

## FRANCHISE DISCLOSURE DOCUMENT



Crunch Franchising, LLC  
a Delaware limited liability company  
1 Harbour Place  
Suite 230  
Portsmouth, NH 03801  
800-669-7162

The franchise offered is for the operation of a Crunch health club in one of 3 formats: Crunch Fitness, Crunch Select, and Crunch Signature. We also offer multi-unit developments rights and area development rights to develop and operate multiple Crunch health clubs within a specific development area under individual franchise agreements.

The total investment necessary to begin operation of a Crunch Fitness health club franchise is \$668,000 to \$3,513,000. This includes \$175,000 to \$1,025,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Crunch Select health club franchise is \$794,000 to \$5,418,000. This includes \$205,000 to \$1,275,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Crunch Signature health club franchise is \$1,277,000 to \$6,671,000. This includes \$275,000 to \$1,275,000 that must be paid to the franchisor or affiliate. There are no incremental initial investment costs if you become a multi-unit developer or area developer, but you will pay us a multi-unit development fee of \$25,000 for each of the Crunch health club franchises you are required to develop if you sign a Multi-Unit Development Agreement, or a development fee equal to \$25,000 for each Crunch health club (no matter which kind) required to be developed under your development schedule if you sign an Area Development Agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor in connection with the proposed franchise sale. **Note, however, that no governmental 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 John Merrion, 1 Harbour Place, Suite 230, Portsmouth, New Hampshire 03801, phone: 800.669.7162.

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

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

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

Issuance Date: May 17, 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
<b>How much will I earn?</b>	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 and Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor and at the franchisor’s direction; Item 7 lists the initial investment to open, and Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to support my business?</b>	Item 21 and Exhibit N include financial statements. Review these statements carefully.
<b>Is the franchise system stable and growing or shrinking?</b>	Item 20 summarizes the 3-year history of the number of company-owned and franchised outlets.
<b>Will my business be the only Crunch business in my market?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings
<b>What’s it like to be a Crunch franchisee?</b>	Item 20 and Exhibit F list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

1. **Continuing Responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.
2. **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 franchised business or may harm your franchised business
3. **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.
4. **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.
5. **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.
6. **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.
7. **When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state in which we have our principal place of business (currently New Hampshire). 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 New Hampshire than in your own state.

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

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

- (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 the franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the license 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 subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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 or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

**ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, 525 W. OTTAWA STREET, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48913, (517) 373-71171.**

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE DISCLOSURE DOCUMENT, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT P**, THE STATE SPECIFIC FRANCHISE AGREEMENT AMENDMENTS IN **EXHIBIT D**, OR THE STATE SPECIFIC AREA DEVELOPMENT AGREEMENT AMENDMENTS IN **EXHIBIT F**, OR THE STATE SPECIFIC MULTI-UNIT DEVELOPMENT AGREEMENT AMENDMENTS IN **EXHIBIT H**, EXCEPT THAT ADDITIONAL DISCLOSURES RELATED TO MICHIGAN LAW CAN BE FOUND RIGHT BEFORE THIS TABLE OF CONTENTS.

## Item 1

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

The franchisor is Crunch Franchising, LLC, and will be referred to in this document as “**Crunch**”, “**we**”, “**us**” or “**our**”. A person who buys a franchise from us will be referred to as “**you**” or “**your**”. If you are a corporation, partnership or other entity, “you” also includes your owners, your partners, shareholders, members and any other person or entity directly or indirectly owning an interest in you.

We are a Delaware limited liability company, organized on August 18, 2009. Our principal business address is 1 Harbour Place, Suite 230, Portsmouth, NH 03801. We conduct business under the name Crunch Franchising, LLC. Our agents for service of process and their principal business addresses are disclosed in **Exhibit B**.

#### Predecessors or Affiliates

We have no predecessors, or any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

#### Parents

Our immediate parent is Crunch Holdings, LLC, a Delaware limited liability company, located at 386 Park Avenue South, 15<sup>th</sup> Floor, New York, NY 10016 (“**Crunch Holdings**”). As of June 27, 2019 our ultimate parent is Champion TopCo, LP, a Delaware limited partnership, located at 386 Park Avenue South, 15<sup>th</sup> Floor, New York, New York 10016 (“**Parent**”).

On June 27, 2019 Crunch Holdings, LLC, was acquired by Champion Purchaser Holdings, LLC, a Delaware limited liability company located at 386 Park Avenue South, 15<sup>th</sup> Floor, New York, New York 10016. Champion Purchaser Holdings, LLC, is owned by Parent who is our ultimate parent as of June 27, 2019.

#### The Franchises We Offer

We grant franchises for a health club to be operated under the CRUNCH<sup>®</sup> name. We may grant certain qualified individuals multi-unit development rights to develop and operate multiple Crunch health clubs. We may grant other qualified individuals area development rights to develop and operate multiple Crunch health clubs. We do not operate businesses of the type being franchised to you, but affiliated companies have opened Franchised Businesses and other businesses similar to the type being franchised to you. We do not engage in other business activities and have never offered franchises in any other line of business.

The business you will conduct (we will call it the “**Franchised Business**”) refers to a business using our CRUNCH<sup>®</sup> service mark and associated logos and symbols (we will call these marks, logos and symbols the “**Licensed Marks**”) to operate a Crunch health club offering members basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, tanning and online nutritional programs. The Franchised Business will use the methods and procedures we have developed (our “**System**”) and includes standards and methods of operation, accounting, marketing, advertising and public relations, designs, know-how and the standards for conducting a Franchised Business. Our standards and procedures for conducting a Franchised Business are included in our Operations Manual. Each Crunch health club will operate under a franchise agreement

(“**Franchise Agreement**”), the current version of which is attached as **Exhibit C**, and in accordance with our confidential Operations Manual.

The System presently includes the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; and other requirements as stated or referred to in your Franchise Agreement and in our Operations Manual, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may make exceptions based on local conditions, special circumstances or different contractual provisions. The System may be changed or modified by us, in our sole discretion, and you will agree to comply with the System as it may exist (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing).

We offer CRUNCH<sup>®</sup> health club franchises for 3 club formats: the Crunch Fitness model, the Crunch Select model, and the Crunch Signature model. In many ways the club models are the same: you sign the same form of Franchise Agreement, the fee structure is the same, and your Franchised Business operates under the CRUNCH<sup>®</sup> mark. In other ways the club models differ: the estimated initial investment is different for each model, as are operation requirements. We refer to the different models together as the “Crunch Health Club portfolio.”

