. Our Operations Manual has 116 pages. (Franchise Agreement – Section 4.G)

12) We will provide recommended or required pricing tiers for your Business based on local market dynamics and conditions. (Franchise Agreement – Section 8.H)

Site Selection; Opening of Your Business – Franchise Agreement

If, when you sign the Franchise Agreement, we have not accepted your proposed Premises, it is entirely your responsibility to propose to us potential sites for your Business, secure our written acceptance of your proposed site, and gain possession of the accepted site within 6 months of signing the Franchise Agreement. We will generally approve or disapprove a site within 30 days of receiving all the information we request from you. When approving or disapproving a site, we consider factors such as business count, traffic count, accessibility, parking, visibility, competition and license availability. If you do not locate and obtain a site within 6 months of signing the Franchise Agreement, we may terminate the Franchise Agreement.

You may not sign any Possession Agreement until we have given you our written acceptance of the proposed site and the proposed Possession Agreement.

We estimate that you will begin operating your Business within 12 months of signing the Franchise Agreement. Factors that affect this time include obtaining a satisfactory site, financing arrangements, lease negotiations, local ordinances and licenses, permit and design approvals, delivery and installation of equipment, renovation of the Premises in accordance with our standards, and you and your General Manager completing training to our satisfaction. We may terminate the Franchise Agreement if you fail to commence operating your Business within 12 months after you sign the Franchise Agreement.

Site Selection – Area Development Agreement

If you enter into an Area Development Agreement, we must approve the proposed site for each additional VOLOFIT Business you develop based on our then-current standards for sites. Each site must be located in the Development Area. We will use our reasonable efforts to review and approve or disapprove the proposed site within 30 days after we receive all requested information and materials. If we approve a proposed site for a VOLOFIT Business under an Area Development Agreement, you or your approved affiliate must sign our then-current form of Franchise Agreement and related documents, the terms of which, may differ substantially from previous Franchise Agreements. You must sign each Franchise Agreement within 15 days after we provide you with an execution copy of the Franchise Agreement, failing which, we may withdraw our approval.

Our Obligations During the Operation of Your Business

We have no continuing obligation to you under the Area Development Agreement. During the operation of your Business, we or our affiliates will provide you the following assistance under the Franchise Agreement:

1) We will provide you technological support in connection with the operation of your Business. (Franchise Agreement – Section 4.F)

2) We will periodically provide you additional and refresher training. (Franchise Agreement – Section 4.D)

3) We will advise you periodically with respect to the specifications (for non-proprietary Operating Assets) and operating procedures and methods that VOLOFIT Businesses use. (Franchise Agreement – Sections 4.F and 8.J)

4) We will advise you of what purchasing is required and what authorized Operating Assets and other products and services are required. (Franchise Agreement – Sections 4.F, 8.B and 8.I)

5) If we require you to purchase any products, supplies or services from our designated vendors, we will provide you a list of those vendors from which you must purchase the products, supplies or services. (Franchise Agreement – Section 8.B)

6) We may periodically set a maximum or minimum price that you may charge for products and services offered by your Business. (Franchise Agreement – Section 8.H)

7) We will operate a Brand Promotion Fund (defined in Item 11). (Franchise Agreement – Section 9.C)

8) We will review and approve any advertising and marketing materials and programs that you develop or desire to implement for your Business that we have not previously approved or provided to you. (Franchise Agreement – Section 9.D)

9) We will maintain a website for the promotion of VOLOFIT Businesses. (Franchise Agreement – Section 9.F)

10) We will provide you with ongoing access to the Operations Manual, which we may update from time to time. (Franchise Agreement – Section 4.G)

Advertising and Promotion Programs.

A. Brand Promotion Fund.

We have established a marketing fund to promote the awareness of the VOLOFIT brand and VOLOFIT Businesses generally (the “Brand Promotion Fund”). We currently require that you contribute 2% of the Gross Sales of your Business to a Brand Promotion Fund. You will pay the Brand Promotion Fund in the same manner as the Royalty. We, our affiliates or other designees will direct all programs funded by the Brand Promotion Fund, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation.

The Brand Promotion Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining a System Website (defined below) and related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; implementing a loyalty program or other marketing programs designed to encourage the use of VOLOFIT Businesses; and supporting public relations, market research, and other advertising, promotion, and marketing activities. We will not use the Fund contributions for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing, which advertisement may be displayed at the Franchised Business location at our discretion.

We will account for the Brand Promotion Fund separately from our other funds and not use the Brand Promotion Fund for any of our general operating expenses. However, we may use the Brand Promotion Fund to reimburse us or our affiliates or designees for the reasonable salaries and benefits of personnel who manage and administer it, the Brand Promotion Fund's other administrative costs, travel expenses of personnel while they are on Brand Promotion Fund business, meeting costs, overhead relating to Brand Promotion Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Promotion Fund and its programs, including conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for the Brand Promotion Fund contributions.

The Brand Promotion Fund will not be our asset. We do not owe any fiduciary obligation to you for administering the Brand Promotion Fund or any other reason. We will hold all Brand Promotion Fund contributions for the benefit of the contributors and use contributions for the purposes to promote the VOLOFIT brand and VOLOFIT Businesses. The Brand Promotion Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If we do not use all of the amounts in the Fund in the year in which they accrue, they will be the first monies expended in the next year. We may use all interest earned on the contributions to pay costs before using the Brand Promotion Fund's other assets. We will prepare an annual, unaudited statement of Brand Promotion Fund collections and expenses and give you the statement upon written request. We may have the Brand Promotion Fund audited annually, at its expense, by an independent certified public accountant. We may incorporate the Brand Promotion Fund or operate it through a separate entity whenever we deem appropriate. We are not required to spend any amount on advertising in your territory.

We intend for the Brand Promotion Fund to promote recognition of the applicable Marks, the VOLOFIT brand and patronage of VOLOFIT Businesses generally. We need not ensure that Brand Promotion Fund expenditures in or affecting the area in which your Business operates are proportionate or equivalent to your contributions to the Brand Promotion Fund or that your Business will benefit directly or in proportion to your contributions. We may use collection agents and institute legal proceedings to collect Brand Promotion Fund contributions at the expense of the Brand Promotion Fund. We also may forgive, waive, settle, and compromise all claims by or against the Brand Promotion Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Promotion Fund.

We may at any time defer or reduce contributions of any VOLOFIT Business franchise owner and, upon 30 days' prior notice to you, reduce or suspend contributions to the Brand Promotion Fund and its operations for one or more periods of any length and terminate (and, if terminated, reinstate) it. If we terminate the Brand Promotion Fund, we will, at our option, either spend all unspent monies until such amounts are exhausted, or distribute the remaining funds to the contributing VOLOFIT Business owners on a pro rata basis.

We do not have an advertising council composed of franchisees that advises us on advertising policies, but we may establish one in the future. You are not currently required to participate in a local or regional advertising cooperative.

VOLOFIT Businesses that we or our affiliates own will contribute to the Brand Promotion Fund on the same basis on which you contribute to those funds.

During our fiscal year ended December 31, 2022, we collected \$31,104.71 in Brand Promotion Fund contributions; however, we contributed an additional \$57,214.77 towards the Brand Promotion Fund. Of the \$31,104.71 collected, 100% were spent on media production and media placement.

Other than the Brand Promotion Fund, there is no other advertising fund you must participate in.

B. Local Advertising Cooperative

We may, on our own initiative, establish or direct or authorize the establishment of a local advertising cooperative (“Local Advertising Cooperative”). We do not currently require that you contribute to a Local Advertising Cooperative, but if we establish one, we reserve the right to require you, on written notice, to contribute up to 2% of the Gross Sales of your Business or such larger amount as determined by a majority of the members of the co-op. Each Local Advertising Cooperative will be comprised of geographical areas that we determine or approve in which 2 or more VOLOFIT Businesses are operating and in which their local marketing efforts are likely to overlap. Each VOLOFIT Business located in the area covered by the Local Advertising Cooperative (including those VOLOFIT Businesses that we or our affiliates own or operate) will be required to contribute, on an equal basis, to the Local Advertising Cooperative.

Each Local Advertising Cooperative, if established, will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating franchisees to review. If a Local Advertising Cooperative is established for the geographic area in which your Business is or will be located, you must sign the documents we require to become a member of the Local Advertising Cooperative, and you must participate in the Local Advertising Cooperative as those documents require. We retain the power to change, dissolve and merge Local Advertising Cooperatives.

If a Local Advertising Cooperative is established for your geographic area, you must pay into it and participate in the marketing programs it conducts, in each case, as determined by us. The amounts you pay into a Local Advertising Cooperative would count towards the \$2,500 per month minimum Local Advertising spend requirement that is discussed in Section C below. We reserve the right to determine the geographic make-up of the Local Advertising Cooperative and the minimum amounts that must be contributed to it.

We reserve the right to manage any Local Advertising Cooperative. In such a case, you will be required to make those contributions to us or our designee in the same manner as you make payments of Royalty fees. We may, but will not be required to, segregate the funds we collect from the members of the Local Advertising Cooperative; however, we will account for those monies separately. We will be allowed to spend and allocate the Local Advertising Cooperative monies on the same types of things and in the same manner as we are allowed to do so with respect to the Brand Promotion Fund, but any marketing programs we conduct with the Local Advertising Cooperative’s monies will be conducted in or will reach into the areas covered by the Local Advertising Cooperative.

In its governing documents, the Local Advertising Cooperative will be required to prepare an annual accounting of its collections and expenditures, by category, and these accountings for the most recently completed fiscal year will be available to its members on their written request.

You understand and acknowledge that your Business may not benefit, either directly or in proportion to its contribution to the Local Advertising Cooperative, from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for VOLOFIT Businesses will be developed separately, and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

C. Local Advertising

You will spend money on local advertising to promote your Business. You will list and advertise your Business on all major internet search engines and all major internet consumer review websites as we set forth and in at least one recommended classified telephone directory distributed within the market area in which your Business operates. We may mandate use of a designated digital marketing firm to maintain certain websites and social media pages relating to your Business or the brand, generally. Beginning after you complete your grand opening advertising obligations (as discussed below) you must spend a minimum of \$2,500 per month to advertise and promote your Business in its local market (this may include costs of yellow pages advertising). Within 14 days after the end of each calendar month, you will to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding calendar month. Your local advertising and promotion must follow our guidelines. Your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe. At least 14 days before you intend to use them, you must send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written approval within 14 days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them; provided, however, that we may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the System's best interests. You must participate in all advertising and sales promotion programs that we may authorize or develop. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. We may require that all advertising, marketing, and promotional materials you develop and use contain notices of the System Website's domain name in the manner we designate. You may not develop, maintain, or authorize any website or create or use a screen name, user name or profile on any social networking site that mentions or describes you as a VOLOFIT Business owner or your Business or displays any of the Marks without our prior written approval.

D. Pre-Opening and Grand Opening Advertising

Before you open your Business to the public, you must: (a) conduct a soft opening of the Business in which (i) you must operate the Business for a period of time that we require as described in the Operations Manual; (ii) classes are offered only to your friends and family; and (iii) classes are not made available to the general public; (b) pre-sell a minimum number of memberships as required in the Operations Manual, (c) establish and utilize social media accounts

as required in the Operations Manual and (d) activate and utilize all software for membership marketing and tracking as required in the Operations Manual.

Beginning 90 days before the opening date of your Business, and continuing to 30 days after the opening date of your Business, you must carry out a grand opening advertising campaign for the Business in accordance with our grand opening standards as described in the Operations Manual. You must spend at least \$35,000 on the grand opening advertising program. You must use only our approved media, materials, programs and strategies for the grand opening marketing program.

E. System Website

We have established, and may periodically update and modify, a website to advertise, market, and promote VOLOFIT Businesses generally, the products and services that they offer and sell, and the VOLOFIT Business franchise opportunity (the “System Website”). We may provide you with a webpage on the System Website that references your Business. If we provide you with a webpage on the System Website, you must: (1) provide us the information and materials we request to develop, update, and modify your webpage; (2) notify us whenever any information on your webpage is not accurate; and (3) pay our then current initial fee and monthly maintenance fee for the webpage, if any. If we provide you a webpage on our System Website, we will only maintain it and may allow it to remain on the System Website only while you are in full compliance with the Franchise Agreement and all System Standards. We will own all intellectual property and other rights in the System Website, including your webpage, and all information they contain (including the domain name or URL for your webpage, the log of “hits” by visitors, and any personal or business data that visitors supply). We have final approval rights over all information on the System Website (including your webpage). You may not directly edit or access your webpage. You will not challenge (x) our rights in and to the System Website, or (y) our right to grant rights and licenses relating to the System Website. All of your uses of the System Website as between us and you, will inure solely to our benefit, and any right that may accrue to you related thereto and any goodwill associated therewith are ours or our designees. You will cooperate with us to grant and assign any such interest to us (or such designee), including the prompt execution of all necessary instruments to vest full title of, and all rights in and to, such interest in us (or such designee). You may not grant to any third person any rights in connection with the System Website.

Computer Hardware and Software

You must obtain and use in the operation of your Business the integrated computer hardware and software system that we designate (collectively, the “Computer System”). The cost of the components of the Computer System is included in the Turn-key Studio Package. We may mandate that you use certain software in the operation of your Business, which might require that you execute a license agreement with us, our affiliate, or a designated third-party software licensor. Currently, VOLOFIT Business franchisees use the MindBody Online and FitMetix Operating Platform, Loyalsnap, Emma, Zapier, Postmark, Canva, Amazon Web Services, and Google Suite (the “Required Software”). We reserve the right to change the Computer System and Required Software on notice to you.

You must use the e-mail accounts provided by us and all specified points of high-speed internet connection. We will provide certain support to you in installing, and maintaining your Computer system as part of the Turn-key Studio Package. We will also charge you a monthly technology fee to reimburse us for our payments of certain components of the Required Software

(currently \$950), as well as providing and maintaining a specified number of email addresses for your Business.

Although the Computer System must meet our standards and specifications, you will ensure that the Computer System functions properly. We are not liable for any failure of the Computer System's hardware or software, programming interfaces, internet connectivity or security measures. We may modify specifications for, and components of, the Computer System. Our modification of specifications for the Computer System, and other technological developments or events, might require you to purchase, lease, or license new or modified computer hardware or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the Franchise Agreement's term, you will incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. In the event we modify the specifications for and components of the Computer System, you will implement those changes within 90 days after you receive notice from us. We estimate annual maintenance costs of the Computer System will be \$600.

The Computer System will give us and our affiliates independent, unlimited access to all information relating to your Business, including client information, class schedules, trainer schedules, customer information and customer polling. There are no contractual limitations to our and our affiliates' right to access this information and data. At our request, you must sign a release with third-party vendors providing us with unlimited access to your data.

We have established and maintain an internet-based system to provide certain training services to customers. You are required to participate in our internet-based system and to make your staff available to provide training services in connection with the internet-based system in the manner required in the Operations Manual.

Operations Manual

We will provide you with a copy of or access to our confidential Operations Manual for the operation of VOLOFIT Businesses (collectively, the "Operations Manual"). The Operations Manual may be comprised of one or more separate manuals that may be delivered in any format we elect to use. The Operations Manual will contain both mandatory requirements (for example, specifications, standards, operating procedures and rules that we periodically prescribe for operating VOLOFIT Businesses ("System Standards"), and other general information regarding your operations, some of which we may suggest or recommend from time to time. We may modify the Operations Manual periodically to reflect changes in System Standards. If there is a discrepancy between our copy of the Operations Manual and yours, our copy of the Operations Manual controls. The Operations Manual's contents are confidential and you will use it solely for the operation of your Business and will not allow it to be accessed by persons who are not authorized to review it. You will not disclose the Operations Manual or its contents to any person other than your employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you will obtain a replacement copy at our then applicable charge. Upon request, we will permit you to view the Manual at our Headquarters before you purchase the franchise. To protect the confidentiality of the Manual, we

will require you to execute a Confidentiality Agreement prior to your viewing the contents of the Manual.

Training Program

If this is your first VOLOFIT Business, you and all key employees of your Business must complete, to our satisfaction, the Owner and Business Training programs as described below. Training classes are not held on a regular schedule. We will schedule the training program based on your, other franchisees and our availability and the projected opening date for your Business. The Training Programs will be provided by Caitlin Donato and other members of the VOLOFIT team. Ms. Donato has over 10 years of experience in boutique fitness industry and has worked across every facet of boutique fitness studio operation and franchisor support. We or our representatives will provide the Training Programs as part of the Training Fees. The fee is intended to cover our personnel per diem plus travel and living expenses. For your subsequent VOLOFIT Businesses, we may require you to use this service in our sole discretion. The location and duration of the Training Programs may be changed at our discretion.

Owner Training

We provide Owner Training designed to cover the opening and general operation of your Business. The Owner Training is included in your Training Fees for yourself and up to 2 representatives. You must complete the Owner Training Program within 45 days of signing your franchise agreement. Owner Training is currently held in Charlotte, NC. The Owner Training is three days and includes both classroom instruction and onsite training at the VOLOFIT studio in Charlotte, NC. The schedule and subjects covered as of the date of this disclosure document are described below. The hours devoted to each subject are estimates and may vary based on how quickly trainees learn the material, their prior experience with the subject, and scheduling. The instructional materials for the training include printed manuals, online manuals, and may include online interactive software.

[Training Program on the following page; remainder of this page intentionally left blank]

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Day 1			
Welcome/Agenda	.5	0	Charlotte, NC
What is Volofit?	1	0	Charlotte, NC
Owner's Perspective	1	0	Charlotte, NC
The Product	1	0	Charlotte, NC
Fitness Technology	1	0	Charlotte, NC
Pre-Sale Basics	1.5	0	Charlotte, NC
CRM Systems Intro	1	0	Charlotte, NC
Volofit Workout	0	1.5	Charlotte, NC
Day 2			
Owner – Studio Management	1	0	Charlotte, NC
GM – Studio Management	1	0	Charlotte, NC
Staffing / Managing For Success	1	0	Charlotte, NC
Sales/Role Play	1	0	Charlotte, NC
Volofit Model Basics	1.5	0	Charlotte, NC
Studio Technology	0	1.5	Charlotte, NC
Day 3			
Volofit Workout	0	1.5	Charlotte, NC
GM Duties	0	1	Charlotte, NC
Lead Management	0	1	Charlotte, NC
Prospecting	0	1	Charlotte, NC
Goal Setting	0	1	Charlotte, NC
Role Play	0	.5	Charlotte, NC
Wrap Up/Questions	0	.5	Charlotte, NC

Business Training

Business Training is comprised of Presales Training and Business Launch Training.

Presales Training:

Presales Training may be conducted virtually, or as a combination of onsite and virtual trainings. Our current Presales Training program includes approximately 24 hours of on-the-job and classroom training completed over one week. The program will cover the sales policies and strategies, goal-planning and daily production models, lead generation, software support tools, membership agreements and forms, sales channels (e.g., tabling events, business to business relationships, brand promotion, and community outreach) and other aspects of the presales and sales process. You and your employees must successfully complete the Presales Training to our satisfaction prior to selling memberships.

Business Launch Training:

We will send one or more of our representatives (at our discretion) to your Business for the onsite Business Launch Training. Our current Business Launch Training includes approximately 24 hours of on-the-job and classroom training completed over 4 days and is conducted in the weeks leading up to the opening of your Business. The Business Launch Training covers both operations and coaching and includes modules focused on day-to-day operations (e.g., opening and closing procedures, daily checklists, staff education, studio cleanliness, etc.), sales and marketing strategies (as described above) within an open studio, VOLOFIT studio software training, day-to-day execution of the VOLOFIT Fitness Program and other aspects of operating an open studio. As part of this training, we will provide training for your fitness coaches and sales associates. Your fitness coaches and sales associates must successfully complete the Business Launch Training to our satisfaction prior to the opening of your Business, and in addition, your fitness coaches must pass the VOLOFIT certification provided to participate as a group coach in your Business.

Other Training

We may require you and your personnel to attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate. In addition, you will attend an annual conference of all VOLOFIT Business franchise owners at times, days and locations we designate. We may charge you a fee for you and your personnel to attend the annual conference (estimated to be \$500 per day), and you will be required to pay that fee even if you do not attend.

We will not be responsible for any travel or living expenses which you or your personnel incur during any training courses, programs or meetings, or for their wages, benefits, or workers' compensation insurance while attending training.

Other than our Initial Training program for your Mandatory Trainees and the Business Training as described above, if you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then applicable fee, including our personnel per diem charges and travel and living expenses. The fee will depend on the type of additional training you request. For additional training at our Corporate studio or headquarters, you will be charged a fee ranging between \$1,000 and \$5,000 per attendee. If you request that we

conduct a private training session at your Business, we will charge a training fee of \$7,500, and you will pay our personnel's travel and expense costs.

ITEM 12

TERRITORY

Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from VOLOFIT Businesses that we or our affiliates own or from other channels of distribution or competitive brands that we control. However, if you are in compliance with the Franchise Agreement, neither we, nor our affiliates will operate or grant a franchise for the operation of another VOLOFIT Business in substantially the same format, the physical premises of which are located within the protected area described in the Franchise Agreement (the "Territory"). Typically, the Territory consists of a 6-minute drive radius, however adjustments may be made for physical barriers (e.g. rivers), high-density downtown populations, and main transportation method (e.g. in areas where rail or light-rail commuting is common). You are allowed, subject to our approval, to promote your Business and solicit customers only within the Territory. You may not sell products or services outside of your Business, including through channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing, without our consent. You are not required to achieve certain sales volume, market penetration or other contingencies in order to maintain your exclusivity for the Territory.

We may choose, in our sole discretion, to evaluate your Business for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/ surveys, audit POS and CRM System and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service.

The Franchise Agreement grants you the right to operate a VOLOFIT Business at a single location, which you and we will agree on prior to or after signing the Franchise Agreement. You must operate your Business only at the approved location and may not relocate your Business.

You are acquiring only the right to develop and operate a physical and virtual VOLOFIT Business and, except for our agreement not to operate or grant a franchise to operate a VOLOFIT Business in substantially the same format as your Business within the Territory, we (and our affiliates) retain the right at all times during and after the term of the Franchise Agreement to engage in any and all other activities that we (and they) deem appropriate, including using the Marks for other purposes such as hosting other VOLOFIT-branded events in the Territory, the sale of VOLOFIT-branded products and other products and services via the internet or other retail outlets or activities. These activities may compete with your Business, and we will not be required to compensate you for or allow you to participate in those activities or the revenue they generate.

The Franchise Agreement does not give you any options, rights of first refusal or similar rights to acquire additional franchises.

Area Development Agreement

You will not receive an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from VOLOFIT Businesses we own, or from other

channels of distribution or competitive brands that we control. If you remain in compliance with the Area Development Agreement and you and your approved affiliates remain in compliance with all Franchise Agreements, we and our affiliates will not, during the term of your Franchise Agreement and in the Development Area, (1) grant or authorize the grant of Development Rights to others, (2) grant Franchises to others, or (3) own or operate VOLOFIT Businesses.

The Area Development Agreement grants you the right to acquire franchises to develop, own and operate VOLOFIT Businesses within the designated Development Area that will be described in the Area Development Agreement (the “Development Rights”). The Development Rights and the rights to use the Marks and the System are granted only pursuant to individual Franchise Agreements. The Area Development Agreement does not provide you any right to sell products or services, including through channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing, without our consent.

To maintain your rights under the Area Development Agreement you must have open and in operation the cumulative number of VOLOFIT Businesses contained in the Development Schedule. Failure to do so will be grounds for either a loss of Development Area or a termination of the Area Development Agreement. In addition, upon completion of the Development Schedule, your rights under the Area Development Agreement with respect to the Development Area will terminate and we and our affiliates will have the right to grant others development rights and franchises to develop and operate VOLOFIT Businesses within the Development Area.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Development Area. You are not granted any options, rights of first refusal or similar rights to acquire additional development rights or to expand or relocate your Development Area under the Area Development Agreement.

Our Reservation of Rights Under Both Types of Agreements

Except for those things that we will expressly agree under your Franchise Agreement and Area Development Agreement, we and our affiliates retain all rights with respect to the location of VOLOFIT Businesses and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities, including to:

- (1) establish, operate and license others to establish and operate, anywhere in the world, businesses that are not VOLOFIT Businesses but that offer products and services that are identical or similar to products and services offered by VOLOFIT Businesses;
- (2) establish, operate and allow others to establish and operate VOLOFIT Businesses using the Marks and System, at any location outside the Territory (as to the Franchise Agreement) and Development Area (as to the Area Development Agreement) on such terms and conditions we deem appropriate;
- (3) establish, operate and allow others to establish and operate other facilities that may offer products and services which are identical or similar to products and services offered by VOLOFIT Businesses, under trade names, trademarks, service marks and commercial symbols which are different from the Marks;
- (4) establish, operate and allow others to establish and operate other businesses (other than a VOLOFIT Business) and distribution channels (including via the internet), wherever located or operating and regardless of the nature or location of the customers with

whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from VOLOFIT Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that VOLOFIT Businesses customarily sell;

(5) acquire the assets or Ownership Interests of one or more businesses, including Competitive Businesses, and franchising, licensing or creating similar arrangements with respect to such businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory and Development Area);

(6) be acquired (whether through acquisition of assets, Ownership Interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises and/or licenses such businesses in the Territory and Development Area; and

(7) be acquired (whether through acquisition of assets, Ownership Interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises and/or licenses such businesses in the Territory and Development Area.

ITEM 13

TRADEMARKS

The Franchise Agreement grants you the non-exclusive right and license to use the System, which includes the use of the Proprietary Marks. Your use of the Proprietary Marks is limited solely to the operation of the Franchised Business at the Approved Location and only in accordance with the System.

Our Parent owns the following marks, which have been filed with the United States Patent and Trademark Office. The Proprietary Marks are licensed to us pursuant to a Trademark License Agreement. In the Trademark License Agreement our Parent authorizes us to use the Proprietary Marks in connection with the offer, sale, and support of VOLOFIT franchises. The Trademark License Agreement has a perpetual term.

The following mark is registered on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration Number	Registration Date	International Classes
VOLOFIT	6297106	March 16, 2021	41
VOLOFIT	6873200	October 11, 2022	25

All required affidavits have been filed. No renewals have yet been required. There are currently no effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, no pending infringements, oppositions or cancellations, and no pending material litigation involving any of the Proprietary Marks. There is no pending material federal or state court litigation involving the use or ownership rights in our Marks.