The Crunch Fitness model is our base offering fitness club. The club offers all of the basic members health club services and is the basis for design for all other formats. The Crunch Select model is a smaller footprint club that is designed to go into markets with a higher cost of living. The Crunch Select model has all of the basic members health club services that are offered in a Crunch Fitness model, with upgraded equipment, amenities, and overall look and feel. The Crunch Select model is a new offering as of the issuance date of this 2023 FDD. However, in the past, we have used the “Select” name to describe fitness clubs with slightly higher dues. There were about a dozen clubs branded as “Select”. We expect that those clubs will either be refurbished to meet the new Select offering criteria or be de-branded as Select clubs. Finally, we also offer clubs under the Crunch Signature brand. The Crunch Signature model is designed for high density metropolitan markets. The Signature model will be individually designed, and will have highly localized design elements, unique member pricing, and customized member programming. In order to develop a Crunch Signature club a franchisee must currently operate a minimum of 5 Crunch Fitness model clubs, or have, in our determination, a significant level of experience owning and operating a similar model.

We offer franchisees the right to develop a single health club or multiple health clubs. If we grant you the right to develop multiple health clubs you and we will sign either an Area Development Agreement or Multi-Unit Development Agreement described in the next paragraphs. The agreement may be for just one Crunch health club model, or for a mix of two or more of the Crunch health club portfolio models.

We offer the exclusive right to develop multiple Franchised Businesses within a defined development area under an area development schedule. Our current form of area development agreement (“**Area Development Agreement**”) is attached as **Exhibit E**. The area development schedule describes the mandatory number of Franchised Businesses you are required to open and the date by which each is to be open. For Crunch Fitness and Crunch Signature model fitness clubs you must develop one Franchised Business for every 75,000 persons residing or working in the Development Area, at the rate set forth in the development schedule that you and we negotiate to the Area Development Agreement. For Crunch Select model fitness clubs you must develop one Franchised Business for every 75,000 persons residing or working in the Development Area, at the rate set forth in the development schedule that you and we negotiate to the Area Development Agreement. The development obligation can be met by signing leases for newly developed health clubs or by converting existing health clubs to Franchised Businesses. We will negotiate the development schedule with you before we enter into the Area Development Agreement. The

Franchise Agreement for each Franchised Business developed under the Area Development Agreement will be the form of Franchise Agreement generally offered by us at the time each Franchise Agreement is executed, with each Franchise Agreement having an exclusive territory of 75,000 persons. The current form of our Franchise Agreement is attached as **Exhibit C** to this disclosure document.

We also offer the non-exclusive right to develop one Franchised Business in each of an agreed upon number of Trade Areas, under a multi-unit development schedule. Our current form of multi-unit development agreement (“**Multi-Unit Development Agreement**”) is attached as **Exhibit G**. The multi-unit development schedule will require you to develop an agreed upon number of Franchised Businesses within a specified number of years at the rate set forth in the development schedule to the Multi-Unit Development Agreement. Like under the Area Development Agreement, the development obligation can be met by signing leases for newly developed health clubs or by converting existing health clubs to Franchised Businesses. We will negotiate the development schedule with you before we enter into the Multi-Unit Development Agreement. You can develop Franchised Businesses in any order you choose, but only one Franchised Business may be developed in a Trade Area. We will negotiate the Trade Areas within your Multi-Unit Area within which you must open Franchised Businesses before we enter into the Multi-Unit Development Agreement, each Trade Area of which will have 75,000 persons. The Franchise Agreement for each Franchised Business developed under the Multi-Unit Development Agreement will be the form of Franchise Agreement generally offered by us at the time each Franchise Agreement is executed, with each Franchise Agreement having an exclusive territory of 75,000 persons. The current form of our Franchise Agreement is attached as **Exhibit C** to this disclosure document.

The best way to distinguish the ADA and MUDA is to give an example. If you have ADA rights for 5 units to be developed over 5 years, you develop them in your Development Area. If you have MUDA rights for 5 units over 5 years, you develop them on a first come first service basis in your Trade Areas, which may or may not be contiguous.

We have franchisees in Australia which operate 17 Crunch health clubs. We have franchisees in Spain which operate 12 clubs. We have franchisees in Canada which operate 29 clubs. We have franchisees in Costa Rica which operate 2 clubs. We have franchisees in Portugal which operate 4 clubs.

### **General Market for Your Products or Services**

The general health club market is well-established and developed. The market for health club memberships ranges from students to senior citizens. Sales follow normal health club industry seasonality. Typically, the first quarter of the year is generally the busiest due to the “New Year’s resolutions” rush. The business slowly tapers down to the summer months, which are historically the slowest. Then in September after Labor Day business picks up again until it peaks in the first quarter.

### **Competition**

The health club market is highly competitive. As a franchisee, you will compete with other national, regional and local independent health clubs providing similar products and services. These competitors may be larger or smaller, have more or less locations and greater or lesser financial resources, more or less experienced marketing organizations and greater or lesser name recognition. Some of your major national or regional health club competitors may be 24 Hour Fitness, Town Sports International, Gold’s Gym, LA Fitness, Life Fitness, EOS Fitness, Vasa Fitness, Chuze Fitness, The Edge Fitness Group, Fitness 19, Youfit, Planet Fitness, 24 Hour Fitness, Blink Fitness, World Gym, Retro Fitness and X-Sport.

## **Laws and Regulations**

Our franchisees are subject to laws applicable to business generally in your state. There are no federal laws specifically regulating the health club industry, but consumer protection laws exist in several states that regulate the offering and selling of memberships for health clubs. In some states there are bonding requirements before a health club can open for business. Some states have defibrillator laws that require a health club to have a defibrillator and staff members qualified to operate one at all times. Some states prescribe the term of memberships that can be sold, the escrowing of membership fees before the health club opens for business, and terminology that can be used in selling memberships. Check with a lawyer to learn about specific laws applicable to your business.

## **Our Prior Experience**

We have not previously conducted a business of the type you will operate, and we began offering franchises for sale in April 2010. However, many of our officers have previously worked for other health club organizations. See the description of their work affiliations in Item 2.

Our affiliate Crunch, LLC, through subsidiary companies, operates 28 signature health clubs under the trademark CRUNCH. These health clubs, some of which our Parent purchased out of the AGT Crunch bankruptcy on September 15, 2009, are called Signature clubs and represent our premium offering, currently operating in urban and metropolitan locations in New York City, San Francisco, Los Angeles and Miami. These gyms have amenities such as towels, state of the art equipment, multiple group fitness studios with significantly more class offerings, and higher end finishes than the typical franchised health club we are offering under this Franchise Disclosure Document. Crunch, LLC has and may in the future enter into license or franchise agreements for Signature clubs using the trademark CRUNCH. Crunch, LLC also operates Franchised Businesses.

## **Your Owners' Obligations**

If you are an entity, usually all of your Owners must sign an Owner's Guaranty in the form attached to the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement. If we determine, in our sole discretion, that one or more of your majority owners has sufficient means to satisfy the requirements of the Guaranty, we may waive the requirement that all Owners sign the Guaranty. In that case only the Owner or Owners who alone satisfy the Guaranty requirements must sign the Guaranty, as long as that Owner or Owners maintain majority ownership. In addition, all Owners must sign the Owner's Acknowledgement in the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement agreeing to accept and be bound by their separate rights and obligations in the Franchise Agreement, Multi-Unit Development Agreement or Area Development Agreement.

## **Item 2**

### **BUSINESS EXPERIENCE**

Manager: Mark S. Mastrov

Mr. Mastrov has been one of our managers since December 2012. Since September 2008, he has been Chairman of New Evolutions Ventures, LLC ("NEV"), Las Vegas, NV. He works from Las Vegas, Nevada.

Manager: James P. Rowley

Mr. Rowley has been one of our managers since November 2009. Since March 2010 he has also been the CEO of Crunch Holdings, LLC. Between September 2008 and June 2019 he was CEO of NEV, in Walnut Creek, California. He works from Incline Village, Nevada.

Manager: Jonathan Coslet

Mr. Coslet has been one of our managers since August 2021. He is also Vice Chairman of TPG Global, LLC since September, 2021. Prior to that he was Chief Investment Officer of TPG Global, LLC, in San Francisco between 2008 and September 2021. He works from San Francisco, California.

Manager: Paul Farber

Mr. Farber has been one of our managers since January 2022. He was our manager from June 2019 through December 2021. Since July 2015 he is also a Vice President with TPG Global, LLC, in San Francisco. He works from San Francisco, California.

Manager: Cate Hardy

Ms. Hardy has been one of our managers since March 2023. From September 2020 until September 2022 she was the CEO of The Wine Group in Livermore, California. She was the CEO of PCC Community Markets from January 2015 until August 2020. She works from San Francisco, California.

Chief Executive Officer: Ben Midgley

Mr. Midgley became our Chief Executive Officer in August, 2014. Before August, 2014, he had been our President since November, 2009. He has also been a member of our Board of Managers since November 2009. He works from our headquarters in Portsmouth, New Hampshire.

Chief Financial Officer: Daniel Gallagher

Mr. Gallagher became our Chief Financial Officer in February, 2018. From January 2017 to January 2018, he was Chief Financial Officer of KB US Holdings Inc. (King Supermarkets & Baldacci's Food Lovers Market) in Parsippany, New Jersey. From October 2015 to December 2016, he was the Owner/Consultant of Execupoint LLC in Upper Saddle River, New Jersey. Mr. Gallagher works from New York, New York.

Chief Marketing Officer: Chad Waetzig

Mr. Waetzig became our Chief Marketing Officer in February, 2023. Before that, he was Executive Vice President Marketing and Branding beginning in October, 2016. He works from New York, New York.

Chief Development Officer, Timothy Welsh

Mr. Welsh became our Chief Development Officer in February, 2023. Before that, he was SVP Development beginning in March, 2021. Between July 2018 and April 2021, he was Chief Development Officer of Qdoba Mexican Eats out of San Diego, California. Before that, he was VP Real Estate and Development of Coffee Bean and Tea Leaf from March 2016 through December 2017 out of Los Angeles, California. He works from Irvine, California.

Senior Vice President, Finance: Michael J. Blouin

Mr. Blouin became our Senior Vice President, Finance, in March 2011. He works from our headquarters in Portsmouth, New Hampshire.

EVP Operations: Craig Pepin-Donat

Mr. Pepin-Donat became our Executive Vice President Operations effective May 1, 2014. From November 2009 to May 1, 2014, he was our EVP/Consulting and worked for us as an independent contractor in charge of our marketing, branding and sales, with responsibility for all operations, systems and intranet development, franchise communication, operational compliance, marketing and brand development. Mr. Pepin-Donat has been the CEO and Managing Member of CPD Enterprises, LLC, Jacksonville, Florida, since November 2004. He works from Jacksonville, Florida.

Director of Sales: John Merrion

Mr. Merrion became our Director of Sales in June 2014. From November 2009 to June 2014 he was our director of Club Development. He works from Lafayette, California.

Secretary: Tony Bakos

Mr. Bakos has been our Secretary since March 2018. Since May 2008, Mr. Bakos has been CEO of AJB Law Group, PC. He works from Lafayette, California.

Franchise Sales Account Executive, Gregory McDonough

Mr. McDonough has been our Franchise Sales Account Executive since April 2017. He was Director of Marketing with LifeRep between September 2015 and April 2017 out of Gloucester, Massachusetts. He was the owner of Northshore Financial Services from October 2005 and December 2015 in Rowley, Massachusetts. He works out of Portsmouth, New Hampshire.

### **Item 3**

## **LITIGATION**

### **Pending Litigation**

Ronald J. Ciardiello v. Michael Blouin, in the Superior Court Department of the Trial Court of the Commonwealth of Massachusetts for the County of Middlesex, Civil Action NO. 2081cv00771, filed March 19, 2020.

Our former area developer and franchisee owner, Ronald Ciardiello, brought this action against our Senior Vice President, Corporate Development, Michael Blouin, alleging that information and support he received from Mr. Blouin amounted to unlawful financial performance representations and that Mr. Blouin failed to disclose market-specific information to him. Mr. Ciardiello has brought claims for violation of the Massachusetts “Little FTC Act” for unfair trade practices regarding financial performance representations, as well as claims for fraudulent misrepresentation and negligent misrepresentation based

on the same facts. He seeks actual damages of \$875,000, punitive damages, and attorney's fees. On September 9, 2022, the court partially granted Mr. Blouin's motion for summary judgment and dismissed Mr. Ciardiello's claim for fraudulent misrepresentation. Mr. Blouin intends to defend against Mr. Ciardiello's remaining claims at trial, a date for which has not been scheduled..

### **Concluded Litigation**

DBKW1, LLC v. Crunch Franchising, LLC and SIR Fitness Fountain Valley, LLC, in the Superior Court of the State of California for the County of San Diego, North County Branch, Case No. 37-2016-00020486-CU-BC-NC, filed June 14, 2016.