We are not aware of any infringing uses that could materially affect your use of the Proprietary Marks. Except as described with respect to the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of any trademarks, service marks, trade names, logo-types or other commercial symbols in a manner material to the franchise. There is presently no effective determination of the USPTO, the US Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal trademarks, service marks, trade names, logo-types or other commercial symbols.

You must use the Marks as we require and may use only the Marks we designate in connection with the operation of your Business. You may not use the Marks in any advertising for the transfer, sale or other disposition of your Business or any interest in the franchise. You are not allowed to use a Mark as part of a corporate name or with modifying words, designs or symbols except with our consent which we may withhold in our absolute discretion. You may not use our Marks in the sale of an unauthorized product or service or in any manner we do not authorize in writing. You may not use the Marks as part of any username, screen name or profile in connection with any social networking sites or blogs, or as part of any domain name, homepage, electronic address, or otherwise in connection with a website.

You may not contest, directly or indirectly, our ownership of the Marks, trade secrets, methods and procedures that are a part of the Franchise System. You must not register, seek to register or contest our sole right to register, use and license others to use the Marks, names, information and symbols. Any goodwill associated with Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our and our affiliates' benefit.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You may not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any and all actions we deem appropriate and we have the right to exclusively control any litigation, PTO proceeding or other administrative proceeding related to any Mark. You must execute all documents, render assistance and do these things as we deem or our counsel deems advisable to protect and maintain our interests. We are not otherwise required to indemnify you with respect to claims arising from your use of the Marks.

We may require you to use new Marks that we deploy in the operation of VOLOFIT Businesses, and we may modify or discontinue use of any Mark. You must comply with our instructions in this regard, at your costs, within a reasonable time after notice by us not to exceed 30-days.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights to any patent that is material to the franchise. We do not have any pending patent applications that are material to the franchisee.

Although neither we nor any of our affiliates have registered our copyrights, we or our affiliates claim copyright protection for the specification book and for any other written materials

we may develop to assist you in the development and operation of your Business. There are no determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials which are relevant to their use by our franchisees. No agreements limit our right to use or license the use of our copyrighted materials. We are not obligated to protect or defend our copyrights, although we currently intend to do so. We do not know of any infringing uses of or superior rights in our copyrighted materials.

We and our affiliates possess and may continue to develop certain proprietary and confidential information, including trade secrets, used in the operation of VOLOFIT Businesses. This proprietary and confidential information includes know-how and other information regarding business development and operating processes and tools; training and operations materials and manuals, including any passwords and other digital or other identification used to access these materials; the standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating VOLOFIT Businesses; market research, promotional, marketing and advertising programs for VOLOFIT Businesses; knowledge of specifications for pricing and suppliers of Operating Assets and other products and supplies; any computer software or similar technology which is proprietary to us, our affiliates, or the Franchise System, including, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of VOLOFIT Businesses; and customer lists, information, and data; and other information that is valuable and treated by us as confidential information.

You and your owners will not acquire any interest in the confidential information other than the right to use it in operating your Business. You must maintain the absolute confidentiality of the confidential information during and after the expiration or termination of the Franchise Agreement. You and your owners can divulge this confidential information only to individuals or entities specifically authorized by us in advance, or to your employees or contractors who must have access to it to operate your Business, however, these individuals or entities must be under a duty of confidentiality no less restrictive than your obligations to us under the Franchise Agreement. We may require you to have your employees and contractors execute individual undertakings and have the right to regulate the form of and be a party to or third-party beneficiary under any of these agreements. Neither you nor your owners are permitted to make unauthorized copies, record or otherwise reproduce the materials or information or make them available to any unauthorized person.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are solely responsible for the management, direction and control of your Business. You must supervise the management and operation of your Business and continuously exert best efforts to promote and enhance your Business. If you do not supervise your Business on a full-time basis, you must appoint a manager who has completed our then-current initial and business training program, unless waived by us in writing, to work full-time to supervise the operation of your Business (your “General Manager”). The General Manager is not required to have an equity

interest in you. We may require your General Manager to personally undertake the same obligations with respect to confidentiality that you are subject to under the Franchise Agreement.

Additionally, each of your owners must sign a guaranty of the franchise entity's obligations under the Franchise Agreement (the form is attached as an exhibit to the Franchise Agreement). Each person signing a guaranty assumes and agrees to discharge all of your obligations under the Franchise Agreement. Your spouse, and if you are not an individual the spouses of each of your owners, must consent in writing to your execution of the guaranty and must acknowledge that the marital assets are at risk. Each person signing the guaranty will be bound to provisions of the agreement applicable to this person. If you are an entity, you must identify one of your owners to be your "Managing Owner." Your Managing Owner must be a natural person, must own at least a 10% ownership interest and voting power in you, and must have legal authority to act on your behalf.

Your Business must always be under the supervision of one or more persons who have successfully completed our training program. If you fail to comply with this obligation, we may, at our option, immediately appoint a manager to manage the operation of your Business on your behalf. Our appointment of a manager of your Business will not relieve you of your obligations under the Franchise Agreement or constitute a waiver of our right to terminate the franchise. We are not liable for any debts, losses, costs or expenses you incur in the operation of your Business while it is managed by our appointed manager. If we appoint a manager for your Business, you must pay us 10% of Gross Sales, plus costs and expenses, and we may cease to provide these management services at any time.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale all of the products and services we require; in the manner and style we require. You may offer and sell only those products and services that we approve and expressly authorize in writing.

You must not deviate from the mandatory System Standards without first obtaining our written consent. You must discontinue selling and offering for sale any unapproved products or services. We have the right to change the authorized products and services and their respective standards, specifications and requirements. There is no limit on our right to make these changes. We may periodically set the maximum and minimum price that you may charge for services and products. You must promptly comply with these changes. We do not restrict the customers to whom you may sell approved products and services.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1.C	10 years.
b. Renewal or extension of the term	Section 13.A	One successive term of 10 years.
c. Requirements for franchisee to renew or extend	Section 13.B	Notice of your election given 180-270 days before the Franchise Agreement expires. No violation of the Franchise Agreement during its expiring term. In full compliance with the Franchise Agreement and all mandatory System Standards at time of election and renewal. You maintain possession of the Premises, or secure substitute premises that we approve and develop those premises (including any renovations or improvements) according to mandatory System Standards then applicable for VOLOFIT Businesses. We must then be granting franchises for VOLOFIT Businesses. Payment of \$7,500 renewal fee. Sign our then-current Franchise Agreement which may contain terms and conditions materially different from those in your previous Franchise Agreement (including, for example, different fees). You and your owners sign a general release, in a form approved by us, releasing all claims against us and our affiliates.
d. Termination by franchisee	Section 14.A	If you fail to obtain initial funding for your Business by the applicable deadline (does not include refund of the initial franchise fee) and provide us 10 days' prior written-notice, or if we materially breach the agreement and do not cure default within 30 days after receiving notice from you.
e. Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement without cause. If the Franchise Agreement is terminated with cause, your Area Development Agreement, if you sign one, will not be terminated if you are not in default of the Area Development Agreement.
f. Termination by franchisor with cause	Section 14.B	Only if you or your owners commit one of several violations. If the Franchise Agreement is terminated with cause, your Area Development Agreement, if you sign one, will not be terminated if you are not in default of the Area Development Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
g. Cause” defined – curable defaults	Section 14.B	Failure to maintain required insurance and not corrected within 10 days; failure, within 72 hours; to correct a violation of any law, ordinance, rule or regulation of a government agency in connection with the operation of your Business; failure to pay any amounts due and not corrected within 10 days; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days, or any order appointing a receiver, trustee, or liquidator of you or your Business is not vacated within 30 days following the order’s entry; failure to pass quality assurance audit and do not correct within 15 days; failure to comply with any provision of Franchise Agreement or System Standard and do not correct within 30 days of receiving written-notice; failure to comply with any other agreement with us or an affiliate and do not correct within applicable cure period. If the Franchise Agreement is terminated with cause, your Area Development Agreement, if you sign one, will not be terminated if you are not in default of the Area Development Agreement.
h. “Cause” defined – non-curable defaults	Section 14.B	Material misrepresentations or omissions; failure to locate, and sign a Lease or purchase document for the Premises within 180 days; failure to open your Business by applicable deadline; failure of required persons to complete training; abandonment; conviction of a felony or conduct adversely affecting the goodwill of the Marks or reputation of your Business; violation of transfer, non-competition, non-solicitation or confidentiality restrictions; loss of right to occupy Premises; failure to pay taxes; and repeated defaults (even if cured). If the Franchise Agreement is terminated with cause, your Area Development Agreement, if you sign one, will not be terminated if you are not in default of the Area Development Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Franchisee's obligations on termination/non-renewal	Sections 15.A, 15.B, 15.C and 15.D	Pay all amounts due within 15 days; cease using the Marks and Franchise System and cease identifying yourself as a VOLOFIT Business; cancel all fictitious or assumed name registrations related to the Marks; return all signs and materials containing the Marks and/or allow us to remove these items from your Business; cease using any confidential information and return all other written confidential information; make the alterations we specify to distinguish your Business and Premises from a VOLOFIT Business; notify telephone company of termination of rights to use telephone number and transfer number to our designee; comply with post-term non-compete and non-solicitation obligations; comply with all other obligations in the Franchise Agreement that survive termination or expiration; and, give us evidence within 30 days of compliance.
j. Assignment of contract by franchisor	Section 12.A	No restriction on our right to assign.
k. "Transfer" by franchisee-definition	Section 12.B	Includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in you, including: any transfer of ownership interests that requires the purchaser be provided a disclosure document, or is a result of divorce, death, insolvency, or by operation of law; merger, consolidation or issuance of additional ownership interests; sale of security convertible to ownership interest; grant of mortgage, pledge, collateral assignment or otherwise creating a lien or encumbrance; and, any other transfer, surrender or loss of possession or control in your Business.
l. Franchisor's approval of transfer by franchisee	Sections 12.B and 12.C	All transfers require our prior written approval, which we will not unreasonably withhold or delay.
m. Conditions for Franchisor approval of transfer	Section 12.C	You are in full compliance the Franchise Agreement; proposed transferee and its owners are of good character; you and any of your owners execute a general release in a form satisfactory to us; all amounts owed to us, our affiliates or a third party are paid in full; transferee and its General Manager complete our initial and business training programs; transferee agrees to upgrade your Business to align with our then-current standards within 120 days of the transfer; transferee signs our then-current form of franchise agreement and any related documents; you pay us a transfer fee equal to \$10,000 and you and your owners (including immediate family members) agree to comply with your post-termination obligations under the Franchise Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 12.E	In connection with any proposed transfer (except to a wholly-owned entity), we may purchase your Business. We must match the price and terms contained in the proposed transferee's written offer you intend to accept. We must notify you of the exercise our right within 30 days of our receipt of notice of your intention to transfer and all other information we request.
o. Franchisor's option to purchase franchisee's business	Section 15.E	On expiration or termination of the Franchise Agreement or successor franchise. We must notify you of our election within 30 days after the termination or expiration. Price is the net realizable value in accordance with the liquidation basis of accounting (not the value of your Business as a going concern).
p. Death or disability	Not applicable	Not applicable.
q. Non-competition covenants during the term of the franchise	Section 7	You, your owners and their spouses may not: (a) have any involvement, directly or indirectly, in a "Competitive Business;" (b) perform services on behalf of a Competitive Business; (c) divert or attempt to divert any actual or potential business or customer to a Competitive Business; or (d) directly or indirectly, appropriate, use or duplicate the Franchise System or System Standards for use in any other business. "Competitive Business" means (1) any business (other than a VOLOFIT Business) that offers products or services related to fitness or exercise, including any other fitness concept, gym or studio, (ii) any business that offers or sells goods or services that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised or licensed by us or our affiliates, or (iii) any business that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.D	For two years following termination or expiration of the Franchise Agreement, neither you nor any of your owners (or their spouses) may have any involvement, directly or indirectly, in a Competitive Business within a 5-mile radius of the Premises, or within a 5-mile radius of any other VOLOFIT Business in operation on the later of the effective date of the termination or expiration of the Franchise Agreement or the date on which all restricted persons begin to comply with the non-compete covenant.
s. Modification of the agreement	Section 17.K	No modifications except in writing and signed by both you and us.
t. Integration/merger clause	Section 17.M	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	Section 17.F and 17.I	We and you must arbitrate all disputes at a location in our then-current principal place of business (currently, Charlotte, North Carolina) (subject to state law). You waive your right to a trial by jury.
v. Choice of forum	Section 17.H	You must sue us in a court in or nearest to Charlotte, North Carolina (subject to state law).
w. Choice of law	Section 17.G	North Carolina (subject to state law).

Area Development Agreement

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

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1	The date you sign the Area Development Agreement through (1) the date on which the last VOLOFIT Business which is required to be opened in order to satisfy the Development Schedule opens for regular business or (2) the last day of the last Development Period.
b. Renewal or extension of the term	Not applicable	Not applicable.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable.
d. Termination by franchisee	Not applicable	Not applicable.
e. Termination by franchisor without cause	Not applicable	We may not terminate the Area Development Agreement without cause. Termination of your Area Development Agreement will not result in termination of any open and operating unit franchise.
f. Termination by franchisor with cause	Section 8.A	Only if you or your owners commit one of several violations. Termination of your Area Development Agreement will not result in termination of any open and operating unit franchise.
g. Cause” defined – curable defaults	Section 8.A	Under the Area Development Agreement, you have 10 days to cure monetary defaults; 10 days to cure failure to furnish reports, financial statements, tax returns or any other documentation required; and 7 days to cure any failure to observe, perform or comply with any other of the terms or conditions of the Area Development Agreement. Termination of your Area Development Agreement will not result in termination of any open and operating unit franchise.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
h. “Cause” defined – non-curable defaults	Section 8.A	Non-curable defaults under the Area Development Agreement include ceasing or threatening to cease to carry on the business; liquidation of your assets; failure to pay any debts or other amounts incurred by you in operating the business when such debts or amounts are due and payable; failure to comply with the development schedule; an assignment for the benefit of creditors; appointment of a trustee or receiver; 3 or more repeated violations during any 12-month period; 2 or more repeated violations during any 6 month period; in the event you are an entity, liquidation or dissolution or amalgamation; or if you lose your charter by expiration, forfeiture or otherwise; material misrepresentations or omissions; conviction of a felony; dishonest or unethical conduct; and unapproved transfers of the Area Development Agreement or an ownership interest in you. Termination of your Area Development Agreement will not result in termination of any open and operating unit franchise.
i. Franchisee’s obligations on termination/non-renewal	Sections 8.B	Under the Area Development Agreement, you must: cease using the Marks and System; return all forms, documents and information; completely de-identify the business; cancel all fictitious or assumed names; cease operating a similar business; and notify the telephone company of termination of rights to use telephone number.
j. Assignment of contract by franchisor	Section 7.A	No restriction on our right to assign.
k. “Transfer” by franchisee-definition	Section 7.A	A voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in the Area Development Agreement, in you; in your Business or substantially all of its assets; or in your Owners (if such Owners are legal entities).
l. Franchisor’s approval of transfer by franchisee	Section 7.A	We have the right to approve all transfers by you or your owners but will not unreasonably withhold or delay approval. However, transfers among current owners of ownership interests only require prior notice so long as Managing Owner remains the same and there is no change in control.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
m. Conditions for Franchisor approval of transfer	Section 7.A	Submit an application that we approve; franchisee must complete our initial and business training programs; the transferee (if it's a business, then its owners and immediate family members of its owners) must not have interest or be engaged in activities of a Competitive Business; transferee enters into all forms of agreements we require, including a new Area Development Agreement; you have discharged and satisfied all of your financial obligations to us; you sign a general release; you must pay all of our expenses incurred in connection with the transfer, whether or not such transfer is completed, up to a maximum amount of \$15,000 plus disbursements and applicable taxes thereon; in this regard, you must deliver to us together with the original application submitted for approval of the Sale, the sum of \$10,000 towards such expenses plus applicable goods and services taxes thereon and pay the balance upon completion of the approved transfer; you pay us an amount equal to the greater of (i) 2% of the purchase price to be paid and/or other consideration to be received from and/or debt to be assumed by the transferee or (ii) \$25,000.
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 7.E	If you receive an offer to sell or transfer an interest, direct or indirect, in the Area Development Agreement, your business operated under the Area Development Agreement or an ownership interest in you, we have a right of first refusal to purchase such interest offered for the price and on the terms and conditions contained in the offer with certain provisions.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability	Section 7.C	Death of a developer (or any of its owners) is a transfer requiring our consent. However, our approval will not be unreasonably withheld or delayed so long as at least one of the Managing Owners continues to be the designated Managing Owner. If, as a result of the death or incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have 9 months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve.
q. Non-competition covenants during the term of the franchise	Section 6	You, your owners and their spouses may not: (a) have any involvement, directly or indirectly, in a "Competitive Business;" (b) perform services on behalf of a Competitive Business; (c) divert or attempt to divert any actual or potential business or customer to a Competitive Business; or (d) directly or indirectly, appropriate, use

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
		or duplicate the Franchise System or System Standards for use in any other business. “Competitive Business” means (1) any business (other than a VOLOFIT Business) that offers products or services related to fitness or exercise, including any other fitness concept, gym or studio, (ii) any business that offers or sells goods or services that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised or licensed by us or our affiliates, or (iii) any business that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing.
r. Non-competition covenants after the franchise is terminated or expires	Section 8.C	You may not have any involvement, directly or indirectly, in a Competitive Business for 2 years in the Development Area, the Development Area of any other VOLOFIT Business, or within a 5 mile radius of any VOLOFIT Business in existence or under development at time of termination or expiration of Area Development Agreement.
s. Modification of the agreement	Section 11.L	No modifications except in writing and signed by both you and us.
t. Integration/merger clause	Section 11.L	Only the written terms of the agreement are binding (subject to state law). Any other promises are not enforceable.
u. Dispute resolution by arbitration or mediation	Section 10.A	We and you must arbitrate all disputes at a location in our then-current principal place of business (currently, Charlotte, North Carolina) (subject to state law). You waive your right to a trial by jury.
v. Choice of forum	Section 10.B	You must sue us in a court in or nearest to Charlotte, North Carolina (subject to state law).
w. Choice of law	Section 11.F	North Carolina (subject to state law).

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchises.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing VOLOFIT Business, however, we may provide you with the actual records of that facility. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Andrew (“Britt”) Canady, VOLOFIT Franchising, LLC, 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209, (973) 699-4963, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR
YEARS 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	1	+1
	2021	1	4	+3
	2022	4	6	+2
Company-Owned ¹	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Businesses	2020	0	1	+1
	2021	1	4	+3
	2022	4	6	+2

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	2020	0
	2021	0
	2022	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
AZ	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
FL	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
MN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	1	0
NC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OR	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
PA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Totals	2020	0	1	0	0	0	0	1
	2021	1	3	0	0	0	0	4
	2022	4	3	0	0	0	1	6

[Remainder of page intentionally left blank]

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

TABLE NO. 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2022

State	Franchise Agreements Signed But Franchised Business Not Opened	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Affiliate-Owned Franchised Businesses in the Next Fiscal Year
California	0	1	0
Colorado	1	1	0
Florida	0	1	0
North Carolina	1	0	1
Pennsylvania	0	1	0
Texas	1	1	0
Totals	3	5	1

A list of all franchisees of VOLOFIT Businesses is attached to this Disclosure Document as Exhibit G. Those franchisees who signed their Franchise Agreements pursuant to an Area Development Agreement, and those franchisees who have signed a Franchise Agreement but have, as of the date of this Disclosure Document, not yet opened their VOLOFIT Businesses are designated on that list. A list of franchisees who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement as of the issuance date of this FDD, or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document is also included on Exhibit G. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

No franchisee has signed confidentiality agreements during the last 3 fiscal years restricting its ability to speak openly about its experience with our franchise system. We are not aware of any trademark-specific franchisee organizations associated with our franchise system.

ITEM 21

FINANCIAL STATEMENTS

Exhibit D contains our audited financial statements for the fiscal year ended December 31, 2022, December 31 2021 and for the period from October 15, 2020 to December 31, 2020. Our fiscal year end is December 31.

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.

ITEM 22
CONTRACTS

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

Exhibit B – Franchise Agreement

Exhibit C – Area Development Agreement

Exhibit E – Sample General Release

Exhibit F – State Addenda and Agreement Riders

ITEM 23
RECEIPTS

Exhibit H contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A
STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Commissioner of Financial Protection and
Innovation
Department of Financial Protection and
Innovation:
1 (866) 275-2677

Los Angeles

Commissioner of Financial Protection and
Innovation
Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

Commissioner of Financial Protection and
Innovation
2101 Arena Boulevard
Sacramento, California 95834
(916) 445-7205

San Francisco

Commissioner of Financial Protection and
Innovation
One Sansome Street, Ste. 600
San Francisco, California 94104
(415) 972-8559

GEORGIA

Georgia Secretary of State
Corporations Division
2 Martin Luther King, Jr. Drive
Suite 315
Atlanta, Georgia 30334
(404) 651-8600

HAWAII

(state administrator)

Business Registration Division
Department of Commerce and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

(agent for service of process)

Commissioner of Securities of the
Department of Commerce and Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7177

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Minnesota Department of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(state administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8222 Phone
(212) 416-6042 Fax

(agent for service of process)

New York Secretary of State
99 Washington Avenue
Albany, New York 12231-0001
(518) 473-2492

NORTH DAKOTA

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

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT B
FRANCHISE AGREEMENT

VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT

Franchisee: _____

Store Number: _____

Store Address: _____

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FRANCHISE AGREEMENT

(VOLOFIT)

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made by and between VOLOFIT FRANCHISING, LLC, a North Carolina limited liability company having its address 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“**us**” or “**we**”), and _____, a _____ having its address at _____ (“**you**”), as of the date signed by us as shown beneath our signature on this Agreement (the “**Effective Date**”).

1. PREAMBLES AND GRANT OF FRANCHISE.

A. **Preambles.** We and our affiliates have developed (and may continue to develop and modify) a system for the operation of facilities that, drawing on the VOLOFIT brand, provide a transformative functional fitness experience based upon the four pillars of strength, endurance, agility and power in a group setting along with related products and services we authorize from time to time (each a “**VOLOFIT Business**”). VOLOFIT Businesses are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, specifications and trademarks (including VOLOFIT), all of which we may improve, further develop, change, discontinue, or otherwise modify from time to time. We grant to qualified persons (as we determine) franchises to own and operate VOLOFIT Businesses. In connection with our right to grant VOLOFIT Business franchises, we own and have the right to license the use of the names, trade names, trademarks, service marks, copyrights, logos, symbols, emblems, designs, colors, brands, identifications and designations of the VOLOFIT Business (collectively, the “**VOLOFIT Business Marks**”). You have applied for a franchise to own and operate a VOLOFIT Business and have provided us with certain information in support of your application.

B. **Legal Entities.** If you are a corporation, limited liability company, or partnership (each, an “**Entity**”), you represent that Exhibit A to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Each of your direct and indirect owners and your and their spouses must execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as Exhibit B. You must identify and, subject to our approval, designate one of your owners to be your “**Managing Owner**.” Your Managing Owner must be a natural person, must own at least a ten percent (10%) ownership interest and voting power in you, and must have legal authority to act on your behalf (for purposes of this Agreement and your interactions with us, the Managing Owner shall be deemed your authorized agent as such term is generally defined under applicable law). The Managing Owner must be authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to this Agreement. Any decision made by your Managing Owner will be final and binding on you, and we will be entitled to rely solely on the decision of your Managing Owner without discussing the matter with any other person. We will not be held liable for any acts or omissions based on any decision or actions of your Managing Owner.

C. **Grant of Franchise.** We hereby grant to you, and you hereby accept, the right (the “**Franchise**”) to develop, own and operate, during the Term (defined below), a VOLOFIT Business (your “**Business**”) solely at the specific location identified on Exhibit A or which will be later identified as described in Section 2 of this Agreement (the “**Premises**”), and to use in the development and operation of your Business, our designated business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may further develop, change, discontinue, or otherwise modify from time to time in our sole discretion (the “**Franchise System**”). In connection with the Franchise and subject to the terms and conditions set forth in this Agreement (including any and all approval rights contained hereunder), we hereby grant to you the non-exclusive right and license to use the VOLOFIT Business Marks we specify from time to time (for the avoidance of doubt, such grant only applies to the VOLOFIT Business Marks provided in writing by us and no other trademarks). No license or right is granted for the use of any VOLOFIT Business Mark for any other purpose or in any period before or after the Term. The “**Term**” begins on the Effective Date and expires on the tenth (10th) anniversary of that date, unless sooner terminated under Section 14 or otherwise pursuant to the terms of this Agreement. You agree to, at all times, faithfully, honestly, and diligently perform your obligations under this Agreement and to use your best efforts to promote your Business and the VOLOFIT brand. You agree to use the Premises only for your Business and, once it opens for business, to continuously operate your Business in accordance with this Agreement for the duration of the Term. You agree not to conduct your Business at any location other than the Premises. Except as expressly permitted hereunder or otherwise in writing by us, you may not offer or sell any VOLOFIT Business-related products through or on the internet or any other similar proprietary or common carrier electronic delivery system.

D. **Protected Territory and Reservation of Rights.** During the Term, we and our affiliates will not operate or grant a franchise for the operation of another VOLOFIT Business whose physical premises are located within the Protected Area described on Exhibit A. However, without limiting any of our rights generally, you are acquiring only the right to develop and operate a VOLOFIT Business and, except for our agreement not to operate or grant a franchise to operate a VOLOFIT Business in substantially the same format as your Business within the Protected Area, we (and our affiliates) retain the right at all times during and after the Term to engage in any and all other activities that we (and they) deem appropriate, including:

(1) establishing, operating and licensing others to establish and operate, anywhere in the world, businesses that are not VOLOFIT Businesses but that offer products and services that are identical or similar to products and services offered by VOLOFIT Businesses;

(2) establishing, operating and allowing others to establish and operate VOLOFIT Businesses using the Marks and System, at any location outside the Territory on such terms and conditions we deem appropriate;

(3) establishing, operating and allowing others to establish and operate other facilities that may offer products and services which are identical or similar to products and services offered by VOLOFIT Businesses, under trade names, trademarks, service marks and commercial symbols which are different from the Marks;

(4) establishing, operating and allowing others to establish and operate other businesses (other than a VOLOFIT Business) and distribution channels (including via the internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from VOLOFIT Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that VOLOFIT Businesses customarily sell;

(5) acquiring the assets or Ownership Interests of one or more businesses, including Competitive Businesses, and franchising, licensing or creating similar arrangements with respect to such businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;

(6) be acquired (whether through acquisition of assets, Ownership Interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises and/or licenses such businesses in the Territory; and

(7) be acquired (whether through acquisition of assets, Ownership Interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises and/or licenses such businesses in the Territory.