Our franchisee, DBKW 1, LLC ("DBKW") brought this action against us and another franchisee. DBKW operated a Crunch club in Huntington Beach, California since December 2012. DBKW alleged that it was granted all of the city of Huntington Beach as its exclusive territory, and that exclusivity limited all other franchisees' right to advertise their locations and services within that territory. DBKW asserted that we had allowed another franchisee to open a Crunch location in DBKW's exclusive territory and had approved that franchisee's direct advertisements to go to residents of DBKW's exclusive territory. DBKW alleged that we were in breach of the franchise agreement with DBKW and in breach of the implied covenant of good faith and fair dealing under the agreement, and that we and the other franchisee had engaged in unfair competition. We counter-claimed that DBKW was in breach of its franchise agreement and in breach of the implied covenant of good faith and fair dealing under the franchise agreement, for failure to comply with the System advertising and marketing requirements, was using non-approved vendors, and did not allow members of other Crunch locations reciprocity at DBKW's location. They entered into a Settlement Agreement effective October 31, 2017 to settle the matter without admission of guilt by either party. The action was dismissed with prejudice on February 2, 2018. Pursuant to the Settlement Agreement, plaintiff's Crunch club in Huntington Beach was purchased by an affiliate of SIR Fitness Fountain Valley, LLC. To facilitate our co-defendant's purchase of the club, we agreed to grant our co-defendant's affiliate a royalty reduction for one year for the Huntington Beach club.

Except for this action, no litigation is required to be disclosed in this Item.

### **Item 4**

#### **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **Item 5**

#### **INITIAL FEES**

The initial fee you will pay under the Franchise Agreement ("**Initial Franchise Fee**") depends on the Crunch health club model that the agreement is for. If you convert or construct a Crunch Fitness or Crunch Select model Crunch health club, you will pay us a \$25,000 lump sum fully earned, non-refundable Initial Franchise Fee when you sign the Franchise Agreement. If you convert or construct a Crunch Signature model Crunch health club, you will pay us a \$50,000 lump sum fully earned, non-refundable Initial Franchise Fee when you sign the Franchise Agreement.

If you are buying area development rights, you will pay us a non-refundable development fee for each Crunch health club that you will open. The Development Fee depends on the Crunch health club model that the Area Development Agreement is for. The Development Fee is \$25,000 for each Crunch



Fitness or Crunch Select health club required to be established under the Development Schedule in your Area Development Agreement; and it is \$50,000 for each Crunch Signature health club required to be established under the Development Schedule in your Area Development Agreement. If you pay a Development Fee, you will not pay the Initial Franchise Fee for each Franchise Agreement you sign.

If you are buying multi-unit development rights to develop an agreed number of Crunch health clubs, you will pay us a non-refundable multi-unit fee (“**Multi-Unit Fee**”) for each Crunch health club that you will open. The Multi-Unit Fee depends on the Crunch health club model that the Multi-Unit Development Agreement is for. It is \$25,000 per Crunch Fitness or Crunch Select club and \$50,000 per Crunch Signature club, though we may offer a discount to U.S. military veterans. If you pay a Multi-Unit Fee, you will not pay the Initial Franchise Fee for each Franchise Agreement you sign.

We may offer other reduced or deferred Initial Franchise Fees, Development Fees or Multi-Unit Fees in special circumstances, such as to franchisees that commit to and have the ability to develop a large number of clubs. Additionally, we may have special incentive offers in certain markets, such as new and developing markets, which include reduced, waived or deferred Initial Franchise Fees. These special incentives may be offered to existing and/or new franchisees. You will be notified by us in advance, in writing, if any reduced fees are available to you. Failure to meet a development schedule may void any discount and deferral, and the full standard Initial Franchise Fees will be due and payable at that time. These reduced fees only apply to those who are in compliance with all of our agreements and requirements. We reserve the right to cancel or modify any incentive program or discount at any time.

Failure to timely pay the Initial Franchise Fee, Development Fee or Multi-Unit Fee in accordance with the agreed upon payment schedule is also grounds for termination of the applicable Franchise, Area Development or Multi-Unit Development Agreement and we may terminate the agreement upon 10 days’ notice (with the opportunity to cure) if you don’t pay the initial fees when due.

You have to order your fitness equipment, tanning beds, hydro massage beds, lockers and flooring through us before you open your Franchised Business. During the term of your Franchise Agreement there may be other items you will be required to purchase from or through us. We will arrange with various third party suppliers to lease or sell those items to you. The cost of these items will depend on the health club format that your Franchised Business will operate under. Depending on your credit and the nature and structure of your financing, the initial deposit we will ask you to pay will vary. If your Franchised Business will be a Crunch Fitness club you must pay us an amount between \$150,000 and \$1,200,000 as an initial deposit. If your Franchised Business will be a Crunch Select club you must pay us an amount between \$80,000 and \$800,000 as an initial deposit. If your Franchised Business will be a Crunch Signature club you must pay us an amount between \$250,000 and \$2,000,000 as an initial deposit. The purpose of the deposit is to cover our expenses for those items and we will in turn provide most of those funds to the third party supplier, retaining a portion for our coordination services. Under the Franchise Agreement you grant us a security interest in this equipment and other items.

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**Item 6**

**OTHER FEES**

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Royalty	5.0 % of monthly Gross Sales. <sup>(2)</sup>	By the 5 <sup>th</sup> day of the following calendar month.	See Notes (1) and (5). Payment will be made by automatic deduction by our membership management platform servicer ABC from an account that you designate.
Brand Marketing Fund Contribution	Up to 2% of monthly Gross Sales but we have the right to charge a pro rata share of actual marketing expenses instead. <sup>(2)</sup>	By the 5 <sup>th</sup> day of the following calendar month.	Currently the Brand Marketing Fund Contribution is 2% but we have, and can in the future charge franchisees for joint marketing expenses on a pro rata basis instead. See Notes (1) and (5). Payment will be made by automatic deduction by our membership management platform servicer ABC from an account that you designate.
Additional Training or Assistance	Sales & Operations training – Currently \$500 per day, plus all our travel expenses.  Group Fitness Training (minimum 3 days) - \$1,500 Plus travel expenses.	15 days after training completed.	See Note (3). The then current fee will be published in the Operations Manual.
Re-Inspection Fee	\$1,000, plus all our travel expenses.	Upon demand.	If your club fails an inspection, and we must re-inspect, we will charge this fee.
Online Enrollment Processing	Currently \$5 per enrollment	By the 5 <sup>th</sup> day of the following calendar month.	See Note (1). Payment will be made by automatic deduction by our membership management platform servicer ABC from a designated account.
Franchise Advisory Council	Any dues that may be accessed.	As indicated.	You must be a member of our FAC and pay any dues which may be assessed. See Note (1).