2. **DEVELOPMENT AND OPENING OF YOUR BUSINESS.**

A. **Development of Your Business.** You agree, at your expense, to do all things necessary and appropriate to locate and secure possession of the Premises and to develop and prepare your Business for opening strictly in accordance with this Agreement and any other guidelines we set forth by the following deadlines:

(1) Within three (3) months after the Effective Date, you must arrange and have legally committed and binding sources for all funding for the initial development of the Business (the “**Initial Funding**”);

(2) Within six (6) months after the Effective Date, you must have secured possession of an approved site for the Premises, as described in Section 2.B; and

(3) Within twelve (12) months after the Effective Date, you must have opened your Business in accordance with this Agreement (the “**Opening Deadline**”).

You agree to use the vendor(s) we select, if any (which may include us or our affiliates), for real estate, design, engineering, construction management, purchasing and any other services in connection with the development of your Business as contemplated in this Section 2.A or otherwise.

B. **Acceptance and Possession of the Premises.** If, when you sign this Agreement, we have not accepted your proposed Premises by inserting its address on Exhibit A, it is entirely

your responsibility to propose to us potential sites for your Business, secure our written acceptance of your proposed site, and gain possession of the accepted site by the deadline set forth in Section 2.A(2), all at your sole cost. You may not sign any lease, sublease or other document to secure possession of your proposed Premises (a “**Possession Agreement**”) until we have given you our written acceptance of the proposed Premises and the proposed Possession Agreement. Neither our acceptance nor any information or recommendations we provide regarding your proposed sites or the proposed Possession Agreement is a representation or warranty of any kind, express or implied, of the terms of the Possession Agreement or of the site’s suitability for your Business or any other purpose. Our acceptance indicates only that, as of the date of our acceptance, we believe the Premises and the proposed Possession Agreement meet our then acceptable criteria which have been established for our own purposes and are not intended to be relied on by you for any purpose, including as an indicator of likely success. Your acceptance of the Franchise, selection of the Premises, and execution of the Possession Agreement must be based entirely on your own independent investigation and determination of the suitability of the site and Possession Agreement.

C. **Development According to Specifications.** You will develop your Business strictly in accordance with our specifications and guidelines (written or otherwise). In order to ensure the specifications are met, you will provide to us a complete set of architectural, mechanical, engineering and plumbing plans from a licensed architect for approval at least thirty (30) days prior to beginning construction. To assist you in that regard, we will do the following:

(1) provide you a copy of our then-current prototypical plans showing the standard layout and placement specifications for all required equipment (including the Computer System (as defined in Section 8.L), furniture, fixtures and signs (collectively the “**Operating Assets**”);

(2) provide you with a list of the Operating Assets, the approved purchase sources of each, and all Operating Assets that must be integrated into your Business. You agree to use in developing and operating your Business only the Operating Assets approved in writing in advance by us, and to purchase the approved Operating Assets only from suppliers we designate or approve in writing in advance of the applicable purchase (which may include or be limited to us or our affiliates). You will be responsible for the installation of the Operating Assets;

(3) develop or authorize and supervise the development of the actual schematic design of your Business; and

(4) design the exercise routines and designate the equipment that will be the focal point of, and must be integrated with, your Business.

3. **FEES.**

A. **Initial Fees.**

On your execution of this Agreement, you must pay us the following initial fees:

(1) an **Initial Franchise Fee** in the amount shown on Exhibit A. The Initial Franchise Fee is fully earned on our execution of this Agreement, and we will not refund any portion of such fees to you under any circumstances.; and

(2) a **Pre-Opening Assistance Fee** in an amount equal to five thousand dollars (\$5,000) per member of our pre-opening assistance team we send to your Business to assist you in increasing your Business's pre-opening sales as further described in Section 4.C below. The Pre-Opening Assistance Fee is fully earned on our execution of this Agreement, and we will not refund any portion of such fees to you under any circumstances.

(3) Upon scheduling your initial training (but in no event later than three (3) months after executing this Agreement), you must pay us an **Initial Training Fee** in a lump sum amount of five thousand dollars (\$5,000), in consideration of our providing our initial training program as further described in Section 4.A below.

(4) A **VOLOFIT Turn-key Studio Package** ("Turn-Key Studio Package") deposit of twenty-five thousand dollars (\$25,000). The Turn-Key Studio Package deposit is fully earned on our execution of this Agreement, and we will not refund any portion of such fees to you under any circumstances. The remaining balance will be due upon possession of your VOLOFIT Business premises or when the Turn-Key Studio Package is ordered, whichever occurs earlier.

B. **Recurring Fees**. In addition to the initial fees shown above and in addition to other amounts described elsewhere in this Agreement, you agree to pay us, throughout the Term, the following recurring fees:

(1) a monthly **Royalty** fee equal to seven percent (7%) of the Gross Sales of your Business during the preceding month;

(2) a monthly contribution to the **Brand Promotion Fund** described in Section 9.B below equal to two percent (2%) of the Gross Sales of your Business during the preceding month;

(3) a monthly **Technology Fee** equal to the pro-rata portion of the actual costs we incur attributable to your use of the technology services and software to which we provide you access in connection with the operation of your Business under this Agreement; and

(4) our then-current monthly **Music Service and License Fee**.

Monthly fees for an applicable month are due and payable on the last day of the applicable month.

"Gross Sales" means all revenue and monetary value received or receivable through or attributable to the operation of your Business (whether or not in compliance with this Agreement) based on the gross (undiscounted price) of all products and services sold at, through or in association with your Business and all other revenue sources, whether for cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but (1) excluding all federal,

state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds you in good faith give to your customers in accordance with our refund policy. The cash value of all redeemed gift certificate, gift card and similar program payments will be included in Gross Sales as and in accordance with the policies set forth in our Operations Manual from time to time. Gross Sales also include all insurance proceeds you receive for loss of business due to a casualty to or similar event at the Business.

C. **Agreements Regarding Amounts Owed.** All amounts you owe us or our affiliates under or in connection with this Agreement will be paid in the manner we describe in our Operations Manual (defined below). Currently, we require payment via electronic fund transfer to our account (as designated by us) (“**EFT Authorization**”). You agree to sign and deliver to us any documents we require for the EFT Authorization, and the authorization shall remain in full force and effect until all amounts owed to us under this Agreement are fully paid. If you fail to report the Gross Sales for a given payment, for each fee that is calculated on such unreceived report of Gross Sales, we may debit your account one hundred ten percent (110%) of the average of the last three debits we made of that fee. If the amounts that we debit from your account are less than the amounts you actually owe us (once we have determined the true and correct Gross Sales), we will debit your account for the balance on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following month. Late payments will bear compounding interest accruing as of their due date until such payments are made at two percent (2%) per month or the highest commercial contract interest rate the law allows, whichever is greater. We will charge a service fee of one hundred dollars (\$100) per occurrence for checks returned to us due to insufficient funds or in the event there are insufficient funds in the business account you designate to cover our withdrawals. We may debit your bank account automatically for the service charge and interest. Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We and our affiliates may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. However, you may not deduct from or offset against any amounts you owe under this Agreement any amounts that you claim we or our affiliates owe you.

D. **Non-Compliance Charge.** The Royalty rate we charge under this Agreement was determined based on the assumption that you will comply with your obligations hereunder. If you do not comply with your obligations, we will incur additional costs and expenses. Therefore, if we determine that you are not in compliance with your obligations under this Agreement, your Royalty rate will be increased by one (1) point until we determine, in our sole discretion, that you have cured all deficiencies and are compliant with all terms of this Agreement. Alternatively, we may charge you a one-time non-compliance fee for each infraction of one thousand dollars (\$1,000). Nothing in this Section limits any of our other rights and remedies available under the terms of this Agreement. You agree that the non-compliance fee is intended to compensate us for certain expenses or losses we will incur as a result of the non-compliance and is not a penalty or an expression of the total amount of such damages. We may change or eliminate this charge in our sole discretion.

E. **Reimbursements.** If we incur any costs, expenses or liabilities as contemplated under this Agreement and such amounts are reimbursable by you, if not otherwise specified hereunder, you shall reimburse us such amounts within fifteen (15) days of your receipt of our documentation setting forth such costs, expenses or liabilities.

4. **TRAINING AND OUR ASSISTANCE.**

A. **Initial Training.** If this is your first VOLOFIT Business, you and all employees of your Business must complete, to our satisfaction, the Owner and Business Training programs as described below.

(1) **Owner Training Program.** Within forty-five (45) days after you have entered into this Franchise Agreement, you (or your Managing Owner) and up to two (2) additional trainees must complete, to our satisfaction, our owner training program. We shall determine the format, substance, duration, location, and scheduling of our initial training program. The Initial Training Fee covers the fee for three (3) individuals to attend our owner training program and is uniform and non-refundable. You may elect, at your sole cost, to have more than three (3) representatives attend our owner training program, provided that you pay us our then-current additional training fee for such persons (currently, \$1,000 per additional person). If, at any time, you replace a Mandatory Trainee, that person's replacement must satisfactorily complete our then-current owner training program as soon as is reasonably possible for which we will charge our then-current initial training fee.

(2) **Presales Training.** Prior to selling memberships, you and your employees must successfully complete presales training to our satisfaction. We shall determine the format, substance, duration, location, and scheduling of our presales training. The Initial Training Fee covers the fee for presales training and is uniform and non-refundable. If you require additional presales training for employees, we reserve the right to charge our then-current additional training fee for such persons (currently, \$1,000 per additional person).

(3) **Business Launch Training.** We will send one or more of our representatives (at our discretion) to your VOLOFIT Business for the onsite business launch training. Our business launch training will be conducted over four (4) days prior to opening your VOLOFIT Business. Your fitness coaches and sales associates must successfully complete the business launch training to our satisfaction prior to the opening of your VOLOFIT Business, and in addition, your fitness coaches must pass our certification provided to participate as a group coach in your VOLOFIT Business.

B. **Additional Training.** If you request additional training beyond the initial training as set forth in Section 4.A, you will pay us our then-current additional training fee. Currently, if to attend a monthly training session at our corporate headquarters, you will pay us one thousand dollars (\$1,000) per person who attends. For any additional session at our headquarters (beyond our initial training program, business and presales training programs and your first additional training session), you will pay us five thousand dollars (\$5,000) per person, per session. If you request a private training session at your Business, you will pay us seven thousand five hundred dollars (\$7,500) plus our personnel's travel costs.

C. **Pre-Opening Sales Requirement and Assistance.** If you fail to achieve our pre-opening minimum membership targets, as described in the Operations Manual, we may, at our sole discretion, send our pre-opening assistance team to your Business to help you increase your Business's pre-opening sales. This will result in our charging you the Pre-Opening Assistance Fee. All presales activities must comply with our System Standards. You must also comply with, and certify to us that you have complied with, all applicable laws relating to the presale of memberships or classes, including by securing any bond required under applicable law. You alone are required to comply with all applicable laws and regulations. You will be solely accountable to all applicable legal authorities if you fail to do so and will be liable to us if we are brought into the matter because you have failed to comply with those requirements.

D. **On-Going Training and Annual Conference.** We may require you and your personnel to attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate in our sole discretion. In addition, we may, at our option, conduct monthly or quarterly operations and/or marketing calls for all Volofit franchisees. You or the manager of your studio would be required to participate in such calls. If you or your manager fail to attend such calls without our prior written consent then we reserve the right to charge you a \$500 fine per instance. In addition, you agree to attend an annual conference of all VOLOFIT Business franchise owners at times, days and locations we designate in our sole discretion. We may charge you a fee for you and your personnel to attend the annual conference (such fee shall exclude your costs of travel, lodging and meals), and you will be required to pay that fee even if you do not attend. Paying the required fee does not excuse your failure to attend.

E. **Expenses of Your Personnel.** We will not be responsible for any travel, lodging, meals, or other living expenses which you or your personnel incur in connection with or during any training courses, programs or meetings, or for their wages, benefits, or workers' compensation insurance in connection with or while attending training.

F. **Our General Guidance.** We will advise you from time to time on various matters regarding the operation of VOLOFIT Businesses and, based on our inspections and the reports and feedback you provide, your Business. The guidance we provide will take whatever form we think is most effective and cover such matters as we deem appropriate, and if we require any adjustments to your Business in connection therewith, you shall make such changes as and when we direct. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then applicable fee, including our personnel per diem charges and travel and living expenses.

G. **Operations Manual.** We will make one (1) copy of our Operations Manual for the operation of VOLOFIT Businesses (the "**Operations Manual**") available to you solely for your use in developing and operating your Business during the Term and in compliance with this Agreement. The Operations Manual may be comprised of multiple documents and may be delivered in a variety of formats (including newsletters and memoranda) and delivery methods. The Operations Manual contains mandatory specifications, standards, operating procedures and rules that we periodically prescribe for operating VOLOFIT Businesses ("**System Standards**"), other specifications, standards and policies we may suggest from time to time, and information on your other obligations under this Agreement. It may also contain information concerning real estate and construction specifications. In our sole discretion, we may modify the Operations

Manual to reflect changes in System Standards, and our copy of the Operations Manual is the binding and controlling version. In connection therewith, you have an ongoing obligation to monitor and review the Operations Manual for any such modifications. Without limiting your obligations set forth in Section 6, the Operations Manual's contents are Confidential Information (as defined in Section 6), so you agree that you will keep it in a secure location which will not be accessible to persons who are not authorized to review it, and that you will not disclose it to, or provide access to it by, any person other than your employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. At our option, we may post some or all of the Operations Manual on a restricted website or extranet to which you will have access and which you will monitor and access for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 6). Without limiting the foregoing, all of the specifications, standards and policies set forth in the Operations Manual must be strictly complied with by you, and if you do not do so, such non-compliance shall be deemed a breach of this Agreement.

5. **VOLOFIT BUSINESS MARKS.**

A. **Ownership of and Goodwill in VOLOFIT Business Marks.** Your right to use the VOLOFIT Business Marks is limited to your operation of your Business in accordance with this Agreement and all System Standards. You recognize and acknowledge our exclusive rights to the VOLOFIT Business Marks (and the goodwill attached thereto), and your use of the VOLOFIT Business Marks and any goodwill established by that use are exclusively for our and our affiliates' benefit. This Agreement does not assign, convey or transfer any right, goodwill or other interests in the VOLOFIT Business Marks upon you or any other person other than the right to operate your Business under this Agreement. You agree not to, at any time during or after this Agreement's term, contest or assist any other person to contest: (a) the validity of, or our and our affiliates' rights to, the VOLOFIT Business Marks or any other intellectual property owned by us or our affiliates, (b) the rights of us in and to any of the VOLOFIT Business Marks owned by us or other intellectual property owned by us or our affiliates, (c) our right to grant rights and licenses relating to the VOLOFIT Business Marks, or (d) the validity, legality or enforceability of this Agreement. If it You agree to use (and not to use) the VOLOFIT Business Marks solely as described in the trademark usage requirements set forth in the Operations Manual or as we otherwise direct from time to time. becomes advisable, in our opinion, at any time to require you to modify or discontinue using any VOLOFIT Business Mark or to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We shall not reimburse you for your direct expenses of changing the signs of your Business, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

You also acknowledge (i) the great value of the goodwill associated with the VOLOFIT Business Marks, (ii) that the VOLOFIT Business Marks are famous and distinctive, and (iii) that such VOLOFIT Business Marks have acquired secondary meaning in the minds of the public. You agree that all uses by you of the VOLOFIT Business Marks shall, as between us and you, inure to our benefit, and any right that may accrue to you related thereto and any goodwill

associated therewith are hereby granted and assigned to us. If, through performance of this Agreement, you acquire any interest in any VOLOFIT Business Mark or any adaptations or derivative works created from any VOLOFIT Business Mark or produced pursuant to this Agreement, you hereby grant and assign to us (or any designee as we shall designate) any and all of the rights you have in and to the foregoing, including copyright and trademark rights, and any goodwill associated therewith. You shall cooperate with us both during and after the Term to grant and assign any such interest to us (or such designee), including the prompt execution of all necessary instruments to vest full title of, and all rights in and to, such interest in us (or such designee). Except as expressly permitted by this Agreement, you shall not, without our prior written consent, use, during or after the Term, any of the VOLOFIT Business Marks or any names, trademarks, logos, symbols, emblems, designs, colors, identifications, designations, or other material that are confusingly similar thereto and/or that relate or refer thereto to any event or activity involving us. No copyright or trademark involving or making use of one or more of the VOLOFIT Business Marks may be procured or claimed by you without the prior written consent of us in each instance, and any such copyright or trademark shall be owned by us or another entity designated by us. You may not sublicense any of the VOLOFIT Business Marks to any person without the prior written consent of us. You shall cause to appear on all materials used in promotions or otherwise used or created in the exercise of the benefits hereunder appropriate copyright and/or trademark notices as we designated.

B. **Infringements.** You agree to notify us immediately of any apparent infringement or challenge to your use of any VOLOFIT Business Mark, or of any person's claim of any rights in any VOLOFIT Business Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other legal or administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any VOLOFIT Business Mark. At your sole cost, you agree to sign any documents and take any other reasonable action that, in the opinion of our and our affiliates' attorneys, are necessary or advisable to protect and maintain our and our affiliates' interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain our and our affiliates' interests in the VOLOFIT Business Marks. We will reimburse you for your costs of taking any action that we or our affiliates have asked you to take. We also agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any VOLOFIT Business Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and our affiliates may defend and control the defense of any proceeding arising from your use of any VOLOFIT Business Mark under this Agreement.

C. **Non-Disparagement.** You agree not to (and to use your best efforts to cause your current and former owners, officers, directors, managers, agents, employees, representatives, attorneys, spouses, heirs, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' current and former franchisees, directors, officers, employees, representatives or affiliates, the VOLOFIT brand, the Franchise System, any VOLOFIT Business (including your Business), any business using the VOLOFIT Business Marks, any other brand or service-marked or trademarked concept of us or our affiliates, or which would subject the VOLOFIT brand or such

other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the VOLOFIT brand or such other brands.

6. **CONFIDENTIAL INFORMATION.**

A. **Confidential Information Defined.** We and our affiliates possess (and may continue to develop and acquire) and may from time to time disclose to you certain information, some of which constitutes trade secrets under applicable law regarding our business, products, technology, intellectual property and other information that has substantial value to us where we would be impaired if such information would be disclosed to a third party, and relating to developing and operating VOLOFIT Businesses, whether or not marked confidential, including: (1) site selection criteria; (2) training and operations materials and manuals, including the Operations Manual; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating VOLOFIT Businesses; (4) market research, promotional, marketing and advertising programs for VOLOFIT Businesses; (5) knowledge of specifications for, and suppliers of, Operating Assets and other products and supplies; (6) any computer software or similar technology which is proprietary to us, our affiliates, or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of VOLOFIT Businesses; and (8) customer data (collectively, “**Confidential Information**”).

B. **Protection of Confidential Information.** All Confidential Information furnished to you by us or on our behalf, whether orally or by means of written material (1) shall be deemed proprietary, (2) shall be held by you in strict confidence, (3) shall not be copied, disclosed or revealed to or shared with any other person except to your employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in writing in advance, and (4) shall not be used in connection with any other business or capacity. You will not acquire any interest in Confidential Information other than the right to use it as we specify in operating your Business under this Agreement. You agree to protect the Confidential Information from unauthorized use, access or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care. We reserve the right to require that any employee, agent or independent contractor that you hire execute a non-disclosure and, subject to applicable law, a non-competition agreement to protect the Confidential Information. We reserve the right to regulate the form of agreement that you use and to be a third party beneficiary of those agreements with independent enforcement rights. You acknowledge that any form of agreement that we require you to use, provide to you, or regulate the terms of may or may not be enforceable in a particular jurisdiction. You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that your employees, agents and independent contractors sign. In the event that you receive a request to disclose all or any part of the Confidential Information under the terms of a subpoena, document request, notice of deposition or other legal proceeding, you agree to notify us within forty-eight (48) hours after receipt of

such legal document, and you agree to cooperate with us in any attempt to obtain a protective order.

C. **Innovations.** As between us and you, we are the sole owner of all right, title, goodwill and interest in and to the Franchise System and any Confidential Information. All improvements, developments, adaptations, derivative works, enhancements, or modifications to the Franchise System and any Confidential Information (collectively, “**Innovations**”) made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us (or any designee that we designate). To that end, both during and after the Term, you shall fully cooperate and you shall execute, verify, and deliver such documents (including assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof, including the prompt execution of all necessary instruments to vest full title and all rights to such interest in us (or any such designee). Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section 6, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 6 with the same legal force and effect as if executed by you. The obligations of this Section 6 shall survive any expiration or termination of the Agreement.

7. **EXCLUSIVE RELATIONSHIP DURING TERM.**

A. **Non-Competition.** We have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us as contemplated hereunder. You therefore agree that, during this Term, neither you, any of your owners, nor any of your or your owners’ immediate family members will:

- (1) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);
- (2) perform services as a director, officer, manager, employee, consultant, lessor, representative, or agent for a Competitive Business, wherever located or operating;
- (3) divert or attempt to divert any actual or potential business or customer of your Business to a Competitive Business; or

(4) directly or indirectly, appropriate, use or duplicate the Franchise System or System Standards, or any portion thereof, for use in any other business or endeavor.

The term “**Competitive Business**” means (1) any business (other than a VOLOFIT Business) that offers products or services related to fitness or exercise, whether in-person or internet based, including any other fitness concept, gym or studio, (ii) any business that offers or sells goods or services, whether in-person or through the internet, that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised or licensed by us or our affiliates, or (iii) any business that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing.

You agree to obtain similar covenants from the personnel we specify in writing or otherwise, including officers, directors, managers, and other employees attending our training programs or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

B. **Non-Interference.** During the Term, neither you nor any of your owners, your or your owners’ affiliates, or the officers, directors, managers or immediate family members of any of the foregoing, will:

(1) interfere or attempt to interfere with our or our affiliates’ relationships with any vendors or consultants; or

(2) engage in any other activity which might injure the goodwill of the VOLOFIT Business Marks or the Franchise System.

8. **BUSINESS OPERATIONS AND SYSTEM STANDARDS.**

A. **Condition and Appearance of Your Business.** You will not use any part of the Premises for any purpose other than operating your Business in compliance with this Agreement, and you will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we approve in writing in advance of any such usage from time to time. You will maintain the condition and appearance of your Business, its Operating Assets and the Premises in accordance with the System Standards (and any other standards we provide to you) and, consistent with the image of VOLOFIT Businesses, including offering high quality products and services and observing the highest standards of cleanliness and efficient, courteous service in accordance with the highest industry standards. Therefore, you agree to take, without limitation, the following actions during the Term, at your expense: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals that we may prescribe; (2) interior and exterior repair of the Premises as needed; (3) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced); and (4) renovate, refurbish, remodel, or replace, at your own expense, the real and personal property and equipment used in operating your Business when reasonably required by us to comply with our System Standards. In the event that we do not prescribe any of the foregoing, you shall use

commercially reasonable discretion as to whether you shall engage in any improvements, repairs or similar actions in accordance with industry standards and all standards we set forth.

B. Approved Products, Services and Vendors. We must approve in advance writing all products and services you offer and sell from your Business, all vendors from whom you procure products, services, and all other items that you use for or sell through the development or operation of your Business, and any commercial advertisement, broadcast, content, promotion, print material, email communication or other material or activity using the VOLOFIT Business Marks or otherwise related to your Business. In connection therewith you shall submit all such materials to us for our prior written approval and testing and, if applicable, evidence that all governmental approvals required under any law have been obtained. If we choose to test or evaluate your proposed materials and/or vendors, you must reimburse us our costs pursuant to Article 3.E of this Agreement. The absence of a reference to such approval rights in any provision of this Agreement shall not limit or otherwise affect such approval rights. Any approval by us shall not imply a representation that we believe that such materials comply with any or all applicable law. Any commercial or government censor and/or clearance requirements, and all matters and costs with respect to the production or fulfillment of any benefit granted to you under this Agreement, shall be your responsibility, except to the extent expressly set forth elsewhere in this Agreement. If, from time to time, we notify you that we elect to exercise that right with respect to particular products, services, items or vendors, you (1) will offer and sell at and from your Business all of the products and services that we periodically specify; (2) will not offer or sell at or from your Business or the Premises any products or services we have not authorized, even if they were previously authorized; (3) purchase all goods and services used in the development or operation of your Business only from those manufacturers, vendors, distributors, suppliers, and producers (collectively referred to herein as “**vendors**”) that we approve or specify from time to time; and (4) discontinue purchasing any such items or purchasing items from vendors that, in either case, we subsequently disapprove. You acknowledge that we may, from time to time, specify single vendors for certain items and that we and our affiliates may be an approved vendor (and may be the only approved vendor) for certain items. We may, at our option, arrange with designated vendors to collect or have our affiliates collect fees and expenses associated with products and services they provide to you and, in turn, pay the vendor on your behalf for such products or services. If we elect to do so, you agree that we or our affiliates may auto-debit your bank account for such amounts in the same manner and using the same authorization that you grant us with respect to payment of Royalties and other fees. We or any of our affiliates may be a supplier, distributor, or otherwise party to these transactions, and may derive revenue or profit from such transactions. We and our affiliates may also receive rebates and other consideration from vendors that we approve based on purchases you and other franchisees make. We and any of our affiliates may use such revenue or profit without restriction.

C. Online Services. We have established and maintain an online platform to provide certain services to customers (the “**Online Platform**”). You are required to participate in the Online Platform and to make your personnel available to provide services in connection with the Online Platform in the manner required in the Operations Manual, as it may be periodically revised. You must comply with the procedures and specifications for the Online Platform that are described in the Operations Manual.

D. **Management of Your Business.** You are solely responsible for the management, direction and control of your Business. You (or your Managing Owner) must supervise the management and operation of your Business and continuously exert best efforts to promote and enhance your Business in accordance with all standards set forth hereunder or otherwise by us. If you (or your Managing Owner) do not supervise your Business on a full-time basis, you must appoint a manager who has completed our then-current initial training program to work full-time to supervise the operation of your Business (your “**General Manager**”).

E. **Compliance with Laws.** You must, at all times, operate your Business in full compliance with all applicable laws, statutes, rules, permits, codes, court orders, ordinances and regulations, including PCI compliance standards (collectively, “law” or “laws”). You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You also agree to comply with any contractually imposed requirements of any contract you enter into in connection with the Business.

F. **Good and Ethical Business Practices.** Your Business must, in all dealings with its customers, suppliers, us and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business, the goodwill associated with the VOLOFIT Business Marks, or other VOLOFIT Businesses.

G. **Insurance.** Throughout the Term you must maintain in force at your sole expense all insurance policies and coverages necessary to comply with applicable law, that you determine to be necessary to protect your interests, and as necessary to comply with the requirements set forth in the Operations Manual from time to time. All insurance policies for liability coverage must name us and any affiliates we designate as additional named insureds and all insurance policies must provide for thirty (30) days’ prior written notice to us of any material modification, cancellation or expiration. You must furnish us copies of your Certificate of Insurance or other evidence showing proof of your compliance with this requirement. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

H. **Pricing.** Unless prohibited by applicable law, we may periodically set a maximum or minimum price that VOLOFIT Businesses may charge for products and services. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for

which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

I. **Certain Numbers and Listings.** You will keep all telephone numbers for your Business separate from telephone numbers you use in any other business operations and from your personal telephone numbers. You will use the telephone numbers only for your Business. You acknowledge and agree that, as between us and you, during and after the Term, we have the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and any other type of contact information that you use in the operation or promotion of your Business or that is associated with your Business (“**Contact Identifiers**”). You irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions, assignments, and authorizations as may be necessary or prudent to accomplish the foregoing.

J. **Compliance with System Standards.** You agree at all times to operate and maintain your Business according to each and every System Standard, as we periodically modify and supplement them in writing or otherwise as we deem prudent. Throughout the Term, we retain the right to establish and periodically modify System Standards, and in accordance therewith, you retain the right and sole responsibility for the day-to-day management and operation of your Business and shall implement and maintain all System Standards at your Business. System Standards may regulate any aspect of the operation and maintenance of your Business, including any one or more of the following: (1) sales, marketing, advertising and promotional programs and materials and media used in these programs; (2) employee qualifications, training, dress and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions, with such authority being exercised in accordance with applicable law); (3) use and display of the VOLOFIT Business Marks; (4) days and hours of operation; (5) methods of payment that your Business may accept from customers; (6) participation in market research and testing and product and service development programs; (7) participation in gift card, loyalty and reciprocity programs; (8) bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial performance and condition; (9) types, amounts, terms and conditions of insurance coverage required for your Business, including criteria for your insurance carriers; and (10) any other aspects of operating and maintaining your Business that we determine to be useful to preserve or enhance the consistent and efficient operation, image or goodwill of the VOLOFIT Business Marks and VOLOFIT Businesses. Our periodic modification of the System Standards (including changes and additions to equipment and the hardware and software required for your computer system), which may accommodate regional or local variations, may obligate you to, and you agree to, invest additional capital in your Business and incur any applicable higher operating costs.

K. **Information Security.** You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an

individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers, credit report information, and any other information collected through the operation of your Business that a reasonable person would expect to remain confidential (“**Personal Information**”) in accordance with applicable law and industry best practices. It is entirely your responsibility (even if we provide you any assistance or guidance in that regard) to confirm that the safeguards you use to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access use, storage, disposal and disclosure of Personal Information. Without limiting the foregoing, all Personal Information shall be considered part of the customer data that is part of the Confidential Information (as defined in this Agreement). If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed.

L. **Employees, Agents and Independent Contractors.** You are solely responsible for all decisions relating to your employees, agents, and independent contractors. Any employee, agent or independent contractor that you retain will be your employee, agent or independent contractor, and not ours. You are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Business in compliance with federal, state, and local employment laws.

M. **Computer System.** You agree to obtain and use in the operation of your Business the integrated computer hardware and software system that we designate from time to time (collectively, the “**Computer System**”). Although the Computer System must meet our standards and specifications, you have the sole responsibility to ensure that the Computer System functions properly. We bear no liability for any failure of the Computer System’s hardware or software, programming interfaces, internet connectivity, downtime, viruses, errors or security measures. We may modify specifications for, and components of, the Computer System. Our modification of specifications for the Computer System, and other technological developments or events, might require you to purchase, lease, or license new or modified computer hardware or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement’s remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. In the event we modify the specifications for and components of the Computer System, you will implement those changes within ninety (90) days after you receive notice from us.

N. **Music Services.** You must play all such recorded music as we designate from time to time in the Manual or otherwise in writing and agree to install the equipment necessary to receive and play the approved music. You will pay us our then-current monthly Music Services and License Fee to cover our costs in obtaining the copyright licenses. If, at the end of each

calendar year, such monthly fees are insufficient to cover our total costs, you agree to pay a pro-rata portion of all remaining Music Services and License Fees due.

O. **Software.** We reserve the right to, from time to time, mandate that you use certain software in the operation of your Business. The use of that software might require that you execute a license agreement with us, our affiliate, or a designated third-party software licensor. You agree, at your costs, to execute any such agreements as necessary to acquire the right to use the designated software and to comply with the terms and conditions of the license in order to maintain the continued right to use the software as we designate.

9. **MARKETING.**

A. **Grand Opening Advertising.** Subject to our prior written approval of all promotions in connection with the following, you must spend at least thirty-five thousand dollars (\$35,000) for a grand opening marketing program for your Business to take place on the dates we designate before and after your Business opens. You agree to use the media, materials, programs and strategies we develop or approve in connection with the grand opening advertising program.

B. **Contributions to Brand Promotion Fund.** You agree to contribute, in amounts and in the manner described in Section 3.B(2), to a brand promotion fund to be used to promote the awareness of the VOLOFIT Businesses generally (the “**Brand Promotion Fund**”).

C. **Administration of Brand Promotion Fund.** We or our affiliates or other designees will direct all programs funded by the Brand Promotion Fund, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation and in accordance with the following guidelines:

(1) The Brand Promotion Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining a System Website (defined below) and related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; implementing a loyalty program or other marketing programs designed to encourage the use of VOLOFIT Businesses; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

(2) We will account for the Brand Promotion Fund separately from our other funds and not use the Brand Promotion Fund for any of our general operating expenses. However, we may use the Brand Promotion Fund to reimburse us or our affiliates or designees for the reasonable salaries and benefits of personnel who manage and administer it, the Brand Promotion Fund’s other administrative costs, travel expenses of personnel while they are on Brand Promotion Fund business, meeting costs, overhead relating to Brand Promotion Fund business, and other expenses that we incur in activities reasonably

related to administering or directing the Brand Promotion Fund and its programs, including conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for the Brand Promotion Fund contributions.

(3) The Brand Promotion Fund will not be our asset. We do not owe any fiduciary obligation to you for administering the Brand Promotion Fund or any other reason. We will hold all Brand Promotion Fund contributions for the benefit of the contributors and use contributions for the purposes described in this Section 9.C. The Brand Promotion Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use all interest earned on the contributions to pay costs before using the Brand Promotion Fund's other assets. We will prepare an annual, unaudited statement of Brand Promotion Fund collections and expenses and give you the statement for the most recently completed fiscal year upon written request. We may have the Brand Promotion Fund audited annually, at its expense, by an independent certified public accountant. We may incorporate the Brand Promotion Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9.C.

(4) We intend for the Brand Promotion Fund to promote recognition of the applicable VOLOFIT Business Marks and patronage of VOLOFIT Businesses generally. We need not ensure that Brand Promotion Fund expenditures in or affecting the area in which your Business operates are proportionate or equivalent to your contributions to the Brand Promotion Fund or that your Business will benefit directly or in proportion to your contributions, and you waive and release any claims or damages in connection therewith. Without limiting any other remedy we have in this Agreement or under applicable law, we have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Promotion Fund contributions at the expense of the Brand Promotion Fund. We also may forgive, waive, settle, and compromise all claims by or against the Brand Promotion Fund. Except as expressly provided in this Section 9.C, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Promotion Fund.

(5) We may at any time defer or reduce contributions of any VOLOFIT Business franchise owner and, upon thirty (30) days' prior notice to you, reduce or suspend contributions to the Brand Promotion Fund and its operations for one or more periods of any length and terminate (and, if terminated, reinstate) it. If we terminate the Brand Promotion Fund, we will, at our option, either spend all unspent monies in accordance with this Section, until such amounts are exhausted, or distribute the remaining funds to the contributing VOLOFIT Business owners on a pro rata basis.

D. Local Marketing Expenditures. In addition to your obligations under Section 9.A and Section 9.B above, you agree to spend money, as required in this Section 9.D, to promote your Business. You agree to list and advertise your Business on all major internet search engines and all major internet consumer review websites as set forth in the Operations Manual and in at least one recommended classified telephone directory distributed within the market area in which your Business operates. We may mandate use of a designated digital marketing firm to maintain

certain websites and social media pages relating to your Business or the brand, generally. Subject to the general approval rights set forth in this Agreement, beginning after you complete your grand opening advertising obligations in Section 9.A above, you must spend a minimum of two-thousand five hundred dollars (\$2,500) per month to advertise and promote your Business in its local market (this may include costs of yellow pages advertising or any of the actions set forth in the immediately preceding sentence). Within fourteen (14) days after the end of each calendar month, you agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding calendar month. Your local advertising and promotion must follow our guidelines and shall be in accordance with all applicable laws. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. At least fourteen (14) days before you intend to use them, you agree to send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written disapproval within fourteen (14) days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them; provided, however, that we may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the System's best interests. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. We may require that all advertising, marketing, and promotional materials you develop and use contain notices of the System Website's domain name in the manner we designate. You may not develop, maintain, or authorize any website, domain name, homepage, e-mail address, social media account (such as LinkedIn®, Twitter®, Facebook®, Instagram®, or YouTube®), user name, other online presence or presence on any electronic medium of any kind ("**Online Presence**") that mentions or describes you as a VOLOFIT Business owner or your Business or displays any of the VOLOFIT Business Marks.

E. **Local Advertising Cooperative.** Subject to the terms and conditions of this Section 9.E, we may, on our own initiative, establish or direct or authorize the establishment of a local advertising cooperative ("**Local Advertising Cooperative**"). We do not currently require that you contribute to a Local Advertising Cooperative, but if we establish one, we reserve the right to require you, on written notice, to contribute up to two percent (2%) of the Gross Sales of your Business or such larger amount as determined by a majority of the members of the co-op. Each Local Advertising Cooperative will be comprised of geographical areas that we determine or approve in which two (2) or more VOLOFIT Businesses are operating and in which their local marketing efforts are likely to overlap. Each VOLOFIT Business located in the area covered by the Local Advertising Cooperative (including those VOLOFIT Businesses that we or our affiliates own or operate) will be required to contribute, on an equal basis, to the Local Advertising Cooperative.

Each Local Advertising Cooperative, if established, will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating franchisees to review. If a Local Advertising Cooperative is established for the geographic area in which your Business is or will be located, you must sign the documents we require to become a member of the Local Advertising Cooperative, and you must participate in the Local Advertising Cooperative as those

documents require. We retain the power to change, dissolve and merge Local Advertising Cooperatives.

If a Local Advertising Cooperative is established for your geographic area, you must pay into it and participate in the marketing programs it conducts, in each case, as determined by us. We reserve the right to determine the geographic make-up of the Local Advertising Cooperative and the minimum amounts that must be contributed to it.

We reserve the right to manage any Local Advertising Cooperative, and we may require that contributions to the co-op be made directly to us or our designee. In such a case, you will be required to make those contributions in the same manner as you make payments of Royalty fees. We may, but will not be required to, segregate the funds we collect from the members of the Local Advertising Cooperative; however, we will account for those monies separately. We will be allowed to spend and allocate the Local Advertising Cooperative monies on the same types of things and in the same manner as we are allowed to do so with respect to the Brand Promotion Fund, but any marketing programs we conduct with the Local Advertising Cooperative's monies will be conducted in or will reach into the areas covered by the Local Advertising Cooperative.

In its governing documents, the Local Advertising Cooperative will be required to prepare an annual accounting of its collections and expenditures, by category, and these accountings for the most recently completed fiscal year will be available to its members on their written request.

You understand and acknowledge that your Business may not benefit, either directly or in proportion to its contribution to the Local Advertising Cooperative, from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for VOLOFIT Businesses will be developed separately, and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section 9.E, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

F. **System Website.** We have established, and may periodically update and modify, a website to advertise, market, and promote VOLOFIT Businesses generally, the products and services that they offer and sell, and the VOLOFIT Business franchise opportunity (the “**System Website**”). We may, but are not obligated to, provide you with a webpage on the System Website that references your Business. If we provide you with a webpage on the System Website, you must: (1) provide us the information and materials we request to develop, update, and modify your webpage; (2) notify us whenever any information on your webpage is not accurate; and (3) pay our then current initial fee and monthly maintenance fee for the webpage, if any. If we provide you a webpage on our System Website, we will only maintain it and may allow it to remain on the System Website only while you are in full compliance with this Agreement and all System Standards. We will own all intellectual property and other rights in the System Website, including your webpage, and all information they contain (including the domain name or URL for your webpage, the log of “hits” by visitors, and any personal or business data that visitors supply). We have final approval rights over all information on the System Website (including your webpage).

You acknowledge and agree that you shall have no right to directly edit or access your webpage and that we will have the sole right to make or direct all changes thereto. You shall not, during the Term or thereafter, challenge (x) our rights in and to the System Website, or (y) our right to grant rights and licenses relating to the System Website. All of your uses of the System Website shall, as between us and you, inure solely to our benefit, and any right that may accrue to you related thereto and any goodwill associated therewith are hereby granted and assigned to us or our designee. You shall cooperate with us both during and after the Term to grant and assign any such interest to us (or such designee), including the prompt execution of all necessary instruments to vest full title of, and all rights in and to, such interest in us (or such designee). You may not grant to any third person any rights in connection with the System Website.

10. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

A. **Bookkeeping and Accounting.** You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including charts of account) we prescribe from time to time. Any and all profit and loss statements shall be prepared in accordance with United States generally accepted accounting principles. We may require you to use a particular computer and point-of-sale system to maintain certain sales data and other information. In any event, you agree that we will have unfettered access to your computer and point-of-sales systems at all times so that we may view, track, retrieve, record and store transaction data, information regarding your sales, members and memberships, campaigns and all other aspects of the operation of your Business. You will take all steps necessary to provide us that access.

B. **Required Reports.** You agree to give us in the manner and format that we prescribe from time to time:

(1) On the date on which Royalty payments are due and payable, a report on the Gross Sales of your Business during the preceding month;

(2) on or before the fifth (5th) day of each calendar month, until your Business has shown an operating profit for at least five (5) consecutive months, a profit and loss statement for the immediately preceding calendar month;

(3) within thirty (30) days after the end of each calendar quarter, the operating statements, financial statements, statistical reports, purchase records, and other information we request regarding you and your Business covering the most recent calendar quarter and the year to date;

(4) within ninety (90) days after the end of each fiscal year, annual profit and loss and a balance sheet for your Business as of the end of that calendar year, prepared in accordance with generally accepted accounting principles;

(5) within three (3) business days of your receipt, a copy of: (a) any action, suit or proceeding relating to your or your Business; (b) any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to you or your Business; (c) any notice of violation of any law, ordinance or regulation relating to you or your Business; (d) any notice of complaint from the Better Business Bureau, any local, state or federal consumer affairs department or division, or any other government or

independent third party involving a complaint from a client or potential client relating to your Business; and (e) written complaints from any client or potential client. Without limiting anything else in this Agreement pertaining to the foregoing, you may not respond to any of the foregoing documents in this Section 10.B.5 without our prior written consent. To the extent such complaints involve the VOLOFIT Business Marks or brand (as opposed to the independent operation of your Business), we may determine, in our sole discretion, to unilaterally address these documents, and, in such case, we will notify you and keep you abreast of all material developments in connection therewith;

(6) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to your Business and the Franchise; and

(7) by January 15, April 15, July 15 and October 15 of each calendar year, reports on the status (including the outstanding balance, then-current payment amounts, and whether such loan is in good standing) of any loans outstanding as of the previous calendar quarter for which your Business or any of its assets are collateral. You must also deliver to us, within five days after your receipt, copies of any default notices you receive from any of such lenders. You agree that we or our affiliates may contact your banks, other lenders, and vendors to obtain information regarding the status of loans of the type described herein and your accounts (including payment histories and any defaults), and you hereby authorize your bank, other lenders, and vendors to provide such information to us and our affiliates.

Each report and financial statement must be signed and verified by your Managing Owner. We may disclose data derived from these reports. You agree to preserve and maintain all records pertaining to the operation of your Business in a secure location at your Business or other offsite storage for the entirety of the Term and at least five (5) years thereafter.

C. **Guarantors.** At our request, you will provide current financial information for your owners and guarantors sufficient to demonstrate such owners' and guarantors' ability to satisfy their financial obligations under their individual guarantees (**Exhibit B**).

11. **INSPECTIONS AND AUDITS.**

A. **Our Right to Inspect.** To determine whether you and your Business are complying with this Agreement and all System Standards, we and our designated agents or representatives, may at all times and without prior notice to you, without limitation, (1) inspect, observe, photograph and videotape your Business and its operations, (2) remove samples of any products and supplies; (3) interview your Business' personnel and customers; (4) inspect your Computer System, including hardware, software, security, configurations, connectivity, and data access; and (5) inspect and copy any books, records, financial documents and any other documents relating to the operation of your Business. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the operation of your Business. Copies of any of the inspected documents may be made by us and retained for our own use. You agree to present to your customers the evaluation forms that we periodically prescribe and to participate and request your customers to participate in any surveys performed by or for us.

B. **Our Right to Audit.** We and our designated agents or representatives may at any time during your business hours for any purpose, and without prior notice to you, examine, audit and photocopy the bookkeeping, accounting, tax, and financial records for and pertaining to your Business (an “**Audit**”). You agree to cooperate fully with our representatives and independent accountants in any Audit. If an Audit discloses an understatement of the Gross Sales, you agree to pay us, within fifteen (15) days after receiving the Audit report, the fees due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if we conduct an Audit because you fail to furnish required reports or to cooperate with our inspections, or if the Audit reveals Gross Sales exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for all costs we or our designees incurred in conducting the Audit (in all other cases the cost and expense of such inspection, examination and audit shall be at our sole cost). These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. **TRANSFER.**

A. **Transfer By Us.** You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction, including any source of or guarantor or insurer of financing or any trustee, collateral agent or other entity appointed in connection with such financing. We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. Upon notice from us, if applicable, you shall make any payments due hereunder to the applicable third party designated by us and execute and deliver any documents reasonably required to confirm or complete any transfer or assignment of any portion or this whole Agreement.

B. **Transfer By You.** The rights and duties created by this Agreement are personal to you (or to your owners if you are an Entity), and we have granted you the Franchise in reliance on our perceptions of your (or your owners’) individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither (1) this Agreement (or any interest in this Agreement), (2) your Business or its assets (except in the ordinary course), (3) any direct or indirect ownership interest in you (regardless of its size), nor (4) any ownership interest in any of your owners (if such owners are Entities) may be transferred without our prior written approval, which consent will not be unreasonably withheld or delayed. You further agree that you will not enter into any proposed mortgage, pledge, hypothecation, encumbrance or giving of a security interest in or which affects the Business, this Agreement or your rights under this Agreement without our prior written consent. Your obligations under this Agreement may not be delegated. Your rights under this Agreement, your rights under the Possession Agreement, and the assets of your Business may not be transferred separately. Any transfer, assignment or any action contemplated under this Section 12.B without our approval is a breach of this Agreement and has no effect. If you intend to list your Business for sale with any broker or agent, you may do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any VOLOFIT Business Mark in advertising the transfer or other disposition of your Business or of any ownership in you without

our prior written consent. You may not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Business or of any ownership interest in you without our prior written approval of such materials. You may not transfer this Agreement before your Business has opened for business.

C. **Conditions for Approval.** We may impose certain conditions on our approval of a transfer proposed by you or your owners, including that: (1) you be in full compliance with this Agreement, (2) the proposed transferee and its direct and indirect owners (if the transferee is an Entity) be of good character and meet our then applicable System Standards for VOLOFIT Business franchise owners, (3) you (and, if they are already an owner or operator of a VOLOFIT Business, the transferee and its owners) execute a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their owners, officers, directors, employees, and agents, (4) that all amounts owed to us, our affiliates and third parties relating to your Business be paid in full, (5) the transferee (or its General Manager) satisfactorily complete our training program; (6) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish your Business in accordance with our then current requirements and specifications for VOLOFIT Businesses within one hundred twenty (120) days after the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take within this time period); (7) the transferee, at our request, signs our then current form of franchise agreement and related documents (including personal guarantees), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; (8) you pay us a transfer fee equal to ten thousand dollars (\$10,000); (9) you remain secondarily liable for all obligations of the transferee under this Agreement; and (10) you and your transferring owners (and your and their immediate family members) agree to comply with the post-term restrictions on competition, solicitations and interference as described in Section 15.D. below as though the Agreement had expired or been terminated as of the date of transfer.

We reserve the right to approve the purchase price, the amount of debt and payment terms, and the other requirements associated with the transfer. If you or your owners finance any part of the purchase price, you and your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Business are subordinate to the transferee's obligation to pay fees and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement.

We may review all information regarding your Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Business.

D. **Public or Private Offerings.** Written information used to raise or secure funds can reflect upon us and the Franchise System. You agree to submit any written information intended to be used for that purpose to us before inclusion in any registration statement, prospectus or similar offering memorandum. Should we object to any reference to us or our affiliates or any of our business in the offering literature or prospectus, the literature or prospectus shall not be used until our objections are withdrawn. You may not engage in a public offering of securities without our prior written consent.

E. **Our Right of First Refusal.** If you (or any of your owners) propose to make any transfer that otherwise would be allowed under Sections 12.B and 12.C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

- (1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);
- (2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);
- (3) we will have an additional sixty (60) days to prepare for closing after notifying you of our election to purchase; and
- (4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including representations and warranties regarding ownership and condition of and title to ownership interests or assets, liens and encumbrances relating to ownership interests or assets, and validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we exercise our right of first refusal, you and we will terminate this Agreement as a condition of the closing. We have the unrestricted right to assign this right of first refusal to a third party who then will have the rights described in this Section 12.E. If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Sections 12.B and 12.C above. If you do not complete the sale to the proposed buyer within sixty (60) days after either we notify you that we do not intend to exercise our right of first refusal or the time our exercise expires, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

13. **SUCCESSOR FRANCHISES.**

A. **Your Right to Acquire a Successor Franchise.** Effective after the expiration of the Term, you may acquire one (1) successor franchise to continue to operate your Business, for a term of ten (10) years, if you (and each of your owners) have substantially complied with this Agreement during its Term and, both on the date you give us the Election Notice (defined below) and on the date on which the term of the successor franchise would commence, (i) are in full compliance with this Agreement all System Standards, and any other conditions of extension; (ii) you are able, under the Possession Agreement, to maintain possession of the Premises for the duration of the successor franchise term; and (iii) you comply with the provisions of this Article 13.

B. **Election Notice.** To acquire a successor franchise, you must give us written notice of your election (the “**Election Notice**”) no more than two-hundred seventy (270) days and no less than one hundred eighty (180) days before this Agreement expires. Not more than ninety (90) days after we receive your Election Notice, we will give you written notice (“**Our Notice**”) of our decision to grant you a successor franchise, to grant you a successor franchise on the condition that you correct existing deficiencies in the operation of your Business, not to grant you a successor franchise based on our determination that you are not entitled to one, or not to grant you a successor franchise because we are no longer granting franchises for VOLOFIT Businesses (such decision is final and may not be challenged by you). If applicable, Our Notice will describe the remodeling, expansion, improvements, or modifications required to bring your Business into compliance with then applicable System Standards for new VOLOFIT Businesses and state the actions you must take to correct any operating deficiencies and the time period in which you must correct these deficiencies. If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

C. **Successor Agreement.** If you are entitled to a successor franchise, you and your owners must (prior to the expiration of the then-current Term) execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for VOLOFIT Businesses, modified as necessary to reflect the fact that it is for a successor franchise (the “**Successor Agreement**”). The Successor Agreement may contain provisions that differ materially from those contained in this Agreement (as determined in our sole discretion). On execution of the Successor Agreement, you must pay a renewal fee in an amount equal to seven thousand five hundred dollars (\$7,500). You and your owners must also sign general releases, as of the expiration of the current Agreement, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their owners, officers, directors, employees, agents, successors, and assigns.

14. **TERMINATION OF AGREEMENT.**

A. **Termination By You.** You may terminate this Agreement under the following circumstances:

(1) If, despite using your best efforts, you have failed to arrange for and secure legally binding Initial Funding by the deadline set forth in Section 2.A(1), you may terminate this Agreement, without receiving a refund of any amounts paid by you to us as of such deadline date, by providing us ten (10) days' prior written notice of your election to terminate. Without limiting the foregoing, you must also reimburse us for all amounts we spent in connection with your Business through the applicable date of termination set forth in this Section 14.A(1). To terminate on this basis, we must receive your written notice by not later than the date by which you are required to secure the Initial Funding as required under Section 2.A(1). If you terminate on this basis, you and we must sign an agreement to voluntarily terminate this Agreement, which agreement will require you (and your owners) to comply with all post-term obligations under Article 15 (except Sections 15.D and 15.E), and contain a release of all claims you have against us; and

(2) If you and your owners are fully complying with this Agreement and we commit a material breach of any material representation, warranty or obligation set forth in this Agreement and do not correct such failure within sixty (60) days after you deliver written notice of the material failure to us or if we cannot correct the failure within sixty (60) days and we fail to give you within sixty (60) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional sixty (60) days after you deliver to us written notice of termination.