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Monthly Billing Processing and Credit Cards fees	<ol style="list-style-type: none"> <li>Interchange Fees – set by Visa/MasterCard, Discover or AMEX and are based on the type of card processed. These are universal rates.</li> <li>Processor fees – usual and customary fees for transaction processing paid to the processor.</li> </ol>	Monthly fee deducted automatically from your monthly dues tap.	Fees are assessed directly by the processors. See Note (4).
Audits	If an audit reveals an underpayment of any fee, you must promptly pay it and a past due charge. If the underpayment is more than 2%, you must reimburse us for all our expenses. We estimate audit costs to be between \$5,000 to \$20,000.	Upon receipt of our invoice.	See Note (3).
Tax Indemnity	You must pay us the amount of any taxes we must pay on any payments you make to us (excluding income tax).	As incurred.	See Note (3).
New Technology Fee	A reasonable fee covering our expenses incurred in providing you new technologies, currently \$0.	Will be automatically deducted from your designated account if charged on a monthly basis. Upon demand, if charged as a one-time fee.	Because of the rapid technology changes today we reserve the right to charge a reasonable fee to offset our cost in potential future technology support services that we will provide to you.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Approved Suppliers or Approved Products or Services	Our standard fee for approving alternate Suppliers, or alternate products to Approved Products or Services, or our actual cost for the evaluation if it exceeds our standard fee.	As incurred	Currently our standard fee is \$1,500 and incurred expenses above that amount. See Note (1). Charged if you request to buy Approved Products or Services from another source then our approved Suppliers, or if you request to use other products or services than Approved Products or Services.
Unauthorized Operations Fee	\$1,000/per day	Upon demand	If you operate your Crunch health club before we have approved it for opening (initial opening, or opening following temporary closure during the term), or if you operate it in contravention of applicable law. Unauthorized operation may also result in the termination of your Franchise Agreement.
Offer of Securities	\$25,000 for a public offering, \$10,000 for a private offering, or a higher amount that covers our costs to review.	Upon demand	See Note (3).
Advertising	Your required monthly local advertising spend must be the higher of a set amount and 7% of Gross Sales for that month. <sup>(2)</sup> The set amount depends on the Crunch health club model:  For the Crunch Fitness model: \$10,000.  For the Crunch Select model: \$10,000.  For the Crunch Signature model: \$15,000	As incurred.	See Note (4). If you fail to market for 2 consecutive quarters, we can deduct an appropriate amount of marketing funds from your designated account and use it to place marketing for you. See Note (5). Your Brand Marketing Fund Contributions do not off-set the required advertising spend.
Document Review Fee	\$1,500, or if higher, our legal fees.	Upon demand.	Payable when you present to us a candidate for transfer. This fee is payable whether the transfer is

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
			completed or not. The fee doesn't apply if you are an individual franchisee who wish to transfer your franchise to a legal entity.
Transfers	\$5,000, or our actual cost, including legal fees, if higher.	Before closing.	Payable if you transfer directly or indirectly to a third party. The transfer fee is not required if you transfer your interest to a corporation, limited liability company or other entity and continue to own the majority of that entity, or if your interest is transferred to a third party on your death or incapacity (or the death or incapacity of a principal Owner if you are an entity). See Note (1).
Renewal Fee	\$12,500.	Upon execution of a renewal Franchise Agreement.	See Note (1).
Indemnification	You must indemnify us, our affiliates and our respective members, owners, share-holders, directors, officers, managers, employees and agents, from and against all claims arising out of your failure to pay taxes, your operation of the Franchised Business, or your actions, failure to act, negligence or willful conduct.	Upon demand.	See Note (3).
Past Due Service Charge on Overdue Amounts	1.5% per month or maximum permissible rate, whichever is less	Upon demand.	See Note (1).
Club Management Software System	\$130 per month to ABC plus transaction processing fees.	Monthly Fee	See Note (5) and (6).
Technology and IT Support Services	Currently \$75 per month.	Monthly Fee	The fee is for technology and IT Support Services, including but not limited to access to Crunch Connected, Club URL purchase

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
			and maintenance, set up and maintenance of any club level email boxes or related services, franchisee email services, and license fees for intranet services. The fee may be adjusted to reflect any increase in expenses we incur in providing you the services covered.
Development Extension Fee	\$10,000 per Franchised Business you are granted a development extension for.	Upon demand	If you are unable to meet your development obligations under the ADA or MUD we may, in our sole discretion, grant you a 90 day extension.
Unauthorized Product/Service Fee	\$250/day that you sell or give away any unauthorized products or services	Upon demand	If you sell any products or services that we have not authorized, including approved products and services purchased from non-approved Suppliers, we have the right to charge you a daily fee for this breach of the Franchise Agreement.
Trade Dress Non-Compliance Fee	\$250/day for continued non-compliance with Trade Dress requirements following notice and cure period	Upon demand	If you do not correct Trade Dress issues (e.g. non-approved graphics) following our notice of non-compliance and cure period, we have the right to charge you this daily fee until such time as you correct the Trade Dress issues.
Default Fee	1% of Gross Sales	Upon demand	If you are in default under the Franchise Agreement we have the right to charge you a fee of 1% of Gross Sales during the period of default. The fee is intended to compensate us for the damage that your non-compliance does to the System and the Proprietary Marks.
Replacement Equipment	\$50,000 - \$600,000	Upon required remodeling	We have the right to require you to remodel your Franchised Business