B. **Termination By Us.** We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating your Business;

(2) you do not timely comply with the development deadlines set forth in Section 2.A;

(3) we determine the Mandatory Trainee is not capable or qualified to satisfactorily complete initial training;

(4) you (i) close or inform of us of your intention to close your Business in a manner not permitted under the Operations Manual or otherwise with our prior written consent, (ii) fail actively to operate your Business for three (3) or more consecutive business days, or (iii) otherwise abandon or appear under the circumstances to have abandoned your Business or your rights under this Agreement;

(5) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest or guilty to, a felony;

(6) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(7) you (or any of your owners) engage in any conduct which, in our opinion, adversely affects the reputation of your Business, other VOLOFIT Businesses, or the

goodwill associated with the VOLOFIT Business Marks, including your or your employees' negligence that proximately causes death or serious injury;

(8) you (or any of your owners) make or attempt to make an unauthorized transfer (as defined in section 12.B);

(9) you lose the right to occupy the Premises;

(10) you fail to open the Business within twelve (12) months after you sign this Agreement;

(11) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(12) you violate any law, ordinance, rule or regulation of a governmental agency in connection with the operation of your Business and fail to correct such violation within seventy-two (72) hours after you receive notice from us or any other party;

(13) you fail to pay us or our affiliates any amounts due and do not correct the failure within ten (10) days after written notice of that failure has been delivered or fail to pay any third party obligations owed in connection with your ownership or operation of the Business and do not correct such failure within any cure periods permitted by the person or Entity to whom such obligations are owed;

(14) you fail to pay when due any federal or state income, service, sales, use, employment or other taxes due on or in connection with the operation of your Business, unless you are in good faith contesting your liability for these taxes;

(15) you understate the Gross Sales three (3) times or more during this Agreement's Term;

(16) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not you correct the failures after our delivery of notice; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not you correct the failures after our delivery of notice;

(17) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, liquidator or other administrator of all or the substantial part of your property; your Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, liquidator or other administrator of you or your Business is not vacated within thirty (30) days following the order's entry;

(18) you (or any of your owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you;

(19) you (or any of your owners) fail to comply with anti-terrorism laws, ordinances, regulations and Executive Orders;

(20) you create or allow to exist any condition in or at the Premises which we reasonably determine to present a health or safety concern for the customers or employees of your Business;

(21) you fail to pass quality assurance audits, and do not cure such failure within fifteen (15) days after we deliver written notice of failure to you;

(22) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard, and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you; or

(23) you or an affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

C. **Assumption of Management.** We have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume the management of your Business (or to appoint a third party to assume its management) for any period of time we deem appropriate but not to exceed ninety (90) day increments, renewable for up to one year, in the aggregate. We will periodically discuss with you the results of operation of the Business during the time that we manage it. If we (or a third party) assume the management of your Business under subparagraphs (1) and (2) below, you agree to pay us (in addition to the fees and other amounts due under this Agreement) an additional amount equal to ten percent (10%) of Gross Sales, plus our (or the third party's) direct out-of-pocket costs and expenses, for any period we deem appropriate. If we (or a third party) assume the management of your Business, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Business purchases, while we (or the third party) manage your Business.

We (or a third party) may assume the management of your Business under this Section 14.C if:

(1) you abandon or fail to actively operate your Business in accordance with all the standards we provide to you;

(2) you fail to comply with any provision, representation, warranty or obligation of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or

(3) this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase your Business under Section 15.E. below.

If we exercise our rights under subparagraphs (1) or (2) above: (i) you shall make all best efforts to become capable of recovering complete management and operation of your Business after the applicable assumption of management period by us (or a third party) under this Section 14.C; and (ii) that will not affect our right to terminate this Agreement under Section 14.B. above.

15. **OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

A. **Payment of Amounts Owed to Us.** You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us, all fees and other amounts that are then owed to us (and our affiliates) and are then unpaid.

B. **De-Identification.** When this Agreement expires or is terminated for any reason:

(1) you will cease operating your Business (and all advertising, promotion and marketing in connection therewith) to customers and cease to directly or indirectly sell any products or services of any kind and in any manner from the Business and/or using the VOLOFIT Business Marks, unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 15.E;

(2) you must cease all use, direct or indirect, of any VOLOFIT Business Mark, any colorable imitation of a VOLOFIT Business Mark, any other indicia of a VOLOFIT Business in any manner or for any purpose, or any trade name, trademark, service mark, or other commercial symbol that indicates or suggests a connection or association with us, in any manner or for any purpose;

(3) you may not directly or indirectly at any time or in any manner (except in connection with other VOLOFIT Business you operate in compliance with the terms of a valid Franchise Agreement with us) identify yourself or your Business as a current or former VOLOFIT Business or as one of our current or former franchise owners, and you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any VOLOFIT Business Mark;

(4) you agree to deliver to us or destroy (as we require), at your expense, within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any VOLOFIT Business Mark or otherwise identifying or relating to a VOLOFIT Business, including copies of all Confidential Information, and allow us, without liability to you or third parties, to remove these items from your Business;

(5) if we do not have or do not exercise an option to purchase your Business under Section 15.E below, you agree promptly and at your own expense to make the alterations we specify in the Operations Manual (or otherwise) to distinguish your business and activities clearly from its former appearance and from other VOLOFIT Businesses in order to prevent public confusion and in order to comply with the non-competition provisions set forth in Section 15.D;

(6) you will remove all uses of the VOLOFIT Business Marks from the public domain;

(7) you agree to immediately cease using and, at our discretion, either disable or instruct the registrar of any Contact Identifier or Online Presence to transfer exclusive control of and access to such Contact Identifier or Online Presence to us (or our designee) as we determine in our sole discretion;

(8) you agree to comply with all other System Standards we establish from time to time (and all applicable laws) in connection with the closure and de-identification of your Business, including as it relates to disposing of Personal Information, in any form, in your possession or the possession of any of your owners or employees; and

(9) you will give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

If you fail to take any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass on any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Business. You must reimburse us for all costs and expenses we incur in correcting such deficiencies.

C. **Confidential Information.** When this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System) in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials that we have loaned or given you.

D. **Non-Competition and Non-Interference.** On termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15.D begin to comply with this Section 15.D, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating within a 5-mile radius of the Premises; and within a 5-mile radius of any other VOLOFIT Business in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section 15.D begin to comply with this Section 15.D.

These restrictions also apply after transfers, as provided in Section 12.C(11) above. If any person restricted by this Section 15.D refuses voluntarily to comply with these obligations, the two-year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 15.D will not deprive you of your personal goodwill or ability to earn a living.

You further agree that following the effective date of termination or expiration, neither you nor any of your owners, your or your owners' affiliates, or the officers, directors, managers or immediate family members of any of the foregoing, will:

(1) interfere or attempt to interfere with our or our affiliates' relationships with any vendors or consultants; or

(2) engage in any other activity which might injure the goodwill of the VOLOFIT Business Marks or the Franchise System.

E. **Our Right to Purchase Your Business.** In addition to any other rights we have under this Agreement, we have the right to purchase your Business, as described in this Section 15.E (the “**Purchase Option**”), upon the expiration of the Term (for the avoidance of doubt, this Purchase Option supersedes any right you have to a renewal term), our termination of this Agreement under Section 14.B or otherwise in this Agreement, or your termination of this Agreement with or without cause (each of the foregoing, a “**Termination Event**”). We have the unrestricted right to assign the Purchase Option in our discretion.

We may exercise the Purchase Option by giving you written notice of our election by not later than thirty (30) days after the occurrence of the Termination Event. The purchase price for your Business will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting (not the value of your Business as a going concern) (“**Liquidation Value**”). Closing of the purchase will take place, as described below, on a date we select which is within ninety (90) days after determination of the purchase price in accordance with this Section.

If you dispute our calculation of the purchase price, the purchase price will be determined by one independent accredited appraiser designated by us who will calculate the purchase price applying the criteria specified above. We agree to select the appraiser within fifteen (15) days after we receive the financial and other information necessary to calculate the purchase price (if you and we have not agreed on the purchase price before then). You and we will share equally the appraiser’s fees and expenses. The appraiser must complete its calculation within thirty (30) days after its appointment. The purchase price will be the appraiser’s determination of the value, applying the appropriate mechanism as described above.

Unless we exercise our right to assume management, you will continue to operate the Business in accordance with this Agreement through the closing. Prior to such closing, you agree to cooperate with us in conducting due diligence, including providing us with access to your business and financial records, relevant contracts and all other information relevant to the Business. At such closing, we (or our assignee) will pay the purchase price in cash. You agree to execute and deliver to us (or our assignee):

- (1) an Asset Purchase Agreement and all related agreements, in form and substance acceptable to us and in which you provide all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise;
- (2) a transfer of good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;
- (3) an assignment of all of the licenses and permits for your Business which may be assigned or transferred;
- (4) an assignment of the Possession Agreement;

(5) general releases, in form and substance satisfactory to us, of any and all claims you and your owners have against us and our shareholders, officers, directors, employees, agents, successors, and assigns; and

(6) an agreement, in form and substance satisfactory to us, voluntarily terminating this Agreement under which you and your owners agree to comply with all post-term obligations set forth in Sections 15.A through 15.D and with all other obligations which, either expressly or by their nature, are intended to survive termination or expiration of this Agreement.

F. **Liquidated Damages for Lost Revenue.** If we terminate this Agreement in accordance with Section 14.B, or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties and that the Brand Promotion Fund (and, if applicable, Local Advertising Cooperative) would have otherwise derived from your continued contributions to those funds, through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the “**Lost Revenue Damages**”), is an amount equal to the net present value of the Royalties and contributions to the Brand Promotion Fund (and, if applicable, Local Advertising Cooperative) that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) five (5) years following the date of termination, or (b) the scheduled expiration of the Term of this Agreement (the “**Measurement Period**”). For the purposes of this Section, Lost Revenue Damages shall be calculated as follows: (1) the number of calendar months in the Measurement Period, multiplied by (2) the aggregate of the Royalty fee, Brand Promotion Fund, and, if applicable, Local Advertising Cooperative contribution rates, multiplied by (3) the average monthly Gross Sales of your Business during the twelve (12) full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Business has not been operating for at least twelve (12) months, the average monthly Gross Sales of all VOLOFIT Businesses operating under the VOLOFIT Business Marks during the entirety of our fiscal year immediately preceding the termination date. You agree to pay us Lost Revenue Damages, as calculated in accordance with this Section, within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

G. **Continuing Obligations.** All of our and your (and your owners’) obligations which expressly or by their nature survive this Agreement’s expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **Independent Contractors.** This Agreement does not create a fiduciary relationship between you and us. You and we are and will be independent contractors, and nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself

conspicuously in all dealings with customers, suppliers, public officials, your personnel, and others as the owner of your Business under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

B. **No Liability to or for the Acts of Others.** We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Business or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any vendors.

C. **Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any such taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

D. **Indemnification.** You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective owners, directors, managers, members, partners, licensees, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) from and against, and to reimburse any one or more of the Indemnified Parties for, all claims, actions, causes of action, suits, debts, obligations, losses, damages, amounts paid in settlement, liabilities, costs and expenses whatsoever, including attorneys’ fees, whether arising out of a claim involving a third party or between one or more of you and us, resulting to, imposed upon, asserted against or incurred by any of the Indemnified Parties directly or indirectly arising out of or relating to (a) the operation of your Business, (b) the business you conduct under this Agreement, (c) your violation of applicable laws, (d) the performance of your obligations under this Agreement, or (e) your breach of or misrepresentation under this Agreement, including those alleged to be caused by the Indemnified Party’s negligence. For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable 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 or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may, in its discretion and at your expense, control the defense of any claim against it (including choosing and retaining its own counsel), agree to settlements of claims against it, and take any other remedial, corrective, or other actions in response to such claims. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. 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 subparagraph. Notwithstanding the foregoing, to the extent any element of a third party claim against you relates to or involves any

of the VOLOFIT Business Marks, we or our designee(s) shall have the right to control the defense of all aspects of such claim.

17. **ENFORCEMENT.**

A. **Security Interest.** As security for the performance of your obligations under this Agreement, including payments owed to us for purchase by you, you hereby collaterally assign to us the Possession Agreement and grant us a security interest in all of the Operating Assets and all other assets of your Business, including inventory, accounts, supplies, contracts, cash derived from the operation of your Business and sale of other assets, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law. If a third party lender requires that we subordinate our security interest in the assets of your Business as a condition to lending you working capital for the construction or operation of your Business, we will agree to subordinate pursuant to terms and conditions determined by us. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the records of any county and state that we deem appropriate to protect our interests.

B. **Severability and Substitutions of Valid Provisions.** Except as otherwise expressly provided, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid, unenforceable or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. **Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice. We and you will not waive or impair any right, power, or

option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other VOLOFIT Businesses; the existence of franchise agreements for other VOLOFIT Businesses which contain provisions different from those contained in this Agreement; a prior waiver of the same; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

D. **Costs and Attorneys' Fees.** If either party initiates an arbitration, judicial or other proceeding, the prevailing party will be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such arbitration or litigation.

E. **Rights of Parties Are Cumulative.** Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

F. **Arbitration.** We and you agree that all controversies, disputes, or claims between us or any of the Indemnified Parties, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); our relationship with you; the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 17.F, which we and you acknowledge is to be determined by an arbitrator, not a court); or any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator in our then-current principal place of business (currently, Charlotte, North Carolina). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive

or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

We and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and/or an Indemnified Party, on the one hand, and you (or your owners, guarantors, affiliates, and employees), on the other hand, may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

Notwithstanding our and your agreement to arbitrate, in addition to such other contractual, legal and equitable rights and remedies that may be available, we have the right in a proper case (for example, without limitation, your threatened or actual unauthorized use of our VOLOFIT Business Marks or any benefit granted by us to you hereunder) to seek temporary restraining orders, temporary or preliminary injunctive relief, and/or a decree for specific performance, in each case without being required to prove actual damages or furnish a bond or other security, from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute, controversy or claim for arbitration on the merits as provided in this Section.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

With respect to any discovery of electronically stored information, you and we agree that such requests must balance the need for production of electronically stored information relevant and material to the outcome of a disputed issue against the cost of locating and producing such information. You and we agree that:

(1) production of electronically stored information need only be from sources used in the ordinary course of business. No party shall be required to search for or produce information from back-up servers, tapes, or other media;

(2) the production of electronically stored information shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the information and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(3) the description of custodians from whom electronically stored information may be collected shall be narrowly tailored to include only those individuals whose electronically stored information may reasonably be expected to contain evidence that is relevant and material to the outcome of a disputed issue;

(4) the parties shall attempt to agree in advance upon, and the arbitrator may determine, reasonable search parameters; and

(5) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, which cost advance will not be awarded to the prevailing party in any final award.

In any arbitration, each side may take no more than three depositions, unless the parties mutually agree to additional depositions. Each side's depositions are to consume no more than a total of fifteen hours, and each deposition shall be limited to five hours, unless the parties mutually agree to additional time.

The provisions of this Section are intended to benefit and bind certain third party non-signatories.

The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

Except where a party believes that immediate injunctive relief is necessary and appropriate, prior to filing any arbitration proceeding pursuant to this Section, the party intending to file such a proceeding shall notify the other party in writing of the existence and the nature of the dispute. The parties agree that within ten (10) business days of the other party's receipt of such notice, authorized representatives of each party shall meet in order to attempt to amicably resolve the dispute. If such informal dispute resolution attempts prove to be unsuccessful, either party may initiate the dispute resolution procedures available to it under this Agreement. Each party shall bear its own costs associated with or incurred as a result of such meeting.

G. **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law,

this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of North Carolina, without regard to its conflict of laws rules, except that (1) any law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your Business is located.

H. **Consent to Jurisdiction.** Subject to the obligation to arbitrate under Section 17.F and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the court nearest to our then current principal place of business (currently Charlotte, North Carolina), and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

I. **Waiver of Punitive and Other Damages; Waiver of Jury Trial.** Except for (a) your obligation to indemnify us under Section 16.D, (b) our claims arising out of or relating to your unauthorized use of a VOLOFIT Business Mark or other intellectual property, (c) our claims arising out of your breach of your confidentiality obligations hereunder, or (d) our claims arising out of or relating to your gross negligence or willful misconduct, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any special, indirect, consequential, incidental, punitive, exemplary or multiple damages against the other in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions or relationships contemplated by this Agreement or any other transaction, relationship, act, omission, or event arising or occurring in connection therewith, and each party waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor, and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action or proceeding.

J. **Injunctive Relief.** Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will injure or harm us, the VOLOFIT Business Marks or the Franchise System, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction.

K. **Binding Effect.** This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly-authorized officers.

L. **Limitations of Claims.** You and your owners agree not to bring any claim asserting that any of the VOLOFIT Business Marks are generic or otherwise invalid. Any claim by you must be commenced in accordance with this Agreement within one (1) year from the date on which you knew or should have known of the facts giving rise to the claim, or such claim shall be barred. You understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' owners, managers, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your owners. The parties agree that claims of any other party or parties shall not be joined with any claims asserted in any action or proceeding between us and you. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

M. **Construction.** The preambles and exhibits are a part of this Agreement, which together with this Agreement constitute our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Business (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnish to you. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except as provided in Section 16.D, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

You agree that whenever this Agreement allows or requires us to take actions or make decisions, we may do so in our sole and unfettered discretion, even if you believe our action or decision is unreasonable, unless the Agreement expressly and specifically requires that we act reasonably or refrain from acting unreasonably in connection with the particular action or decision.

As used in this Agreement, the term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “**Control**” means the power to direct or cause the direction of management and policies. Unless indicated otherwise, “**including**” means “including, without limitation.”

If two or more persons are at any time the owners of the Franchise and your Business, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Business or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or your Business and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to an “**ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. “**Person**” means any natural person, corporation, limited liability company,

general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The term “**your Business**” includes all of the assets of the business you operate under this Agreement, including its revenue and the Possession Agreement.

We have the right to operate, develop, and change the Franchise System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, to grant or decline to grant you a right to take or withhold an action, or to provide or withhold approval or consent, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and on our judgment of what is in our or the Franchise System’s best interests at the time our decision is made.

18. **NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice (or if to you, notice may be delivered to your Business) and will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (a) at the time delivered by hand; (b) at the time delivered via computer transmission and, in the case of fees and other amounts due, at the time we actually receive payment; (c) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (d) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

19. **COUNTERPARTS.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

20. **MISCELLANEOUS.**

A. **Reservation of Rights.** Except for those rights expressly granted to you under this Agreement, all other rights, benefits and privileges relating to us and the VOLOFIT Business are expressly reserved by us. In addition, no license or right is granted for the use of any VOLOFIT Business Marks or other proprietary rights or intellectual property of, owned or licensed by us or our affiliates, except as expressly set forth in this Agreement.

B. **Authority.** Each party represents, warrants and covenants that (i) it has the full power and legal authority to enter into and perform this Agreement in accordance with its terms; (ii) all necessary approvals for the execution, delivery, and performance by it of this Agreement have been obtained; and (iii) this Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms.

Each party shall comply in all material respects with all laws applicable to the exercise of its rights and performance of its obligations under this Agreement.

C. **Counsel Review.** The parties agree that this Agreement shall be interpreted neutrally and without regard to the party that drafted it and, in particular, no rule of construction shall be applied as against any party that would result in the resolution of an ambiguity contained herein against the drafting party.

D. **Franchisee Acknowledgment Statement.** 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.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

VOLOFIT FRANCHISING, LLC

FRANCHISE OWNER:

[Name]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EFFECTIVE DATE: _____

Date: _____

EXHIBIT A
TO FRANCHISE AGREEMENT

1. **Form of Owner.**

(a) **Individual Proprietorship.** Your owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership.** You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name unless indicated in the following: _____.

2. **Owners.** The following identifies the owner that you have designated as, and that we approve to be, the Managing Owner and lists the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name</u>	<u>Type / %-age of Interest</u>
Managing Owner:	_____	_____ %
Other Owners:	_____	_____ %
	_____	_____ %
	_____	_____ %

3. Initial Franchise Fee (check one):
_____ \$50,000
_____ \$42,500
_____ \$35,000
_____ \$30,000

4. Premises: _____

5. Protected Territory: _____

VOLOFIT FRANCHISING, LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day
of _____, 20 __, by _____
_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (as amended, modified, restated or supplemented from time to time, the “Agreement”) on this date by **VOLOFIT FRANCHISING, LLC** (“us”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ (“Franchise Owner”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchise Owner and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchise Owner fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchise Owner or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, the undersigned shall present updated financial information to us as reasonably necessary to demonstrate his or her ability to satisfy the financial obligations of Franchise Owner under the Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchise Owner arising as a result of the undersigned’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned’s spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 17 (Enforcement) of the Agreement, including Section 17.F (Arbitration), Section 17.G (Governing Law), Section 17.H (Consent to Jurisdiction) and Section 17.D (Costs and Attorneys' Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the undersigned and us. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchise Owner (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

By signing below, the undersigned spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
Name: _____	Name: _____
Sign: _____	Sign: _____
Address: _____ _____	Address: _____ _____
Email address: _____	Email address: _____
Name: _____	Name: _____
Sign: _____	Sign: _____
Address: _____ _____	Address: _____ _____
Email address: _____	Email address: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

ADDENDUM
RELATING TO
VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS ADDENDUM (Addendum) is made and entered into on _____, 20____, by **VOLOFIT FRANCHISING, LLC**, located at 2820 Selwyn Ave., Suite 692, Charlotte, NC 28209 (Franchisor), and _____, located at _____ (Franchisee).

Recitals. Franchisor and Franchisee entered into a Franchise (or License) Agreement on _____, 20__, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

16. Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.
17. Notwithstanding anything to the contrary in the Franchise Agreement or other ancillary document, upon termination or expiration of the relationship if the franchise business collateral is to be sold and the parties are unable to agree as to a purchase price and terms, the fair market value of such property shall be determined by three Appraisers chosen in the following manner. Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties.
- Notwithstanding anything to the contrary in the Franchise Agreement or other ancillary document, Franchisor's (or any Third Party Assignee of the Franchisor) right to elect its Right of First Refusal to exercise said option when the franchisee decides to sell partial interest(s) in the business is amended. The Franchisor (nor any Third Party Assignee of the Franchisor) will not exercise the option for any partial sale of the franchisee's business. The Franchisor (Third Party Assignee of the Franchisor) may not become a partial owner of any SBA financed franchises.

- Notwithstanding anything to the contrary in the Franchise Agreement or other ancillary document, franchisor's purchase option upon expiration of the term of the agreement or both parties right to terminate the agreement (including the franchisor's right to assign this purchase option) will not supersede the franchisee's right to renew the agreement between the parties. The franchisor's right to supersede the purchase option is not applicable when the franchisee obtains SBA financing.

18. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid-in-full; or (iii) SBA no longer has any interest in the Loan.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. § 1001 (\$250,000 fine and/or up to 5 years imprisonment), 15 U.S.C. § 645(a) (\$5,000 fine and/or up to 2 years imprisonment), and, if submitted to a Federally insured institution, under 18 USC 1014 (up to \$1,000,000 fine and/or imprisonment of not more than 30 years), and civil penalty under 12 U.S.C. § 1833a (up to \$1,000,000), and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729-3733.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:

FRANCHISEE:

VOLOFIT FRANCHISING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

FORM OF ADDENDUM TO LEASE

THIS ADDENDUM is executed as of this ____ day of _____, _____, by and between _____ (“**Franchisee**”) and _____ (“**Landlord**”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, (“**Lease**”) for the premises located at _____, State of _____ (“**Premises**”) dated as of _____, _____.

Franchisee has entered into a Volofit Franchise Agreement (“**Franchise Agreement**”) with Volofit Franchising, LLC (“**Franchisor**”) for the development and operation of a Volofit at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its option to acquire the Premises under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.
3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.
4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor’s prior written consent.
5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
6. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord’s prior consent, further assign the Lease to a franchisee of Franchisor to operate the Volofit at the Premises provided that the following criteria are met: (a) Franchisor has an established franchising program for Volofit locations; and (b) the proposed franchisee has met all of Franchisor’s applicable program criteria and requirements and has executed Franchisor’s standard franchise agreement. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as

Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Volofit location. Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.
8. Landlord and Franchisee agree that if Landlord is an affiliate or an owner of Franchisee and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Franchisor shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Volofit location is located.
9. Franchisor, along with its successors and assigns, is an intended third-party beneficiary of the provisions of this Addendum.
10. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 or such other address as Franchisor shall specify by written notice to Landlord.
11. Under the Franchise Agreement, any lease for the location of a Volofit location is subject to Franchisor's approval with regards to the terms and conditions that affect Franchisor, and Franchisor expressly disclaims any other connotations either expressed or implied as to the other terms and conditions set forth in the Lease that are negotiated between Landlord and Franchisee. Accordingly, the Lease is contingent upon such approval, and Franchisor shall provide written notice to Landlord and Franchisee to evidence such approval, as applicable.

[Signature page follows.]

WITNESS the execution hereof under seal.

LANDLORD: _____

By: _____

Print Name: _____

Title: _____

Date: _____

Subscribed and sworn to before me this ____
day of _____, ____.

Notary Public

My Commission expires: _____

FRANCHISEE: _____

By: _____

Print Name: _____

Title: _____

Date: _____

Subscribed and sworn to before me this
____ day of _____, ____.

Notary Public

My Commission expires: _____

EXHIBIT C
AREA DEVELOPMENT AGREEMENT

VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER

DATE OF AGREEMENT

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EXHIBITS

- EXHIBIT A - Development Area, Owners, Development Schedule
EXHIBIT B - Guaranty and Assumption of Obligations

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company having its address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“**us**”) and _____, a _____ having its address at _____ (“**you**”), as of the Effective Date.

BACKGROUND

We grant Franchises for the development and operation of fitness studios (“**VOLOFIT Businesses**”) to Persons who we determine meet our qualifications. Each Franchise is granted solely pursuant to a written Franchise Agreement. We also grant Development Rights to certain Persons (as defined below) we believe meet our criteria for multi-unit operators of the VOLOFIT Business. You and, if applicable, your Owners have requested that we grant you Development Rights for the Development Area, and we are willing to do so in reliance on all of the information, representations, warranties and acknowledgements you and, if applicable, your Owners have provided to us in support of your request, and subject to the terms and conditions set forth in this Agreement.