**Notes:**

- (1) These payments are payable to us and are not refundable. Fees are uniformly imposed among franchisees of each franchise format, but may differ between the 3 different formats. For example, the minimum local advertising spend is different depending on whether the health club operates under the Crunch Fitness model, the Crunch Select model, or the Crunch Signature model.
- (2) “Gross Sales” means all revenue received by you from the performance of all services and the sale of all products from or related to your Franchised Business, including membership revenue, both recurring dues and cash sales, personal training and retail sales, less any sales taxes, refunds to customers, and discounts. If you signed an Area Development Agreement or Multi-Unit Development Agreement, you will sign the form of Franchise Agreement offered to Franchisees at the time you sign such Franchise Agreement and your Royalty percentage will be what is offered to Franchisees on that date, except it will not be more or less than the Royalty rate in the now current Franchise Agreement. At our sole discretion, we may offer a discounted royalty percentage under Franchise Agreements for clubs Developed ahead of the Development Schedule set forth in your Multi-Unit Development Agreement or Area Development Agreement, as applicable.
- (3) These payments are payable to us and are not refundable, but are not uniformly imposed.
- (4) These payments will be payable to a third party and will be uniformly imposed, but will not be refundable.
- (5) Your monthly Royalties and Brand Marketing Fund Contribution, and your local marketing amount if we have to place marketing for you, will be drafted directly from an account you designate. Our designated back office solutions provider or providers, currently only ABC, will facilitate your monthly membership billing, then after each month’s draft the membership dues revenue will be deposited into your designated bank account. After the deposit, by the 5<sup>th</sup> of the following month, the designated back office solutions provider will withdraw any amounts due to us under this Agreement, including your Royalty, Brand Marketing Fund Contribution, and Technology and IT Support Services fee payments. On the payment dates designated in the Franchise Agreement, we will calculate the amount due and make the deposit to our designated account on your behalf. All records of the transactions will be provided to you monthly. Any other payments due to us must be made by you by electronic funds transfer to an account we designate.
- (6) ABC Financial Services, Inc. (“ABC”) offers membership management services, POS and club collections systems that currently service approximately 8,000 health clubs across the country. They are a long time provider of these services in the fitness industry and can provide references upon request. As a franchisee you may purchase your own computers and POS machine provided they meet the systems specifications, or you may buy them from ABC. The table shows the basic service plan from ABC, but more comprehensive service plans are also offered by ABC. Depending on the service plan you choose ABC may provide you with an allowance for computer equipment. ABC’s fees for services are a combination of monthly software fees and transaction processing fees.

**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**Crunch Fitness Model:**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee <sup>(2)</sup>	\$25,000	Lump Sum	Upon signing Franchise Agreement	Us
Training Expenses <sup>(3)</sup>	\$1,000 to \$5,000	As incurred	As incurred	Hotels/ airlines/ restaurants/ rental car
Real Property, whether purchased or leased <sup>(4)</sup>	See Note (4)	See Note (4)	See Note (4)	See Note (4)
Lease deposits <sup>(5)</sup>	\$5,000 to \$50,000	As arranged	As arranged	Landlord
Leasehold Improvements <sup>(6)</sup>	\$400,000 to \$1,900,000	As arranged	As arranged	Contractors, approved vendors
Fitness equipment, fixtures, other fixed assets <sup>(7)</sup>	\$150,000 to \$1,000,000	Varies	Varies	For equipment, to Approved Suppliers. For the coordination services, to Us.
Opening Inventory <sup>(8)</sup>	\$1,000 to \$5,000	Cash	Upon order delivery	Approved Supplier
Site Selection Travel Expenses <sup>(9)</sup>	\$500 to \$3,000	30 days after invoice	As accrued	Selected Broker



<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Security deposits, utility deposits, business licenses bonding (if required) and pre-paid expenses <sup>(10)</sup>	\$3,000 to \$45,000	Cash	At time service is begun and/or license is required	Utilities, banks, government agencies, bonding companies
Professional fees <sup>(11)</sup>	\$5,000 to \$35,000	As incurred	Varies	Lawyers, Architects, Accountants
Signs <sup>(12)</sup>	\$7,500 to \$45,000	As incurred	Before you open	Approved Supplier
Office equipment, computer system, furniture graphics package and supplies <sup>(13)</sup>	\$25,000 to \$35,000	Varies	Varies	Preferred Vendors
Initial Advertising <sup>(14)</sup>	\$15,000 to \$45,000	Paid directly to marketing company	Varies	Media Companies
Insurance <sup>(15)</sup>	\$5,000 to \$20,000	As incurred	Varies	Preferred Vendor
Additional Funds <sup>(16)</sup> - 3 months of operations	\$25,000 - \$300,000	Varies	Varies	Payroll, utilities, day to day and health club operations costs, until the club reaches break even.
<b>Totals</b>	<b>\$668,000 to \$3,513,000</b>			

**Crunch Select Model:**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee <sup>(2)</sup>	\$25,000	Lump Sum	Upon signing Franchise Agreement	Us
Training Expenses <sup>(3)</sup>	\$1,500 to \$10,000	As incurred	As incurred	Hotels/ airlines/ restaurants/ rental car
Real Property, whether purchased or leased <sup>(4)</sup>	See Note (4)	See Note (4)	See Note (4)	See Note (4)
Lease deposits <sup>(5)</sup>	\$5,000 to \$75,000	As arranged	As arranged	Landlord
Leasehold Improvements <sup>(6)</sup>	\$450,000 to \$3,000,000	As arranged	As arranged	Contractors, approved vendors
Fitness equipment, fixtures, other fixed assets <sup>(7)</sup>	\$180,000 to \$1,250,000	Varies	Varies	For equipment, to Approved Suppliers. For the coordination services, to Us.
Opening Inventory <sup>(8)</sup>	\$1,500 to \$5,000	Cash	Upon order delivery	Approved Supplier
Site Selection Travel Expenses <sup>(9)</sup>	\$500 to \$3,000	30 days after invoice	As accrued	Selected Broker
Security deposits, utility deposits, business licenses bonding (if required) and pre-paid expenses <sup>(10)</sup>	\$13,000 to \$75,000	Cash	At time service is begun and/or license is required	Utilities, banks, government agencies, bonding companies
Professional fees <sup>(11)</sup>	\$15,000 to \$60,000	As incurred	Varies	Lawyers, Architects, Accountants

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Signs <sup>(12)</sup>	\$12,500 to \$50,000	As incurred	Before you open	Approved Supplier
Office equipment, computer system, furniture graphics package and supplies <sup>(13)</sup>	\$25,000 to \$35,000	Varies	Varies	Preferred Vendors
Initial Advertising <sup>(14)</sup>	\$15,000 to \$60,000	Paid directly to marketing company	Varies	Media Companies
Insurance <sup>(15)</sup>	\$5,000 to \$20,000	As incurred	Varies	Preferred Vendor
Additional Funds <sup>(16)</sup> - 3 months of operations	\$45,000 to \$500,000	Varies	Varies	Payroll, utilities, day to day and health club operations costs, until the club reaches break even.
<b>Totals</b>	<b>\$794,000 to \$5,168,000</b>			