1. DEFINITIONS.

Certain terms used in this Agreement are defined in the section in which they appear. The following terms, when used in this Agreement, have the meanings given them below:

“**Affiliate**” – a Person that (i) Controls, (ii) is Controlled by, or (c) is under common Control with another Person.

“**Approved Affiliate**” – one of more of your Affiliates that we approve to enter into a Franchise Agreement in connection with your exercise of the Development Rights under this Agreement.

“**VOLOFIT Business**” – a business that meets all of the following criteria: (a) operates or is authorized to operate from a single physical location, (b) is identified by the VOLOFIT Business Marks, (c) uses or is authorized to use the System, and (d) drawing on the VOLOFIT brand, provides high-intensity strength and cardio training and related products and services we authorize from time to time.

“**VOLOFIT Business Marks**” – the names, trademarks, trade names, service marks, copyrights, logos, symbols, emblems, designs, colors, brands, identifications and designations that, under Franchise Agreements, we authorize or mandate from time to time that you or your Approved Affiliates use in the development and operation of a VOLOFIT Business.

“**Competitive Business**” – (1) any business (other than a VOLOFIT Business) that offers products or services related to fitness or exercise, including any other fitness concept, gym or studio, (ii) any business that offers or sells goods or services that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised or licensed by us or our affiliates, or (iii) any business that grants franchises or licenses for the

operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing.

“Confidential Information” - all information we or our Affiliates furnish to you, make available to you, or with which you come into contact, whether orally or by means of written material, including (1) site selection criteria; (2) training and operations materials and manuals, including the Operations Manual; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating VOLOFIT Businesses; (4) market research, promotional, marketing and advertising programs for VOLOFIT Businesses; (5) knowledge of specifications for, and suppliers of, Operating Assets and other products and supplies; (6) any computer software or similar technology which is proprietary to us, our affiliates, or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of VOLOFIT Businesses; and (8) customer data.

“Control” - the ownership of fifty-one percent (51%) or more of the issued and outstanding Ownership Interests and voting rights of a Person or the right and power to direct or cause the direction of a Person’s management and policies.

“Development Area” – the area described on Exhibit A hereto.

“Development Period” – each period of time that, together, comprise the Development Schedule.

“Development Rights” – the rights to acquire Franchises to develop, own and operate VOLOFIT Businesses in the Development Area in satisfaction of the Development Schedule.

“Development Schedule” – the schedule reflected on Exhibit A and that describes, by Development Period, the requirements for signing leases and opening VOLOFIT Businesses pursuant to Franchise Agreements.

“Effective Date” – the date on which we sign this Agreement, as shown beneath our signature on the signature pages of this Agreement.

“Franchise” – the right and obligation granted and assumed pursuant to a Franchise Agreement to develop, own and operate a single VOLOFIT Business at a specific location.

“Franchise Agreement” – a written agreement, together with its exhibits and related agreements, between us and a franchisee pursuant to which we grant a Franchise to own a VOLOFIT Business.

“Owner” – a Person who, whether of record, beneficially, or otherwise, owns a direct or indirect Ownership Interest or voting rights.

“Ownership Interests” – any direct or indirect legal or equitable interest your revenue, profits, rights or assets.

“**Person**” – an individual, corporation, partnership, limited liability company, estate, trust, joint venture, association, government (and any branch, division, agency or instrumentality thereof), governmental entity or other entity.

“**System**” - the system and system standards under which VOLOFIT Businesses are developed and operated, as we may modify them from time to time.

“**Term**” – the period of time beginning on the Effective Date and, unless sooner terminated as provided herein, continuing through the earlier of (1) the date on which the last VOLOFIT Business which is required to be opened in order to satisfy the Development Schedule opens for regular business or (2) the last day of the last Development Period.

2. **GRANT OF DEVELOPMENT RIGHTS.**

A. GRANT OF DEVELOPMENT RIGHTS. We grant you the Development Rights, and you undertake the obligation, either yourself or through your Approved Affiliates, to exercise the Development Rights in strict compliance with this Agreement. The Development Rights may only be exercised during the Term and for VOLOFIT Businesses to be developed and operated at specifically identified locations within the Development Area. The Development Rights are limited to the rights to acquire Franchises in accordance with this Agreement. The rights to develop VOLOFIT Businesses and to use the VOLOFIT Business Marks and System are granted only pursuant to individual Franchise Agreements, and you agree that the Development Rights do not include any such rights.

B. EXCLUSIVITY. Provided you remain in compliance with this Agreement and you and your Approved Affiliates remain in compliance with all Franchise Agreements, we and our Affiliates will not, during the Term and in the Development Area, (1) grant or authorize the grant of Development Rights to others, (2) grant Franchises to others, or (3) own or operate VOLOFIT Businesses.

C. RIGHTS WE RESERVE. We grant rights only pursuant to the expressed provisions of written agreements and not in any other manner, including orally or by implication, innuendo, extension or extrapolation. Similarly, we and our Affiliates are not precluded from engaging in any act or enterprise unless we specifically state that we will refrain from doing so. For example, while we have granted you the exclusivity described in Section 2.B, we are not precluded from doing anything whatsoever outside the Development Area, and we are not precluded from doing any other things within the Development Area even though they might be competitive with the Development Rights or the VOLOFIT Businesses you or your Approved Affiliates operate in the Development Area. For example, we and our Affiliates may do any of the following, without restriction and without compensation to you:

(1) establish, operate and license others to establish and operate, anywhere in the world, businesses that are not VOLOFIT Businesses but that offer products and services that are identical or similar to products and services offered by VOLOFIT Businesses;

(2) establish, operate and allow others to establish and operate VOLOFIT Businesses using the VOLOFIT Business Marks and System, at any location outside the Development Area on such terms and conditions we deem appropriate;

(3) establish, operate and allow others to establish and operate other facilities that may offer products and services which are identical or similar to products and services offered by VOLOFIT Businesses, under trade names, trademarks, service marks and commercial symbols which are different from the VOLOFIT Business Marks;

(4) establish, operate and allow others to establish and operate other businesses (other than a VOLOFIT Business) and distribution channels (including via the internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the VOLOFIT Business Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from VOLOFIT Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that VOLOFIT Businesses customarily sell;

(5) acquire the assets or Ownership Interests of one or more businesses, including Competitive Businesses, and franchising, licensing or creating similar arrangements with respect to such businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area);

(6) be acquired (whether through acquisition of assets, Ownership Interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises and/or licenses such businesses in the Development Area; and

(7) operate or grant any third party the right to operate any VOLOFIT Businesses that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we have under this Agreement or any Franchise Agreement.

D. **BEST EFFORTS.** You must at all times faithfully, honestly and diligently perform your obligations and fully exploit the Development Rights during the Term and throughout the entire Development Area. You must perform all of your obligations under this Agreement, and you may not subcontract or delegate any of those obligations to any third parties.

E. **BUSINESS ENTITY.** If you are not an individual, you agree and represent that:

(1) Exhibit A to this Agreement lists all of your Owners and their interests in you as of the Effective Date;

(2) your organizational documents, operating agreement, or partnership agreement will recite that this Agreement restricts the issuance and transfer of any Ownership interests in you, and all certificates and other documents representing Ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) such Persons as we designate at any time during the Term, which may include each of your Owners and their spouses, will execute an agreement, on our then-current form (our current form is set forth in Exhibit B to this Agreement), under which such Persons undertake personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us;

(4) the business that this Agreement contemplates and the VOLOFIT Businesses you and your Approved Affiliates operate under Franchise Agreements, will be the only businesses you and they operate (although your and their Owners may have other, non-competitive business interests);

(5) you will, subject to our approval, designate one of your Owners holding at least ten percent (10%) of the Ownership Interests in you to be the “Managing Owner.” The initial Managing Owner’s name is listed on Exhibit A. You must obtain our written consent prior to changing the designated Managing Owner. The Managing Owner must devote his or her full time to the exercise of the Development Rights and to the development and operation of VOLOFIT Businesses pursuant to Franchise Agreements. The Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of this Agreement; any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other party named in this Agreement as you; and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner.

F. **LIQUIDITY.** We have granted the Development Rights to you based, in part, on your representations to us, and our assessment of, your levels of liquidity and capitalization as of the Effective Date. You will ensure that, throughout the Term, you will maintain sufficient liquidity to meet your obligations under this Agreement.

3. **EXERCISE OF DEVELOPMENT RIGHTS.**

A. **PROPOSED SITES FOR VOLOFIT BUSINESSES.** You agree to give us all information and materials we request to assess each site that you propose for a VOLOFIT Business as well as your and your proposed Affiliate’s financial and operational ability to develop and operate each proposed VOLOFIT Business. We have the absolute right to disapprove any site or any Affiliate (a) that does not meet our criteria or (b) if you or your Affiliates are not then in compliance with this Agreement or any existing Franchise Agreements executed pursuant to this Agreement or operating your or their VOLOFIT Businesses in compliance with the System Standards (as defined in the Franchise Agreement). We agree to use our reasonable efforts to review and approve or disapprove the sites you propose within thirty (30) days after we receive all requested information and materials. If we approve a proposed site, you or your Approved Affiliate must sign a separate Franchise Agreement, as described in Section 3.B., within fifteen (15) days after we provide you with an execution copy of the Franchise Agreement, failing which, we may withdraw our approval.

B. **EXECUTION OF FRANCHISE AGREEMENTS.** Simultaneously with signing this Agreement, you or an Approved Affiliate must sign and deliver to us a Franchise Agreement and related documents representing the first Franchise you are obligated to acquire under this Agreement. You or your Approved Affiliate must thereafter open and operate a VOLOFIT Business according to the terms of that Franchise Agreement. Subsequently, once we have approved a site, and prior to signing a lease or to otherwise securing possession of the site, you or an Approved Affiliate must sign our then-current form of Franchise Agreement and related documents, the terms of which, with the exceptions provided hereunder, may differ substantially

from the terms contained in the Franchise Agreement in effect on the Effective Date. Each Franchise Agreement will govern the development and operation of the identified VOLOFIT Business at the specifically identified and approved site identified therein.

C. **DEVELOPMENT SCHEDULE.** You or your Approved Affiliates must deliver to us a fully executed lease (or otherwise secure possession of the site), and open and operate VOLOFIT Businesses in the Development Area pursuant to a corresponding Franchise Agreement, each as necessary to satisfy the requirements of each Development Period of the Development Schedule. The Development Schedule represents a minimum commitment. During the Term, you may, but are not required to, acquire more Franchises than are reflected in the Development Schedule. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of VOLOFIT Businesses specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

Except as otherwise agreed to in writing by us, we will count a VOLOFIT Business toward the Development Schedule only if it actually is operating in the regular course within the Development Area and substantially complying with the terms of its Franchise Agreement as of the end of the Development Period.

D. **FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE.** Time is of the essence with respect to your agreement to comply with your obligations under Section 3.C. If you fail to comply with the Development Schedule as of the end of any Development Period, in addition to terminating this Agreement under Section 8 and asserting any other rights we have under this Agreement as a result of such failure, we may (but need not) elect to do either or both of the following:

- (1) terminate the exclusivity granted under Section 2.B; and
- (2) reduce the Development Area to a lesser area that we determine.

E. **RECORDS AND REPORTING.** You agree to provide us with the following records and reports:

- (1) within sixty (60) days after the Effective Date, you must prepare and give us, a business plan covering your projected revenues, costs and operations under this Agreement. This business plan will include your detailed projections of costs for VOLOFIT Business development and detailed revenue projections for your activities under this Agreement and VOLOFIT Businesses. Within sixty (60) days after the start of each calendar year during the Term, you must update the business plan to cover both actual results for the previous year and projections for the then current year. You acknowledge and agree that, while we may review and provide comments on the business plan and any updates you submit to us, regardless of whether we approve, disapprove, require revisions or provide other comments with respect to the business plan or any updated business plan, we take no responsibility for and make no guarantees or representations, expressed or implied, with respect to your ability to meet the business plan or to achieve the results set

forth therein. You bear the entire responsibility for achievement of the business plan you develop;

(2) within thirty (30) days after the end of each calendar quarter, you must provide us with a balance sheet and profit and loss statement for you and your Affiliates covering that quarter and the year-to-date; and

(3) within ninety (90) days after the end of each calendar year, you must provide us, for you and your Affiliates covering the previous year, with an annual profit and loss statement, a sources and use of funds statement and a balance sheet.

Each of the foregoing shall be in the form and format that we reasonably specify. You will deliver each document to us in the manner we specify and will certify each document's accuracy.

Further, at our request, you will provide financial information of your Owners and guarantors sufficient to demonstrate such Owners' and guarantors' ability to satisfy their financial obligations under the Agreement.

4. **DEVELOPMENT FEE.**

A. **DEVELOPMENT FEE.** You must pay us, on your execution of this Agreement and in consideration of the grant of the Development Rights, a nonrecurring and nonrefundable development fee (the "**Development Fee**") in the amount identified on Exhibit A hereto. The Development Fee is fully earned by us when you and we sign this Agreement and is nonrefundable.

B. **APPLICATION OF DEVELOPMENT FEE.** We will apply the Development Fee as a credit against the initial franchise fee due under each Franchise Agreement that you and your Approved Affiliates execute pursuant to this Agreement, subject to a maximum credit under any Franchise Agreement of the portion of the Development Fee attributable to that Franchise Agreement, and a maximum credit for all Franchise Agreements, in the aggregate, equal to the total Development Fee. After the application of the development fee credit, the remainder of the balance due for each subsequent Franchise Agreement will be due at the earlier of 1) the start of the development period for that unit per Exhibit A, 2) the initiation of your search for a location for the unit, or 3) the execution of the Franchise Agreement.

5. **CONFIDENTIAL INFORMATION/INNOVATIONS.**

A. **CONFIDENTIAL INFORMATION.** Confidential Information (i) shall be held by you in strict confidence; (ii) shall not be disclosed or revealed or shared with any other person except to your employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in advance; and (iii) shall not be used except to the extent necessary to exercise the Development Rights or as permitted under Franchise Agreements, and then only in circumstances of confidence and in accordance with the obligations set forth in the Franchise Agreements. You will protect the Confidential Information from unauthorized use, access, or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care.

All Confidential Information will at all times remain our sole property. You agree to return to us or destroy, at our election, all Confidential Information in your possession or control and permanently erase all electronic copies promptly upon our request or upon the expiration or termination of this Agreement, whichever comes first. At our request, you will certify in writing signed by one of your officers that you have fully complied with the foregoing obligations.

In the event of your alleged or actual breach of any of the provisions of this Section 5.A, we will be entitled to equitable relief, including in the form of injunctions and orders for specific performance, in addition to all other remedies available at law or equity (without proof of irreparable injury and without the necessity of posting bond even if otherwise normally required). The obligations under this Section 5.A shall survive any expiration or termination of the Agreement.

B. **INNOVATIONS.** As between us and you, you acknowledge and agree that we are the sole owner of all right, title, and interest in and to the System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, “**Innovations**”) made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you shall execute, verify, and deliver such documents (including assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section 5.B, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 5.B with the same legal force and effect as if executed by you. The obligations of this Section 5.B shall survive any expiration or termination of the Agreement.

6. **EXCLUSIVE RELATIONSHIP DURING TERM.**

A. **COVENANTS AGAINST COMPETITION.** You acknowledge that we have granted you the Development Rights in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term, neither you, your Affiliates nor any of your or their Owners or the immediate family members of any of the foregoing will:

- (1) have any direct or indirect interest as an Owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating, other than equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of Ownership Interest are publicly traded on a recognized United States stock exchange;

(2) perform services as a director, officer, manager, employee, lessor, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(3) divert or attempt to divert any actual or potential business, sites or customers of your business associated with this Agreement to a Competitive Business; or

(4) directly or indirectly, appropriate, use or duplicate the System or any portion thereof, in any business in which such person may have any interest of any kind (whether directly or indirectly) or in which such person is otherwise employed.

B. **NON-INTERFERENCE.** You further agree that, during the Term, neither you nor any of your Owners, your or your Owners' Affiliates, or the officers, directors, managers or immediate family members of any of the foregoing, will:

(1) interfere with the relationships we have from time to time with vendors, suppliers or consultants; or

(2) engage in any other activity which might injure or impair the goodwill of the VOLOFIT Business Marks and/or the System.

C. **COVENANTS FROM OTHERS.** You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights. You must require all employees performing managerial or supervisory functions and all employees receiving training from us to execute non-disclosure and non-solicitation covenants similar to those set out in this Section 6, in the form supplied or approved by us. Contemporaneously with the signing this Agreement, you must deliver to us, properly executed non-disclosure, and non-competition covenants similar to those as set out in this Section 6, in the form supplied or approved by us, from all of your partners, directors, officers, shareholders and Affiliates and from all partners, directors, officers, and shareholders of such Affiliates who, in each case, are not a party to this Agreement or who have not signed the Guaranty and Assumption of Obligations attached hereto as Exhibit B. In addition, you must cause each new Affiliate of yours and each new partner, director, officer and shareholder of yours and such Affiliates to deliver to us properly executed non-disclosure, non-solicitation and non-competition covenants similar to those set out in this Section 6 immediately upon their becoming a shareholder or partner, or upon their appointment or election as a director or officer, of you or such Affiliate.

7. **TRANSFER.**

A. **SALE OR ENCUMBRANCE.** We have granted you the Development Rights based upon, among other things, the character, background and other qualifications and abilities personal to you or, if applicable, your Owners. Accordingly, you agree that this Agreement, Ownership Interests in you or, any interests in this Agreement, the Development Rights or all or any part of the business operated under this Agreement will not be sold, assigned, donated or otherwise transferred, including as a result of death (each a "Sale"), to any Person (referred to specifically in this Section 7 as the "Recipient") without our prior written consent; provided, however, that transfers among your current Owners of Ownership Interests in you will require

prior notice to us but will not require our consent as long as the Managing Owner and Control of you are not changed as a result of the transfer. You further agree that you will not enter into any proposed mortgage, pledge, hypothecation, encumbrance or giving of a security interest in or which affects the Development Rights and your other rights under this Agreement (a “**Security Interest**”) without our prior written consent. The Development Rights may not be transferred separate and apart from the entirety of this Agreement, and a proposed transfer of this Agreement may not be made separately from or independently of a transfer to the same Recipient of all of the Franchise Agreements (and the VOLOFIT Businesses operated pursuant thereto) executed pursuant to this Agreement.

B. **ADVERTISING A SALE.** If you intend to list your rights under this Agreement for Sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any VOLOFIT Business Mark in advertising the Sale nor may you use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the Sale without our prior written approval of such materials.

C. **DEATH OR INCAPACITY.** Our approval of a transfer of Ownership Interests in you as a result of the death or incapacity of the proposed transferor will not be unreasonably withheld or delayed so long as at least one of the Managing Owners designated on Exhibit A continues to be the designated Managing Owner. If, as a result of the death or incapacity of the transferor, a transfer is proposed to be made to the transferor’s spouse, and if we do not approve the transfer, the trustee or administrator of the transferor’s estate will have nine months after our refusal to consent to the transfer to the transferor’s spouse within which to transfer the transferor’s interests to another party whom we approve in accordance with this Article 7.

D. **OUR CONSENT.** We may withhold our consent to a Sale or grant of a Security Interest for any reason, and we will not be required to consider a proposed Sale or Security Interest unless you comply with the following requirements either at the time the request is made or, if applicable, by the completion of the Sale or grant of the Security Interest:

(1) with respect to any proposed Sale:

(a) you must submit an application in writing to us requesting our consent. The application must set out: (i) the exact terms of the proposed Sale and a copy of a duly signed bona fide written offer; (ii) information relating to the business reputation and qualifications of the Recipient to carry on business; (iii) suitable credit and financial information of the Recipient to allow us to make a reasonable decision as to the credit worthiness and financial position of the Recipient and such information will include as an appendix thereto, a personal net worth statement of the Recipient and, if applicable, its controlling shareholder(s) or member(s); (iv) such other information as you may have knowledge and would reasonably be considered of a relevant nature to us in determining whether or not to grant our consent, and (v) such other information as we may require;

(b) the Recipient must arrange for and successfully complete to our satisfaction, all or such training in the operations of the area development business and a VOLOFIT Business, at its or your sole expense, as we deem necessary; prior

to the commencement of the training by the Recipient, you must deliver to us, the sum of ten thousand dollars (\$10,000) by means of cash or certified check, which amount will be non-refundable, except that if the Sale is successfully completed, the entire amount will be applied by us against the amount payable by you pursuant to Section 7.D(1)(h) below, or such other amounts as may be owing by you to us pursuant to this Agreement;

(c) the Recipient and its immediate family members (and, if it is not a natural person, its Owners and immediate family members of its Owners) must not have an interest or be engaged in activities which would violate the restrictions regarding Competitive Businesses as described in Section 6.A;

(d) the Recipient must enter into any and all agreements and covenants (including a new area development agreement) which we are then requiring of new area developers, and the Recipient must provide such personal guarantees or other assurances of its shareholders or members or others as we may require;

(e) you must have discharged and/or satisfied all of your obligations (financial or otherwise) to us and our Affiliates incurred in connection with the business operated under this Agreement, as of the date of the completion of the said Sale;

(f) you, and if applicable, your partners, officers, directors, shareholders or members, will execute and deliver to us and our officers, directors, shareholders, employees and our and their heirs, executors, administrators, successors and assigns, a general release in a form approved by us, releasing us and the aforementioned from all claims, demands, liabilities, actions, damages, costs or expenses which you and any of your officers, directors, shareholders or members and your heirs, executors, administrators, successors and assigns, may have as a result of this Agreement, the business operated hereunder, or the relationship between you and us created by this Agreement;

(g) you must pay all of our expenses incurred in connection with the Sale, whether or not such Sale is completed, up to a maximum amount of fifteen thousand dollars (\$15,000) plus disbursements and applicable taxes thereon;

(h) you must pay to us, an amount equal to the greater of (i) two percent (2%) of the purchase price to be paid and/or other consideration to be received from and/or debt to be assumed by the Recipient, or (ii) twenty-five thousand dollars (\$25,000) plus, in either case, applicable goods and services taxes thereon; and

(i) we must first agree, in writing, on the date of the completion of the Sale;

(2) with respect to any proposed grant of a Security Interest:

(a) you must submit an application in writing to us, requesting our consent. Such application must set out the proposed business terms and any security to be given by you, and must include a copy of any loan agreements,

security agreements or other documents proposed to be executed by or on your behalf;

(b) the purpose of the giving of such security must be to obtain financing for use in the business operated hereunder; and

(c) you may not at the time of giving any security be in default of any of the terms and conditions of this Agreement.

E. **FIRST RIGHT OF REFUSAL.** Notwithstanding anything contained in this Article 7, if you make or receive (and intend to accept) an offer of Sale, without in any way derogating from our right to grant or not grant our consent thereto, we will have the option, to be exercised by notice in writing delivered to you within 30 days of receipt of your application referred to in Section 7.D(1)(a) hereof, to acquire the said rights and the business operated hereunder upon the same terms and conditions as set out in the said application except as provided hereinafter. If we exercise our option, we will complete the Sale upon the same terms and conditions as set out in the said application save and except that we will be entitled to deduct from the purchase price (i) the amount of any sales or other commissions (if any) which would have been payable by you had the Sale been completed with the Recipient and (ii) an amount equal to that amount to which we are entitled pursuant to Section 7.D(1)(h) hereof, and save and except we will have the right to substitute cash for any other form of consideration specified in the offer accompanying the application and the right to pay in full, the entire amount of the purchase price at the time of closing. If we do not exercise our option, we may then, in our discretion, determine if we will consent to the proposed Sale to the Recipient; we will notify you of our decision within 30 days of receipt of said application. The sale, assignment, transfer, donation or other dealing must be completed within 60 days of the receipt by us of your original application, failing which, you must again make application to us in the manner set out in Section 7.D(1)(a) hereof, and in all such events the provisions of this Section 7.E. will apply anew, and such procedure will continue to be repeated so often as you desire to complete any Sale. If we do not notify you of our intention to consent within such thirty (30) day period, we will be deemed not to have given our consent.

F. **PUBLIC OR PRIVATE OFFERINGS.** You acknowledge that the publication or dissemination of written information used to raise or secure funds can reflect upon us, the VOLOFIT Business Marks, and the System. Therefore, you agree that you will not, without our consent, engage in a public offering of securities or a private offering that requires the dissemination of a written disclosure document. If you desire to request that we consent to any such event, you must submit any written information intended to be used for that purpose to us before inclusion in any registration statement, prospectus or similar offering memorandum. Should we object to any reference to us or our affiliates or any of our business in the offering literature or prospectus, the literature or prospectus shall not be used until our objections are withdrawn or resolved.

8. **TERMINATION OF AGREEMENT.**

A. **EVENTS OF TERMINATION.** Notwithstanding anything otherwise contained in this Agreement, we will have the right to terminate this Agreement at any time and without notice, upon the happening of any one or more of the following events:

(1) You fail to pay any amount payable under this Agreement or any Franchise Agreement with us when and as same becomes due and payable, and such failure continues for a period of ten (10) days after written notice;

(2) you cease or threaten to cease to carry on the business granted to you under this Agreement, or take or threaten to take any action to liquidate your assets, or if you do not pay any debts or other amounts incurred by you in operating the business hereunder when such debts or amounts are due and payable;

(3) you fail to comply with the Development Schedule;

(4) you make or purport to make a general assignment for the benefit of creditors; or you institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against you; or a custodian, receiver, manager or any other person with like powers is appointed to take charge of all or any part of the business granted hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or you commit or suffer any default under any contract of conditional sale, mortgage or other security instrument in respect of the business being operated hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or if any of your goods, chattels or assets or of the business are seized or taken in execution or in attachment by a creditor, or if a writ of execution is issued against any of such goods, chattels, or assets; or if a judgment or judgments for the payment of money in amounts in excess of twenty-thousand dollars (\$20,000), is rendered by any court of competent jurisdiction against you;

(5) you fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 10 days following notice;

(6) if you are not an individual, (i) an order is made or a resolution passed or any proceedings taken towards your winding up or liquidation or dissolution or amalgamation; or (ii) you lose your charter by expiration, forfeiture or otherwise;

(7) you or any of your Owners has made any material misrepresentation or omission in your or their application and the documents and other information provided to us to support your or their application to acquire the rights granted in this Agreement;

(8) you or your Owners engage in or attempt to engage in a transfer or the grant of a security interest without complying with the provisions contained in Section 7;

(9) you (or any of your Owners) are (a) convicted of or plead guilty or “no-contest” to a felony, (b) convicted of or plead guilty or “no contest” to any crime or other offense likely to adversely affect your reputation or the reputation of VOLOFIT Businesses or the goodwill of the VOLOFIT Business Marks, or (c) engage in any conduct which, in our opinion, adversely affects or, if you were to continue as an area developer under this Agreement, is likely to adversely affect the reputation of the business you conduct pursuant to this Agreement, the reputation and goodwill of VOLOFIT Businesses generally or the goodwill associated with the VOLOFIT Business Marks;

(10) we provide written notice of your (or any of your Owners') failure (a) on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with any obligation of this Agreement, or (b) on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, in any case, whether or not you correct the failures after our delivery of notice to you;

(11) you or your Affiliates fail to comply with any provision of any Franchise Agreement and do not cure such failures within the applicable cure period, if any; or

(12) you fail to observe, perform or comply with any other of the terms or conditions of this Agreement not listed in items (1) through (11) above, and such failure continues for a period of seven (7) days after written notice thereof has been given by us to you.

B. EFFECTS OF EXPIRATION OR TERMINATION. On the expiration or termination of this Agreement for any reason whatsoever, the following provisions apply:

(1) all of your rights under this Agreement, including the Development Rights, will cease, and thereafter you must cease conducting the business granted hereunder or holding yourself out to the public as being a developer of VOLOFIT Businesses or otherwise associated with the VOLOFIT Business Marks except as permitted under Franchise Agreements;

(2) you must deliver to us, all forms, documents, or information provided to you pursuant to this Agreement together with all copies thereof;

(3) you must cease use of all telephone numbers, listing services and social media accounts in any way connected with the business you currently operate hereunder, and subject to our direction, you must immediately cancel such numbers, listings and social media accounts, or direct that same be transferred to us, at which time we will then own and have the exclusive right to use and authorize others to use such numbers, listings and accounts. You hereby irrevocably appoint us as your lawful attorney to instruct the telephone company, listing service or social media provider to cancel or transfer all such numbers, listings or accounts to us or as we may direct; and

(4) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination.

C. COVENANT NOT TO COMPETE / NON-SOLICITATION.

(1) **Non-Competition.** On termination or expiration of this Agreement, you and your Owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 8.C begin to comply with this Section 8.C, whichever is later, neither you nor your Affiliates, nor any of your or their Owners (or your or their immediate family members) will have any direct or indirect interest as an Owner (whether of record, beneficially, or otherwise), investor,

partner, director, officer, employee, lessor, consultant, representative, or agent in any Competitive Business located or operating:

(a) within the Development Area; and

(b) within a five (5) mile radius of any VOLOFIT Business in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section 8.C begin to comply with this Section 8.C.

These restrictions also apply after a Sale. If any person restricted by this Section 8.C refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You expressly acknowledge that you, your Affiliates, your and their Owners and the immediate family members of each possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 8.C will not deprive you or them of any personal goodwill or ability to earn a living.

(2) **Non-Interference.** You further agree that, following the effective date of termination or expiration, neither you nor any of your Owners, your or your Owners' Affiliates, or the officers, directors, managers or immediate family members of any of the foregoing, will:

(a) interfere or attempt to interfere with our or our Affiliates' relationships with any vendors or consultants; or

(b) engage in any other activity which might injure the goodwill of the VOLOFIT Business Marks and/or the System.

D. **SURVIVAL OF COVENANTS.** Notwithstanding the termination or other expiration of this Agreement for any reason whatsoever, or any Sale, all covenants and agreements to be performed or observed by you will survive any such termination, expiration or Sale.

9. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.** We and you acknowledge and agree that each of us is an independent contractor, that neither of us is considered to be the agent, representative, master or servant of the other for any purpose whatsoever, and that neither of us has any authority to enter into any contract, to assume any obligations or to give any warranties or representations on behalf of the other. We and you acknowledge and agree that each is engaged in a separate and independent business and neither shall state, represent or imply any interest in or control over the business of the other. Nothing in this Agreement may be construed to create a relationship of partners, joint venturers, fiduciaries, agency or any other similar relationship between us and you.

B. **INDEMNIFICATION.** You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective Owners, managers, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one

or more of the Indemnified Parties for, all actions, causes of action, obligations, suits, debts, obligations, losses, damages (actual, consequential, or otherwise), amounts paid in settlement, liabilities, costs if defending a claim, and expenses whatsoever, including costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced, reasonable attorneys', accountants', arbitrators', attorneys', and expert witness fees, whether arising out of a claim involving a third party or between one or more of the parties hereto, resulting to, imposed upon, asserted against, or incurred by any of the Indemnified Parties (including those alleged to be caused by the Indemnified Party's negligence) in connection with, or arising out of or relating to, directly or indirectly arising out of (a) any breach or misrepresentation by you under this Agreement, (b) any violation of any applicable law by you, or (c) the operation of the business you conduct under this Agreement. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. 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 9.B.

10. **ENFORCEMENT; ARBITRATION.**

A. **ARBITRATION.** We and you agree that all controversies, disputes, or claims between us or our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your Owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to:

- (1) this Agreement or any other agreement between you (or any of your Owners) and us (or any of our Affiliates);
- (2) our relationship with you; or
- (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and us (or any of our Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 10.A, which we and you acknowledge is to be determined by an arbitrator, not a court),

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within fifty (50) miles of our then-current principal place of business (currently, Charlotte, North Carolina). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award the prevailing party its attorneys' fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

We and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and our affiliates, or our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your Owners, guarantors, affiliates, and employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third party, or (iv) brought on your behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute, controversy or claim for arbitration on the merits as provided in this Section.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

With respect to any discovery of electronically stored information, you and we agree that such requests must balance the need for production of electronically stored information relevant

and material to the outcome of a disputed issue against the cost of locating and producing such information. You and we agree that:

- (a) production of electronically stored information need only be from sources used in the ordinary course of business. No party shall be required to search for or produce information from back-up servers, tapes, or other media;
- (b) the production of electronically stored information shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the information and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;
- (c) the description of custodians from whom electronically stored information may be collected shall be narrowly tailored to include only those individuals whose electronically stored information may reasonably be expected to contain evidence that is relevant and material to the outcome of a disputed issue;
- (d) the parties shall attempt to agree in advance upon, and the arbitrator may determine, reasonable search parameters; and
- (e) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, which cost advance will not be awarded to the prevailing party in any final award as provided herein.

In any arbitration, each side may take no more than three depositions, unless the parties mutually agree to additional depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours, unless the parties mutually agree to additional time.

The provisions of this Section are intended to benefit and bind certain third party non-signatories.

The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

B. CONSENT TO JURISDICTION. Subject to the agreement to arbitrate (Section 10.A above) and the provisions below, you and your Owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in a court of general jurisdiction nearest to our then current principal place of business (currently Charlotte, North Carolina), and you (and each Owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the Owner) might have to either the jurisdiction of or venue in that court.

C. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** Except for (i) your obligation to indemnify us for third party claims under Section 9.B, (ii) for claims arising out of or relating to any unauthorized use of any of our intellectual property rights; (iii) for claims arising out of or relating to your of your confidentiality obligations hereunder; or (iv) claims arising out of or relating to your gross negligence or willful misconduct, we and you (and your Owners) waive to the fullest extent permitted by law any right to or claim for any punitive, special, indirect, consequential, incidental, exemplary or multiple damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action or proceeding brought by either of us.

D. **INJUNCTIVE RELIEF.** Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will injure or harm us, our or our affiliates' trademarks, or the System, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such injunctive relief from any court of competent jurisdiction in addition to such other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction.

E. **LIMITATION OF CLAIMS; WAIVER OF CLASS ACTION.** You agree that any and all claims made by you arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced in accordance with this Agreement within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims. Any proceeding will be conducted on an individual basis and a proceeding between us and our affiliates, or our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your Owners, guarantors, affiliates, and employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other proceeding, (iii) or brought on your behalf by any association or agent, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between you and us.

You and your Owners agree that our and our affiliates' Owners, directors, managers, officers, employees and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your Owners.

F. **ATTORNEYS' FEES AND COSTS.** If either party initiates an arbitration, judicial or other proceeding, the party prevailing in such proceeding shall be entitled to recovery of its costs and expenses, including reasonable attorneys' fees.

11. **MISCELLANEOUS.**

A. **JOINT AND SEVERAL OBLIGATIONS.** If either you or we are comprised of more than one individual, or Persons, the obligations of each such individual and Person will be joint and several.

B. **SEVERABILITY**. If for any reason whatsoever, any term or condition of this Agreement is, to any extent declared to be invalid or unenforceable, all other terms and conditions of this Agreement, other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term and condition of this Agreement will be separately valid and enforceable to the fullest extent permitted by law.

C. **NO WARRANTY OR REPRESENTATION**. You acknowledge that we and our agents, affiliates, officers, directors, managers, Owners, employees and other representatives have not made or given to you any warranties, representations, undertakings, commitments, covenants or guarantees respecting the subject matter of this Agreement except as expressly stated in this Agreement, and specifically without limiting the generality of the foregoing, you hereby acknowledge and agree that we and our agents, affiliates, officers, directors, managers, Owners, employees and other representatives have not made or given any warranty, representation, undertaking, commitment, covenant or guarantee in respect of sales or profit to be derived or costs or expenses to be incurred by you and that you are not relying upon any warranties, representations, undertakings, commitments, covenants or guarantees of us and our officers, directors, shareholders, employees and other representatives except as provided in this Agreement.

D. **NOTICE**. All notices, consents, approvals, statements, documents or other communications required or permitted to be given hereunder must be in writing, and will be deemed to be delivered on the earlier of the date of actual delivery or one of the following:

- (1) at the time delivered by hand;
- (2) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (3) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid;

and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice.

E. **HEADINGS**. Headings preceding the text, sections and subsections hereof have been inserted solely for convenience of reference and will not be construed to affect the meaning, construction or effect of this Agreement.

F. **APPLICABLE LAW**. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of North Carolina, without regard to its conflict of laws rules, except that (1) any law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your Owners' competitive activities will be governed by the laws of the state in which your Business is located.

G. **TIME OF ESSENCE**. Time is of the essence of this Agreement and of each and every part hereof.

H. **WAIVER.** The waiver by either you or us, of a breach of any term or condition contained in this Agreement will not be deemed to be a waiver of such term or condition or any subsequent breach of the same or any other term or condition herein contained unless such waiver is expressly set forth in writing. Our failure to exercise any right of ours to demand your exact compliance, nor any custom of practice of you and us at variance with the terms and conditions of this Agreement will constitute a waiver of our right to demand exact compliance with the terms and conditions hereof. Our subsequent acceptance of any amount payable hereunder, will not be deemed to be a waiver of any preceding breach of any term or condition of this Agreement, other than the failure to pay the particular amount so accepted, regardless of our knowledge of such preceding breach at the time of acceptance of such amount.

I. **ASSIGNMENT BY US.** If we sell, transfer or assign this Agreement or any interest herein, to the extent that the purchaser or assignee assumes our covenants and obligations under this Agreement, we will thereupon and without further agreement, be freed and relieved of all liabilities with respect to such covenants and obligations. In no event will anything, including without limitation, anything contained in this Agreement, prevent us from selling, transferring or assigning any interest we may have in the System or the VOLOFIT Business Marks or any part thereof, and notwithstanding we have no obligations to you under or pursuant to this Agreement, if for any reason it is determined otherwise by a governmental authority, legislative act, court of competent jurisdiction or in any other manner whatsoever, upon completion of any such sale, transfer or assignment, we will be freed and relieved of all your liability whatsoever.

J. **AGREEMENT EFFECTIVE.** This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer or other duly-authorized representative of ours. Notwithstanding that this Agreement shall not be effective until signed by us, we reserve the right to make the effective date of this Agreement the date on which you signed the Agreement.

K. **FURTHER ASSURANCES.** You and we agree to execute and deliver such further and other agreements, assurances, undertakings, acknowledgements or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise our vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

L. **ENTIRE AGREEMENT.** This Agreement and all schedules attached hereto constitute the entire agreement of the parties hereto and all prior negotiations, commitments, representations, warranties, agreements and undertakings made prior hereto are hereby merged. There are no other inducements, representations, warranties, agreements, undertakings, or promises, (oral or otherwise) among you and us relating to the subject matter of this Agreement. No subsequent alteration, amendment, change or addition to this Agreement or any schedules will be binding upon the parties hereto unless reduced to writing and signed by us and you or our and your respective heirs, executors, administrators, successors or assigns. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. “**Including,**” as used in this Agreement, means “**including, without limitation,**” unless specifically noted otherwise.

M. **LAWFUL ATTORNEY.** Notwithstanding anything otherwise contained in this Agreement, if you do not execute and deliver any documents or other assurances so required of

you pursuant to this Agreement and/or if we take over the management or operation of the business operated hereunder on your behalf for any reason, you hereby irrevocably appoint us as your lawful attorney with full power and authority, to execute and deliver in your name any such documents and assurances, and/or to manage or operate the business on your behalf, and/or to do all other acts and things, all in such discretion as we may desire, and you hereby agree to ratify and confirm all of our acts as your lawful attorney and to indemnify and save us harmless from all claims, liabilities, losses, or damages suffered in so doing. You also hereby appoint us as your attorney-in-fact to receive and inspect your confidential sales and other tax records and hereby authorize all tax authorities to provide such information to us for all tax periods during the term of this Agreement.

N. **ACKNOWLEDGMENTS.** You acknowledge and agree that you have conducted an independent investigation of all aspects relating to the business being granted hereunder and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your skills and ability as an independent business person or organization. You acknowledge that you have received, read and understand this Agreement, the attachments hereto and agreements relating hereto, and that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

O. **BINDING AGREEMENT.** This Agreement will inure to the benefit of and be binding upon us and our successors and assigns and will be binding upon you and your heirs, executors, administrators, successors and authorized assigns.

P. **COUNTERPARTS.** This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective as of the Effective Date.

VOLOFIT FRANCHISING, LLC

By: _____
Name: _____
Title: _____
*Date: _____
*(This is the Effective Date)

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A

TO AREA DEVELOPMENT AGREEMENT

1. The **Development Area** is comprised of: _____, as depicted on the map attached hereto. If the Development Area is identified by counties or other political subdivisions, political boundaries will be considered fixed as of the date of this Agreement and will not change, notwithstanding a political reorganization or change to the boundaries or regions.

2. You are a _____, and were incorporated or formed on _____, 20____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name unless indicated in the following: _____.

3. Your Owners are as follows:

	Owner's Name	Type and %-age of Interest
Managing Owner:	_____	_____ %
Other Owners:	_____	_____ %
	_____	_____ %

4. The **Development Schedule** is as follows:

<u>Development Period</u>	<u>Date to Sign Franchise Agreement</u>	<u>Franchise Fee due upon signing Franchise Agreement</u>	<u>Required Opening Date</u>	<u>VOLOFIT Businesses Opened During Development Period</u>	<u>VOLOFIT Businesses Operating by End of Development Period</u>
_____ to _____	_____			_____	_____
_____ to _____	_____			_____	_____
_____ to _____	_____			_____	_____

5. The **Development Fee** is _____.

VOLOFIT FRANCHISING, LLC

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

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

MAP OF DEVELOPMENT AREA

EXHIBIT B

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20__, by the persons indicated below who have executed this Agreement.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the “**Agreement**”) on this date by VOLOFIT Franchising, LLC, a North Carolina limited liability company (“**we**,” “**us**,” or “**our**”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“**Developer**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Developer or its owners, and for so long as we have any cause of action against Developer or its owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Developer, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) at our request, the undersigned shall present updated financial information to us as reasonably necessary to demonstrate his or her ability to satisfy the financial obligations of Developer under the Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled. Each of the undersigned also agrees to provide us with updated periodic financial information, as we may request from time to time.

Each of the undersigned acknowledges and represents that he or she has had an opportunity to review the Agreement and agrees that the provisions of Article 9 (Enforcement; Arbitration) have been reviewed by the undersigned and are incorporated, by reference, into and shall govern this Guaranty and Assumption of Obligations and any disputes between the undersigned and us. Nonetheless, each of the undersigned agrees that we may also enforce this Guaranty and Assumption of Obligations and awards in the courts of the state or states in which he or she is domiciled.

If the spouse signing below does not own an ownership interest in Developer, he or she is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
#1: _____ Sign: _____ Address: _____ _____ _____	#1: _____ Sign: _____ Address: _____ _____ _____
#2: _____ Sign: _____ Address: _____ _____ _____	#2: _____ Sign: _____ Address: _____ _____ _____

EXHIBIT D
FINANCIAL STATEMENTS

VOLOFIT FRANCHISING, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31 2022 AND 2021



VOLOFIT FRANCHISING, LLC
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Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To Members of
VoloFit Franchising, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of VoloFit Franchising, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VoloFit Franchising, LLC as of December 31, 2022 and 2021, and its results of operations and its cash flows for 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of VoloFit Franchising, LLC 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 VoloFit Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 VoloFit Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VoloFit Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 18, 2023

VOLOFIT FRANCHISING, LLC**Balance Sheets****December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 384,986	\$ 627,369
Accounts receivable, net of allowance	10,429	15,851
Inventory	37,960	12,973
Total Current Assets	<u>433,375</u>	<u>656,193</u>
Noncurrent Assets:		
Due from related parties	31,048	28,083
Prepaid broker fees	10,000	10,000
Accounts receivable, less current portion	194,667	194,667
Total Noncurrent Assets	<u>235,715</u>	<u>232,750</u>
Total Assets	<u>\$ 669,090</u>	<u>\$ 888,943</u>
<u>Liabilities and Member's Equity</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 53,725	\$ 38,058
Due to related parties	6,714	36,714
Total Current Liabilities	<u>60,439</u>	<u>74,772</u>
Noncurrent Liabilities:		
Deferred franchisee revenues	309,667	259,667
Total Liabilities	<u>370,106</u>	<u>334,439</u>
Member's Equity:		
Member's equity	298,984	554,504
Total Member's Equity	<u>298,984</u>	<u>554,504</u>
Total Liabilities and Member's Equity	<u>\$ 669,090</u>	<u>\$ 888,943</u>

*See Notes to Financial Statement**Page 3*

VOLOFIT FRANCHISING, LLC
Statements of Income
For the Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Franchise Revenues:		
Initial franchise fees	\$ 90,000	\$ 65,000
Area representative fees	210,000	150,000
Royalty and technology fees	167,296	97,863
Total franchise revenues	<u>467,296</u>	<u>312,863</u>
Studio package and products sales	<u>130,095</u>	<u>174,125</u>
Gross revenues	<u>597,391</u>	<u>486,988</u>
Cost of sales	<u>155,974</u>	<u>167,531</u>
Net revenues	<u>441,417</u>	<u>319,457</u>
Operating expenses:		
Salaries and wages expense	460,766	318,214
Contract labor	68,014	12,421
Commission expense	142,250	-
Technology expense	69,183	39,163
Taxes and licenses	7,063	13,709
Advertising and marketing	189,738	191,739
Professional fees	33,199	59,946
Insurance expense	10,498	8,288
Hiring costs	2,288	51,103
Office supplies	38,319	45,050
Bank charges and fees	1,242	2,475
Travel, meals and entertainment	16,173	61,173
Bad debt expense	25,052	5,397
Miscellaneous expense	34,464	4,465
	<u>1,098,249</u>	<u>813,143</u>
Other Income (Expense):		
Interest income	<u>26</u>	<u>49</u>
Net loss	<u>\$ (656,806)</u>	<u>\$ (493,637)</u>

See Notes to Financial Statement

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VOLOFIT FRANCHISING, LLC
Statements of Changes in Member's Equity
For the Years ended December 31, 2022 and 2021

Member's equity, January 1, 2021	\$ 519,141
Contributions	529,000
Net loss	<u>(493,637)</u>
Member's equity, December 31, 2021	554,504
Contributions	401,286
Net loss	<u>(656,806)</u>
Member's equity, December 31, 2022	<u>\$ 298,984</u>

See Notes to Financial Statement

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VOLOFIT FRANCHISING, LLC
Statements of Cash Flows
For the Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (656,806)	\$ (493,637)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in allowance for doubtful accounts	18,280	5,397
(Increase) decrease in:		
Accounts receivable	(12,858)	79,649
Inventory	(24,987)	(1,613)
Prepaid broker fees	-	(10,000)
Increase (decrease) in:		
Accounts payable	15,667	38,058
Deferred franchisee revenues	50,000	(30,500)
Net cash used in operating activities	<u>(610,704)</u>	<u>(412,646)</u>
Cash flows from investing activities:		
Advances (borrowings) from related parties	(32,965)	8,631
Net cash provided by (used in) investing activities	<u>(32,965)</u>	<u>8,631</u>
Cash flows from financing activities:		
Member contributions	401,286	529,000
Net cash provided by financing activities	<u>401,286</u>	<u>529,000</u>
Net increase (decrease) in cash	(242,383)	124,985
Cash, beginning of year	627,369	502,384
Cash, end of year	<u>\$ 384,986</u>	<u>\$ 627,369</u>

See Notes to Financial Statement

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VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

VoloFit Franchising, LLC (the "Company"), a wholly owned subsidiary of Novus Fitness Brands, LLC, was organized on October 2, 2020 in the state of North Carolina. The Company provides franchisees located throughout the United States with the right to own and operate a high-end, boutique fitness studio that offers members a transformative functional fitness experience based on the four pillars of strength, endurance, agility and power in a group setting, along with related products and services. The Company is a limited liability company ("LLC") which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the member are limited to its capital contribution.

A summary of the Company's significant accounting policies follows:

Basis of Preparation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Company includes all financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

Concentration of Credit Risk

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

The Company grants credit with net 30-day payment terms, to its franchisees in the normal course of business. Franchisees are dispersed among the Company's broad customer base throughout the United States.

Accounts Receivable

Accounts receivable are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual franchisee accounts receivable balances that the Company specifically knows may be uncollectible. In making such determination, the Company also considers a franchisee's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts receivable was \$18,280 and \$0 as of December 31, 2022 and 2021, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined as historical cost.

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and all performance obligations have been substantially provided by the Company. Management has determined pre-opening services and the license agreement have been combined into a single performance obligation. For performance obligations related to the initial nonrefundable franchise fee, the Company transfers control and recognizes revenue at a point in time upon the execution of the franchise agreement and satisfaction of the applicable performance obligations which include granting exclusive rights to operate a VoloFit franchise.

The Company offers an Area Development Agreement ("ADA") for the development rights of an area and a predetermined number of units that the franchisee would be required to open. The ADA fee varies per unit based on the number of units sold and is a nonrecurring and nonrefundable fee. The Company recognizes revenue from the sale of the ADA upon the execution of a franchise agreement and satisfaction of applicable performance obligations. For performance obligations related to ADA, control transfers over time per the development schedule and the delivery of a fully executed lease, and open and operation of a new location.

The Company offers an Area Representative Agreement ("ARA") for the opportunity to operate franchises or solicit prospective franchisees and support franchisees of the Company within a defined territory. The ARA fee is \$10,000 per location in the defined territory, with a minimum fee of \$150,000. Each franchise that is opened under the ARA, will open under its own Franchise Agreement, and will be subject to the fees designated by the then current Franchise Agreement. The Company recognizes revenue from the sale of the ARA at a point in time upon the execution of the ARA and satisfaction of the applicable performance obligations which includes granting exclusive rights to sell or operate franchises in the defined territory.

The initial training fee is paid to the Company upon sale of a franchise and in accordance with the terms of the franchise agreement. Revenue from the initial training fee is recognized when all performance obligations, outlined within the franchise agreement, have been incurred and substantially completed by the Company and franchisee. Performance obligations related to initial training fee are satisfied at the time the training is completed by the Company. Training services are sold under the Franchise agreement and control is transferred to the franchisee at the culmination of the training. Revenue is recognized at that time.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a royalty fee (7% of gross receipts), monthly technology fee (\$900/month), brand promotion fund fee (2% of gross receipts), music service and license fee (\$300/month), and local advertising cooperative fee (if applicable) whereby the Company is entitled to receive a specified percentage of franchise revenues or a specified monthly fee. These fees are recognized in the period in which they are earned.

Management has determined that, as a practical expedient, the Company has a right to the monthly royalty, technology, brand promotion, music service and license fee, and advertising fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts and at which point the royalty fee and brand promotion fund fees are due and payable.

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

For income tax purposes, the Company has elected to be taxed as a partnership. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income and other tax attributes on their individual income tax returns.

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2022 and 2021.

Advertising Costs

The Company expenses advertising costs as they are incurred.

Use of Estimates

Preparing the Company's financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through April 18, 2023, which is the date the financial statement was available to be issued.

NOTE 2 - INVENTORY

At December 31, inventory consists of the following:

	2022	2021
Heart rate monitors	\$ 35,693	\$ 10,885
Other miscellaneous items	2,267	2,088
	<u>\$ 37,960</u>	<u>\$ 12,973</u>

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 3 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<u>2022</u>	<u>2021</u>
<u>Due from related party</u>		
CLT Volo Studios, LLC	\$ 31,048	\$ 21,311
Gilbert VFIT, LLC	-	6,772
	<u>\$ 31,048</u>	<u>\$ 28,083</u>
<u>Due to related party</u>		
Tough Mudder Bootcamp Operations, LLC	<u>\$ 6,714</u>	<u>\$ 36,714</u>

In addition, the Company has an executed ADA agreement with the majority shareholder and Chief Executive Officer of Novus Fitness Brands, LLC. The total amount outstanding of \$118,000 is included in noncurrent accounts receivable as of December 31, 2022 and 2021 (see Note 5). Management has determined the amount to be long-term and consistent with the terms of the ADA agreement, and no allowance has been deemed necessary.