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**Crunch Signature Model:**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee <sup>(2)</sup>	\$25,000	Lump Sum	Upon signing Franchise Agreement	Us
Training Expenses <sup>(3)</sup>	\$3,000 to \$20,000	As incurred	As incurred	Hotels/ airlines/ restaurants/ rental car
Real Property, whether purchased or leased <sup>(4)</sup>	See Note (4)	See Note (4)	See Note (4)	See Note (4)
Lease deposits <sup>(5)</sup>	\$15,000 to \$100,000	As arranged	As arranged	Landlord
Leasehold Improvements <sup>(6)</sup>	\$800,000 to \$4,000,000	As arranged	As arranged	Contractors, approved vendors
Fitness equipment, fixtures, other fixed assets <sup>(7)</sup>	\$250,000 to \$1,250,000	Varies	Varies	For equipment, to Approved Suppliers. For the coordination services, to Us.
Opening Inventory <sup>(8)</sup>	\$6,000 to \$10,000	Cash	Upon order delivery	Approved Supplier
Site Selection Travel Expenses <sup>(9)</sup>	\$2,000 to \$6,000	30 days after invoice	As accrued	Selected Broker
Security deposits, utility deposits, business licenses bonding (if required) and pre-paid expenses <sup>(10)</sup>	\$6,000 to \$90,000	Cash	At time service is begun and/or license is required	Utilities, banks, government agencies, bonding companies
Professional fees <sup>(11)</sup>	\$20,000 to \$120,000	As incurred	Varies	Lawyers, Architects, Accountants

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure<sup>(1)</sup></b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Signs <sup>(12)</sup>	\$10,000 to \$100,000	As incurred	Before you open	Approved Supplier
Office equipment, computer system, furniture graphics package and supplies <sup>(13)</sup>	\$25,000 to \$35,000	Varies	Varies	Preferred Vendors
Initial Advertising <sup>(14)</sup>	\$30,000 to \$75,000	Paid directly to marketing company	Varies	Media Companies
Insurance <sup>(15)</sup>	\$10,000 to \$40,000	As incurred	Varies	Preferred Vendor
Additional Funds <sup>(16)</sup> - 3 months of operations	\$75,000 - \$800,000	Varies	Varies	Payroll, utilities, day to day and health club operations costs, until the club reaches break even.
<b>Totals</b>	<b>\$1,277,000 to \$6,671,000</b>			

**Notes:**

- (1) This is our best estimate on the costs you will incur to develop and open one new Franchised Business based on the experience of our officers and owners. There are no incremental initial investment costs if you become an area developer or multi-unit developer. Your site will have approximately 10,000 to 45,000 square feet, depending on the health club format of your Franchised Business. If you will operate a Crunch Select club your site will be approximately 10,000 to 20,000 square feet. If you will operate a Crunch Fitness club your site will be approximately 20,000 to 45,000 square feet. If you will operate a Crunch Signature club your site will be approximately 12,000 to 25,000 square feet the size of your club will vary based on a number of factors. In addition to the club format, the factors that underlie these estimates can vary considerably depending on a number of variables, and the actual investment you may make may be lesser or greater than the estimates given. We cannot accurately estimate the initial investment you will incur in conversion situations. None of these items are refundable unless otherwise indicated. All payments to us or our affiliates are non-refundable.
- (2) All franchisees will pay an Initial Franchise Fee of \$25,000. If you sign an Area Development Agreement, you will pay a Development Fee of \$25,000 for each Franchised Business you will be establishing under your development schedule, and you will not pay the Initial Franchise Fee when

you sign the Franchise Agreement. If you sign a Multi-Unit Development Agreement, you will pay a Multi-Unit fee of \$25,000 for each of the agreed upon number of Franchised Businesses you will be developing, and you will not pay the Initial Franchise Fee when you sign the Franchise Agreement.

- (3) These are estimated expenses for you (if you are an individual) or one of your Owners (if you are an entity) and your manager to attend 3 to 5 days of training, and includes travel-related items such as hotels, airlines, restaurants and local transportation.
- (4) We cannot estimate your real estate costs in a low-high range. The approximate size of your property and building will be 10,000 to 45,000 square feet and its probable location would be within a strip mall or lifestyle center. If you will operate a Crunch Select club your site will be approximately 10,000 to 20,000 square feet. If you will operate a Crunch Fitness club your site will be approximately 20,000 to 45,000 square feet. If you will operate a Crunch Signature club your site will be approximately 12,000 to 25,000 square feet. The size of your club will vary based on a number of factors. We expect that most franchisees will lease their facilities. The cost per square foot of commercial space varies considerably depending upon the location and market conditions affecting commercial property. The franchisor estimates the cost per foot per month to be anywhere from \$10 to \$25. (This figure does not include the cost of security deposits equal to one or two months' rent which may be required by the Lessor.)
- (5) This is our best estimate of your lease deposits.
- (6) This is our estimate of the costs you would incur to improve your property to make it suitable for any Crunch health club. You will need to build out the interior and exterior of the location to the franchise specifications. This could cost as much as \$15 to \$60 a sq. ft. The lower cost would be for a conversion health club and the higher cost for a new health club.
- (7) You will need to lease or purchase fitness equipment and tanning beds through us. See Item 5. Generally you will lease this equipment. Our estimates provided assume that you will be leasing the equipment and your initial down payments will be between \$150,000 - \$1,200,000. Depending on the size of your facility, we estimate that the value of your fitness equipment, fixtures and fixed assets will range between \$150,000 and \$1,200,000. The \$150,000 estimate is for a conversion health club and the \$1,200,000 estimate is the upper range for a new facility.
- (8) You will be required to purchase an opening inventory of t-shirts, drinks and promotional items from approved vendors only before opening the franchised unit for business.
- (9) Should you choose to utilize them, you will be assisted with site selection through the professional services of a real estate broker. There will generally be no fees incurred by you for their services, other than reimbursed expenses. The cost estimates cover their travel related expenses to view your potential sites.
- (10) You will need to acquire all the necessary permits, bonds, utilities, merchant accounts and licenses that are required to operate the Franchised Business legally and proficiently, and pay any security deposits that may be required.
- (11) You will need, in most cases, the assistance of legal counsel to review any important documents, an architect to plan out your health club, and potentially accountants to maintain your books.

- (12) You will need to purchase exterior signs in order to maximize visibility of the facility for consumers.
- (13) You will be required to purchase several computer systems, monitors, hardware and office supplies in order to open your health club.
- (14) Before opening your Franchised Business, the advertising you will need to conduct may include mailings, internet, bill boards, radio, and TV.
- (15) You will be required to purchase the specified insurance coverage for your health club before operations begin.
- (16) We estimate that your initial period of operations will be 3 months. You will need to have on hand sufficient additional capital to cover operating expenses until the club reaches a break even operating basis. The estimate given is the amount of additional funds, in excess of revenues, we estimate you will need to cover these expenses during this initial period. This estimate is based on our directors, officers' and owners' approximately 35 years in the health club business.