NOTE 4 - DEFERRED INITIAL FRANCHISE FEES AND COSTS (CONTRACT ASSETS AND LIABILITIES)

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expense, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations. Deferred fee income and expenses at December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Deferred area development fees	\$ 234,667	\$ 234,667
Deferred turnkey package fees	75,000	25,000
	<u>\$ 309,667</u>	<u>\$ 259,667</u>
 Prior year deferred fees recognized as income	 \$ -	 \$ 95,500
Deferred franchise expenses paid	<u>\$ 10,000</u>	<u>\$ 10,000</u>

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 5 - FRANCHISE AGREEMENTS

Franchise locations consisted of the following at December 31:

	2022		
	<u>Units</u>	<u>ADA Units</u>	<u>ARA Units</u>
Units beginning of year	7	16	15
Units purchased/obtained	2	-	21
Units closed	(1)	-	-
Units at year end	8	16	36
	2021		
	<u>Units</u>	<u>ADA Units</u>	<u>ARA Units</u>
Units beginning of year	5	13	-
Units purchased/obtained	2	3	15
Units closed	-	-	-
Units at year end	7	16	15

On December 31, 2020, VoloFit Franchising, LLC transferred five single unit franchisee agreements and two Area Development Agreements from a related party. One of the Area Development Agreements is owned by the majority owner of Novus Fitness Brands, LLC (Holding Company).

NOTE 6 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements of VoloFit Franchising, LLC have been restated to correct an error in the prior year. The error relates to the understatement of noncurrent accounts receivable and deferred revenue of \$40,000. There was no effect on member's equity or net income for the year end December 30, 2021.

VOLOFIT FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31 2021 and
PERIOD FROM OCTOBER 15, 2020 THROUGH
DECEMBER 31, 2020



VOLOFIT FRANCHISING, LLC
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Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To Members of
VoloFit Franchising, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of VoloFit Franchising, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity, and cash flows for the year ended December 31, 2021 and the period from October 15, 2020 (date of inception) through December 31, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VoloFit Franchising, LLC as of December 31, 2021 and 2020, and its results of operations and its cash flows for the year ended December 31, 2021 and the period from October 15, 2020 (date of inception) through December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of VoloFit Franchising, LLC 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 VoloFit Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 VoloFit Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VoloFit Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 13, 2022

VOLOFIT FRANCHISING, LLC**Balance Sheets****December 31, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 627,369	\$ 502,384
Accounts receivable, net of allowance	15,851	95,500
Inventory	12,973	11,360
Note receivable, current portion	-	5,397
Total Current Assets	<u>656,193</u>	<u>614,641</u>
Noncurrent Assets:		
Due from related party	28,083	-
Prepaid broker fees	10,000	-
Accounts receivable, less current portion	<u>154,667</u>	<u>154,667</u>
Total Noncurrent Assets	<u>192,750</u>	<u>154,667</u>
Total Assets	<u>\$ 848,943</u>	<u>\$ 769,308</u>
<u>Liabilities and Member's Equity</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 38,058	\$ -
Due to related parties	<u>36,714</u>	<u>-</u>
Total Current Liabilities	<u>74,772</u>	<u>-</u>
Noncurrent Liabilities:		
Deferred franchisee revenues	<u>219,667</u>	<u>250,167</u>
Total Liabilities	<u>294,439</u>	<u>250,167</u>
Member's Equity:		
Member's equity	<u>554,504</u>	<u>519,141</u>
Total Member's Equity	<u>554,504</u>	<u>519,141</u>
Total Liabilities and Member's Equity	<u>\$ 848,943</u>	<u>\$ 769,308</u>

*See Notes to Financial Statement**Page 3*

VOLOFIT FRANCHISING, LLC**Statements of Income****For the Year ended December 31, 2021 and For the Period From October 15, 2020 through December 31, 2020**

	<u>2021</u>	<u>2020</u>
Franchise Revenues:		
Initial franchise fees	\$ 65,000	\$ -
Area representative fees	150,000	-
Royalty and technology fees	97,863	-
Total franchise revenues	<u>312,863</u>	<u>-</u>
Studio package and products sales	<u>174,125</u>	<u>-</u>
Gross revenues	<u>486,988</u>	<u>-</u>
Cost of sales	<u>167,531</u>	<u>654</u>
Net revenues	319,457	(654)
Operating expenses:		
Salaries and wages expense	318,214	-
Technology expense	39,163	-
Taxes and licenses	13,709	1,257
Advertising and marketing	191,739	22,795
Professional fees	59,946	1,800
Hiring costs	51,103	-
Office supplies	45,050	1,274
Bank charges and fees	2,475	-
Travel, meals and entertainment	61,173	-
Bad debt expense	5,397	-
Miscellaneous expense	25,174	3,079
	<u>813,143</u>	<u>30,205</u>
Other Income (Expense):		
Interest income	<u>49</u>	<u>-</u>
Net loss	<u>\$ (493,637)</u>	<u>\$ (30,859)</u>

*See Notes to Financial Statement**Page 4*

VOLOFIT FRANCHISING, LLC
Statements of Changes in Member's Equity
For the Year ended December 31, 2021 and For the Period From October 15, 2020 through
December 31, 2020

Member's equity, October 15, 2020	\$ -
Contributions	550,000
Net loss	<u>(30,859)</u>
Member's equity, December 31, 2020	519,141
Contributions	529,000
Net loss	<u>(493,637)</u>
Member's equity, December 31, 2021	<u><u>\$ 554,504</u></u>

See Notes to Financial Statement

Page 5

VOLOFIT FRANCHISING, LLC**Statements of Cash Flow****For the Year ended December 31, 2021 and For the Period From October 15, 2020 through December 31, 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (493,637)	\$ (30,859)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	5,397	-
(Increase) decrease in:		
Accounts receivable	79,649	(250,167)
Inventory	(1,613)	(11,360)
Notes receivable, current portion	-	(5,397)
Prepaid broker fees	(10,000)	-
Increase (decrease) in:		
Accounts payable	38,058	-
Deferred franchisee revenues	(30,500)	250,167
Net cash used in operating activities	<u>(412,646)</u>	<u>(47,616)</u>
Cash flows from investing activities:		
Advances (borrowings) from related parties	<u>8,631</u>	<u>-</u>
Net cash provided by investing activities	<u>8,631</u>	<u>-</u>
Cash flows from financing activities:		
Member contributions	<u>529,000</u>	<u>550,000</u>
Net cash provided by financing activities	<u>529,000</u>	<u>550,000</u>
Net increase in cash	124,985	502,384
Cash, beginning of year	<u>502,384</u>	<u>-</u>
Cash, end of year	<u>\$ 627,369</u>	<u>\$ 502,384</u>

*See Notes to Financial Statement**Page 6*

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

VoloFit Franchising, LLC (the "Company"), a wholly owned subsidiary of Novus Fitness Brands, LLC, was organized on October 2, 2020 in the state of North Carolina. The Company provides franchisees located throughout the United States with the right to own and operate a high-end, boutique fitness studio that offers members a transformative functional fitness experience based on the four pillars of strength, endurance, agility and power in a group setting, along with related products and services. The Company is a limited liability company ("LLC") which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the member are limited to its capital contribution.

A summary of the Company's significant accounting policies follows:

Basis of Preparation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Company includes all financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

Concentration of Credit Risk

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

The Company grants credit with net 30-day payment terms, to its franchisees in the normal course of business. Franchisees are dispersed among the Company's broad customer base throughout the United States.

Accounts Receivable

Accounts receivable are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual franchisee accounts receivable balances that the Company specifically knows may be uncollectible. In making such determination, the Company also considers a franchisee's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts receivable was zero as of December 31, 2021 and 2020.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined as historical cost.

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and all performance obligations have been substantially provided by the Company. Management has determined pre-opening services and the license agreement have been combined into a single performance obligation. For performance obligations related to the initial nonrefundable franchise fee, the Company transfers control and recognizes revenue at a point in time upon the execution of the franchise agreement and satisfaction of the applicable performance obligations which include granting exclusive rights to operate a VoloFit franchise.

The Company offers an Area Development Agreement ("ADA") for the development rights of an area and a predetermined number of units that the franchisee would be required to open. The ADA fee varies per unit based on the number of units sold and is a nonrecurring and nonrefundable fee. The Company recognizes revenue from the sale of the ADA upon the execution of a franchise agreement and satisfaction of applicable performance obligations. For performance obligations related to ADA, control transfers over time per the development schedule and the delivery of a fully executed lease, and open and operation of a new location.

The Company offers an Area Representative Agreement ("ARA") for the opportunity to operate franchises or solicit prospective franchisees and support franchisees of the Company within a defined territory. The ARA fee is \$10,000 per location in the defined territory, with a minimum fee of \$150,000. Each franchise that is opened under the ARA, will open under its own Franchise Agreement, and will be subject to the fees designated by the then current Franchise Agreement. The Company recognizes revenue from the sale of the ARA at a point in time upon the execution of the ARA and satisfaction of the applicable performance obligations which includes granting exclusive rights to sell or operate franchises in the defined territory.

The initial training fee is paid to the Company upon sale of a franchise and in accordance with the terms of the franchise agreement. Revenue from the initial training fee is recognized when all performance obligations, outlined within the franchise agreement, have been incurred and substantially completed by the Company and franchisee. Performance obligations related to initial training fee are satisfied at the time the training is completed by the Company. Training services are sold under the Franchise agreement and control is transferred to the franchisee at the culmination of the training. Revenue is recognized at that time.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a royalty fee (7% of gross receipts), monthly technology fee (\$950/month), brand promotion fund fee (2% of gross receipts), music service and license fee (\$300/month), and local advertising cooperative fee (if applicable) whereby the Company is entitled to receive a specified percentage of franchise revenues or a specified monthly fee. These fees are recognized in the period in which they are earned.

Management has determined that, as a practical expedient, the Company has a right to the monthly royalty, technology, brand promotion, music service and license fee, and advertising fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts and at which point the royalty fee and brand promotion fund fees are due and payable.

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

For income tax purposes, the Company has elected to be taxed as a partnership. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income and other tax attributes on their individual income tax returns.

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2021 and 2020.

Advertising Costs

The Company expenses advertising costs as they are incurred.

Use of Estimates

Preparing the Company's financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through April 13, 2022, which is the date the financial statement was available to be issued.

NOTE 2 - INVENTORY

At December 31, inventory consists of the following:

	2021	2020
Heart rate monitors	\$ 10,885	\$ 11,360
Other miscellaneous items	2,088	-
	<u>\$ 12,973</u>	<u>\$ 11,360</u>

NOTE 3 - NOTE RECEIVABLE

As of December 31, 2020, the Company had an unsecured note receivable from a franchisee, with an outstanding balance of \$5,397. The note had a maximum outstanding availability of \$13,500 and was drawn by the franchisee when needed. The note called for the total outstanding balance to be paid within 12 months from the date of the agreement and had a zero percent interest rate. During the year ended December 31, 2021, the amount was considered uncollectible and was written off to bad debt expense.

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 4 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Due from related party</u>		
CLT Volo Studios, LLC	\$ 21,311	\$ -
Gilbert VFIT, LLC	6,772	-
	<u>\$ 28,083</u>	<u>\$ -</u>
<u>Due to related party</u>		
Tough Mudder Bootcamp Operations, LLC	<u>\$ 36,714</u>	<u>\$ -</u>

In addition, the Company has an executed ADA agreement with the majority shareholder and Chief Executive Officer of Novus Fitness Brands, LLC. The total amount outstanding of \$118,000 is included in noncurrent accounts receivable as of December 31, 2021 and 2020 (see Note 6). Management has determined the amount to be long-term and consistent with the terms of the ADA agreement, and no allowance has been deemed necessary.

NOTE 5 - DEFERRED INITIAL FRANCHISE FEES AND COSTS (CONTRACT ASSETS AND LIABILITIES)

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expense, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations. Deferred fee income and expenses at December 31 were as follows:

	<u>2021</u>	<u>2020</u>
Deferred area development fees	\$ 194,667	\$ 154,667
Deferred turnkey package fees	25,000	95,500
	<u>\$ 219,667</u>	<u>\$ 250,167</u>
 Prior year deferred fees recognized as income	 \$ 95,500	 \$ -
Deferred franchise expenses paid	<u>\$ 10,000</u>	<u>\$ -</u>

VOLOFIT FRANCHISING, LLC
Notes to Financial Statement

NOTE 6 - FRANCHISE AGREEMENTS

Franchise locations consisted of the following at December 31:

	2021		
	<u>Units</u>	<u>ADA Units</u>	<u>ARA Units</u>
Units beginning of year	5	13	-
Units purchased/obtained	2	3	15
New units opened	-	-	-
Units Sold	-	-	-
Units closed	-	-	-
Units at year end	<u>7</u>	<u>16</u>	<u>15</u>
	2020		
	<u>Units</u>	<u>ADA Units</u>	<u>ARA Units</u>
Units beginning of year	-	-	-
Units purchased/obtained	5	13	-
New units opened	-	-	-
Units Sold	-	-	-
Units closed	-	-	-
Units at year end	<u>5</u>	<u>13</u>	<u>-</u>

On December 31, 2020, VoloFit Franchising, LLC transferred five single unit franchisee agreements and two Area Development Agreements from a related party. One of the Area Development Agreements is owned by the majority owner of Novus Fitness Brands, LLC (Holding Company).

NOTE 7 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements of VoloFit Franchising, LLC have been restated to correct an error in the prior year. The error relates to the overstatement of noncurrent accounts receivable and deferred revenue of \$60,000. There was no effect on member's equity or net income for the year end December 30, 2020.

EXHIBIT E
SAMPLE GENERAL RELEASE

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

_____ (“you” or “your”), currently are parties to that certain franchise agreement (the “**Franchise Agreement**”) dated _____, 20____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation]

UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE VOLOFIT PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

IF THE VOLOFIT BUSINESS THAT YOU WILL PURCHASE IS LOCATED IN MARYLAND OR IF YOU ARE A RESIDENT OF MARYLAND, THE FOLLOWING SHALL APPLY:

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.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this release on the on the dates noted below, to be effective as of the Effective Date.

VOLOFIT FRANCHISING LLC

FRANCHISE OWNER:

[Name]

By:_____

Name:_____

Title:_____

EFFECTIVE DATE:_____

By:_____

Name:_____

Title:_____

Date: _____

EXHIBIT F
STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
VOLOFIT FRANCHISING, LLC**

The following are additional disclosures for the Franchise Disclosure Document of VOLOFIT Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

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

2. 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.

3. OUR WEBSITE, www.volo-fit.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

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

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following is added at the end of Item 6:

The maximum interest rate in California is 10% annually.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement or Area Development Agreement contain a provision that is inconsistent with the law, and the law applies, the law will control.

Under the Franchise Agreement, we reserve the right to require that franchisees comply with maximum and minimum prices we set for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of California's Cartwright Act (Business and Professions Code Sections 16700 – 16770).

The Franchise Agreement and Area Development Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

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

The Franchise Agreement and Area Development Agreement require application of the laws of the State of North Carolina. This provision might not be enforceable under California law.

The Franchise Agreement and Area Development Agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement and Area Development Agreement require binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator which is within our then-current principal place of business (currently Charlotte, North Carolina). In any arbitration, the prevailing party will be entitled to recover from the other party all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in connection with such arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Area Development Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement and Area Development Agreement require you to sign a general release of claims upon renewal or transfer. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

ILLINOIS

1. The following language is added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

MARYLAND

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” section of Item 17(h), entitled “‘Cause’ defined – non-curable defaults”:

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” sections of Item 17(v), entitled “Choice of forum”:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

This 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.

MINNESOTA

1. **Trademarks.** The following sentence is added to the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement and Area Development Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

2. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement or Area Development Agreement and 180 days' notice for non-renewal of the Franchise Agreement or Area Development Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement or Area Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement or Area Development Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THAT ANYTHING IN THE 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 OR AREA DEVELOPER TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to us, our parent, affiliates, the persons identified in Item 2, or an affiliate offering franchises under our 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 been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- C. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities

association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

RHODE ISLAND

1. The following language is added to the end of the “Summary” sections of Item 17(v), entitled “Choice of forum” and 17(w), entitled “Choice of law”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement or area developer agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled “Termination by franchisor without cause”:

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

WASHINGTON

RISK FACTORS:

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.

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience.

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

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

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the

franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurs in Illinois and the VOLOFIT Business that you will operate under the Franchise Agreement will be located in Illinois; and/or (b) you are domiciled in Illinois.

2. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Agreement:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act

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.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

By: _____

Name: _____

Title: _____

EFFECTIVE DATE: _____

FRANCHISE OWNER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the VOLOFIT Business that you will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 12.C(3) (“Transfer”), 13.C (“Successor Agreement”), and 15.E(5) (“Our Right to Purchase Your Business”) of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following sentence is added to the end of Section 14.B(16) (“Termination by Us”) of the Franchise Agreement:

This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 17.H (“Consent to Jurisdiction”) of the Franchise Agreement:

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

5. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 17.L (“Limitations of Claims”) of the Franchise Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you a the franchise.

6. **ACKNOWLEDGMENTS.** The following is added to the end of the Franchise Agreement as new Section 20.D (under Section 20 “Miscellaneous”):

D. **ACKNOWLEDGMENTS.** All representations requiring you 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 under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

FRANCHISE OWNER:

[Name]

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

EFFECTIVE DATE:_____

Date:_____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the VOLOFIT Business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **NOTIFICATION OF INFRINGEMENT.** The following sentence is added to the end of Section 5.B (“Infringements”) of the Franchise Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. **RELEASES.** The following is added to the end of Sections 12.C(3) (“Transfer”), 13.C (“Successor Agreement”), and 15.E(5) (“Our Right to Purchase Your Business”) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **NON-RENEWAL and TERMINATION.** The following is added to the end of Sections 13 (“Successor Franchises”) and 14.B (“Termination By Us”) of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

5. **LIQUIDATED DAMAGES FOR LOST REVENUE.** The following language is added to the end of Section 15.F (“Liquidated Damages for Lost Revenue”) of the Franchise Agreement

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **GOVERNING LAW.** The following statement is added at the end of Section 17.G (“Governing Law”) of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 17.H (“Consent to Jurisdiction”) of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **WAIVER OF PUNITIVE AND OTHER DAMAGES; WAIVER OF JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Minn. Rule 2860.4400, Minn Stat. 80C.17, and Minn. Stat. 80C.21, Section 17.I (“Waiver of Punitive and Other Damages; Waiver of Jury Trial”) of the Franchise Agreement is deleted.

9. **INJUNCTIVE RELIEF.** Section 17.J (“Injunctive Relief”) of the Franchise Agreement is deleted and replaced with the following paragraph:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm us, the Marks or the System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief. A court will determine if a bond is required.

10. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 17.L (“Limitations of Claims”) of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

By:_____

Name:_____

Title:_____

EFFECTIVE DATE:_____

FRANCHISE OWNER:

[Name]

By:_____

Name:_____

Title:_____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF NEW YORK**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, (the “Franchise Agreement”). This Rider is being signed because (a) you are domiciled in the State of New York and the VOLOFIT Business that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER OR ASSIGNMENT BY US.** The following language is added to the end of Section 12.A (“Transfer By Us”) of the Franchise Agreement:

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

3. **RELEASES.** The following language is added to the end of Sections 12.C(3) (“Transfer”), 13.C (“Successor Agreement”), and 15.E(5) (“Our Right to Purchase Your Business”) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION BY YOU.** The following language is added to the end of Section 14.A (“Termination By You”) of the Franchise Agreement:

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

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

By: _____

Name: _____

Title: _____

EFFECTIVE DATE: _____

FRANCHISE OWNER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the VOLOFIT Business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW / CONSENT TO JURISDICTION.** The following language is added to the end of Sections 17.G and 17.H of the Franchise Agreement:

Section 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 with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

By: _____

Name: _____

Title: _____

EFFECTIVE DATE: _____

FRANCHISE OWNER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

VOLOFIT FRANCHISING LLC

By: _____

Name: _____

Title: _____

EFFECTIVE DATE: _____

FRANCHISE OWNER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____
_____, a(n) _____,
having its principal business address at

(“you”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____, that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the VOLOFIT Businesses that you will develop under the Area Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

3. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Area Development Agreement:

Illinois law governs the Area Development Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act

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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

*Date: _____
*(This is the Effective Date)

AREA DEVELOPER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____
_____,
a(n) _____,
having its principal business address at _____
_____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the VOLOFIT Businesses that you will develop under the Area Development Agreement will be located in Maryland.

3. **OUR CONSENT.** The following is added to the end of Section 7D(1)(f):

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

4. **INSOLVENCY.** The following sentence is added to the end of Section 8A(4) (“Events of Termination”) of the Area Development Agreement:

This Section 8A(4) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following paragraph is added at the end of Section 10A of the Area Development Agreement:

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 Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

You must bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 10E of the Area Development Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

7. **RELEASES.** The following is added as a new Section 12 to the Area Development Agreement:

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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____
Name: _____
Title: _____
*Date: _____
*(This is the Effective Date)

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20__ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the VOLOFIT Businesses that you will develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **EVENTS OF TERMINATION.** The following is added to the end of Section 8A of the Area Development Agreement.

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure).

3. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 10B of the Area Development Agreement.

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80.C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

4. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** If and then only to the extent required by the Minnesota franchises law, Section 10C of the Area Development Agreement is deleted.

5. **LIMITATIONS OF CLAIMS.** The following is added to 10E of the Area Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

6. **APPLICABLE LAW.** The following statement is added at the end of Section 11F of the Area Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____
Name: _____
Title: _____
*Date: _____
*(This is the Effective Date)

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, that has been signed concurrently with this Rider. This Rider is being signed because (a) you are domiciled in the State of New York and the VOLOFIT Businesses that you will develop under the Area Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in New York.

2. **EVENTS OF TERMINATION.** The following language is added to the end of Section 8A of the Area Development Agreement:

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

3. **CONSENT TO JURISDICTION; APPLICABLE LAW.** The following is added to the end of Sections 10B and 11F of the Area Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

*Date: _____

*(This is the Effective Date)

AREA DEVELOPER:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **VOLOFIT FRANCHISING, LLC**, a North Carolina limited liability company with its principal business address at 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209 (“we”) and _____ a(n) _____, having its principal business address at _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the VOLOFIT Businesses that you will develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **CONSENT TO JURISDICTION / APPLICABLE LAW.** The following is added at the end of Sections 10B and 11F of the Area Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in [an area development agreement] restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____
Name: _____
Title: _____
*Date: _____
*(This is the Effective Date)

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE VOLOFIT FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON**

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

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

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

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

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

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

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting an area developer 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

VOLOFIT FRANCHISING, LLC

By: _____
Name: _____
Title: _____
*Date: _____
 *(This is the Effective Date)

AREA DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT G
LIST OF FRANCHISEES

LIST OF CURRENT OPERATING FRANCHISEES AS OF DECEMBER 31, 2022

	Franchisee Name	Address	City	State	Zip	Phone
1.	Jason Todd and Kristina Todd	19502 E. Via Arboles	Queen Creek	AZ	85142	602-692-6515
2.	L&S Fitness, Inc.	117 Bernal Rd, Suite 70	San Jose	CA	95119	504-913-2114
3.	SFV Unit One, LLC	6955 SW 148 th Ln	Davie	FL	33331	954-295-5184
4.	CLT Volo Studios, LLC	200 West Blvd, Suite 150	Charlotte	NC	28209	980-890-8899
5.	Rock Creek Fitness, LLC	4285 NW Columbia Ave	Portland	OR	97229	503-752-9953
6.	Earl and Amy Schweinsberg	4885 McKnight Rd, Suite 19A	Pittsburgh	PA	15237	412-752-7002

LIST OF FRANCHISE AGREEMENTS SIGNED BUT NOT OPENED AS OF DECEMBER 31,
2022

	Franchisee Name	Address	City	State	Phone
1	Thrasos Ventures, Inc.	700 Pitchback Mill Ct	Wake Forest	NC	210-630-7355
2	Another Life, Inc.	5110 Old Oak Ln	Colleyville	TX	972-979-2680

*Denotes franchisee signed an area development agreement

LIST OF FRANCHISEES WHO LEFT THE SYSTEM OR NOT COMMUNICATED

	Franchisee Name	Address	City	State	Phone
1.					

State Effective Dates

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

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

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

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

EXHIBIT H
RECEIPTS

**RECEIPT
(OUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and area development agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If VOLOFIT Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, VOLOFIT Franchising, LLC or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If VOLOFIT Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is VOLOFIT Franchising, LLC 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209; (973) 699-4963. The franchise seller for this offering is:

☐ Andrew Canady
VOLOFIT Franchising, LLC
2820 Selwyn Avenue, Suite 692
Charlotte, NC 28209
(973) 699-4963

☐ Dan Henry
VOLOFIT Franchising, LLC
2820 Selwyn Avenue, Suite 692
Charlotte, NC 28209
(617) 939-6914

☐ Name of Franchise Seller: _____
Principal Business Address: _____
Telephone No.: _____

Issuance Date: April 20, 2023

See Exhibit A for VOLOFIT Franchising, LLC's registered agents authorized to receive service of process.

I have received a disclosure document dated April 20, 2023 that included the following Exhibits:

Exhibit A	State Administrators /Agents for Service of Process		Exhibit E	Sample General Release
Exhibit B	Franchise Agreement		Exhibit F	State Addenda and Agreement Riders
Exhibit C	Area Development Agreement		Exhibit G	List of Franchisees
Exhibit D	Financial Statements		Exhibit H	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail or facsimile, to VOLOFIT Franchising, LLC, 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209, 11201; (973) 699-4963.

**RECEIPT
(YOUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and area development agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If VOLOFIT Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, VOLOFIT Franchising, LLC or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If VOLOFIT Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is VOLOFIT Franchising, LLC 2820 Selwyn Avenue, Suite 692, Charlotte, NC 28209; (973) 699-4963. The franchise seller for this offering is:

☐ Andrew Canady
VOLOFIT Franchising, LLC
2820 Selwyn Avenue, Suite 692
Charlotte, NC 28209
(973) 699-4963

☐ Dan Henry
VOLOFIT Franchising, LLC
2820 Selwyn Avenue, Suite 692
Charlotte, NC 28209
(617) 939-6914

☐ Name of Franchise Seller: _____
Principal Business Address: _____
Telephone No.: _____

Issuance Date: April 20, 2023

See Exhibit A for VOLOFIT Franchising, LLC's registered agents authorized to receive service of process.

I have received a disclosure document dated April 20, 2023 that included the following Exhibits:

Exhibit A	State Administrators /Agents for Service of Process	Exhibit E	Sample General Release
Exhibit B	Franchise Agreement	Exhibit F	State Addenda and Agreement Riders
Exhibit C	Area Development Agreement	Exhibit G	List of Franchisees
Exhibit D	Financial Statements	Exhibit H	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.