## **Item 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must comply with all of our mandatory standards, methods, policies, products, procedures, techniques, standards and specifications for your club format that we prescribe in the Operations Manual, Standards or other written or electronic communications, including the wearing of uniforms while performing services, and using only equipment, uniforms, computers, point of sale and membership management systems, transaction processing and accounting platforms, software, telephone and other items that meet or exceed our standards.

You must lease or purchase fitness equipment, tanning beds, hydro massage beds, lockers, flooring and an opening inventory of t-shirts, drinks and promotional items, from us or from approved Suppliers, before opening your Franchised Business. We will have the right to require you to immediately stop distribution of products purchased from non-approved Suppliers. You must also use our approved Suppliers and may be required to purchase products or services from us when you are required to remodel or refurbish your Franchised Business. Miscellaneous items including office supplies can be purchased from any vendor as long as those items are equivalent to what is on the specified list.

We have the right to designate or approve one or more third parties (a “**Supplier**” or “**Suppliers**”), or ourselves or an affiliate, to supply you with certain categories of products and services (“**Approved Products and Services**”). If we so designate or approve a Supplier for your club format, you must purchase the categories of Approved Products or Services only from Suppliers so designated or approved by us or from us or one of our affiliates.

In addition, we can designate or approve a Supplier for any products or services and may designate or approve a Supplier only as to certain products or services, including supplies to be used in your Franchised Business. We can concentrate purchases with one or more Suppliers to obtain lower prices, better advertising support and/or better services for any group of Franchised Businesses. If you propose to contract for or purchase Approved Products or Services from any Supplier that we have not previously designated or approved for those products or services, you must notify us in writing and submit to us all information, specifications and samples that we request. Our criteria for Supplier approval are not made

available to our franchisees. We will have the right to require that our representatives, at your expense, be permitted to inspect the proposed Supplier's facilities and that samples from the proposed Supplier be delivered to us or our designated testing facility for evaluation and testing. To secure approval of purchases from alternative Suppliers, we have the right to assess you our standard fee for evaluating your proposed Supplier, or our actual cost for an evaluation if it exceeds our standard fee, which currently is \$1,500 and incurred expenses, above that amount. We will have sole discretion as to whether or not to approve any Supplier. We will notify you of our approval or disapproval within 60 to 120 days. Approval of a Supplier as to any products or services must be made by us in writing and may also be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, concentration of purchases and other criteria, and may be conditioned on the Supplier providing us with adequate insurance protection, the Supplier's execution of reasonable indemnity and confidentiality agreements, and the Supplier's payment of reasonable license fees to us if our Licensed Marks are to be used, and may be temporary or conditional, pending our evaluation of the Supplier.

We do not generally issue specifications and standards to our franchisees or approved Suppliers.

We reserve the right to re-inspect, at any time, the facilities, products and/or services of any approved Supplier and to revoke our approval upon the Supplier's failure to continue to meet any of Franchisor's then current criteria.

Currently, we are the only approved Supplier for the fitness equipment, tanning beds, hydro massage beds, lockers and flooring. You have to order all of these through us. We will arrange with various third party suppliers to provide those items to you. You will make a payment to us to cover the down payment costs to lease or purchase the equipment. You or your leasing company will pay us in full and we will in turn provide most of those funds to the third party suppliers, retaining a portion for our coordination services. We are not the only approved Supplier of any other products or services.

If you wish to use any alternate products or services to any Approved Products and Services you must first obtain our approval. You will have to submit a written request to us with all applicable information, specifications or samples we require. The required fee of \$1,500 per product or service is payable to us at the time you submit the request for approval for the product or service. If the cost to review the alternative product or service exceeds \$1,500, you will have to reimburse us for the additional cost. Within a reasonable time (our goal is 30 days or less) we will notify you whether the alternative product or service is approved. We do not provide our franchisees with the criteria for approving alternate products or services. If we revoke the approval of an alternative product or service, you will be notified of the revocation in a manner we deem appropriate. We do not issue particular specifications and standards to Franchisees for approving alternative products or services. Applications for approval are reviewed on a case by case basis.

You must license computer software we specify from ABC Financial Services, Inc. ("ABC") located at 8320 Arkansas #107, Sherwood, Arkansas 72120, for certain systems and support services.

ABC offers membership management services, POS and club collections systems that currently service approximately 8,000 health clubs across the country. They are a long time provider of these services in the fitness industry and can provide references upon request. As a franchise you may purchase your own computers and POS machine provided it meets their systems specifications, or you may buy them from ABC. ABC's fees for service are currently a combination of monthly software fees of \$130 and transaction processing fees which will vary.

You must also use a marketing Supplier that we designate and/or approve.



Each of Mark Mastrov, one of our managers, James Rowley, one of our managers, and Tony Bakos, one of our officers, has an indirect ownership interest in dotFIT, which is one of our suppliers.

Craig Pepin-Donat, our Executive Vice President of Operations, has an equity interest in dotFIT, which is one of our suppliers.

If you fail to pay a Supplier for Products and services within 60 days of the due date or as we require, in our reasonable discretion, determine that it is the most efficient method to remit payment to any Supplier, we will have the right, but not the obligation, to act as a pass through by withdrawing funds automatically from your account for the purpose of paying the Supplier, including any past due, current and future payments, in order that we can maintain a good vendor relationship with the Suppliers. Products and services for which we may act as a pass through may include equipment, fixtures, goods, merchandise, inventory, marketing campaigns or materials, lending services, computer hardware and software, supplies, uniforms and other categories of products and services that you may purchase from designated Suppliers.

For the fiscal year ending December 31, 2022, revenues from franchisee required purchases or leases were \$7,723,735, or 19.53% of our total revenue of \$39,546,721. For the fiscal year ending December 31, 2022 none of our affiliates received revenues from franchisee's purchases or leases of products or service.

We or our affiliates may realize a profit or receive payments, commissions, discounts or other allowances from your purchases of products and services from approved Suppliers, and, where permitted by applicable law, we or our affiliates may retain those profits, payments, rebates, discounts or allowances for our own accounts without having any obligation to provide any benefits to you. We will make a profit off of any fitness equipment, tanning beds and other products we sell to you.

We estimate that the proportion of your required purchases and leases to all purchases and leases by you of products and services in establishing and operating your Franchised Business is 50 to 70%. We do not provide any material benefits to you based on your use of designated or approved sources.

We may negotiate purchase arrangements with Suppliers for the benefit of our franchisees. We will derive revenue under arrangements with certain authorized Suppliers from the supply of approved products or services to our franchisees. Our payments will be on a percentage basis, usually ranging from 3% to 25%.

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**Item 9**

**FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in franchise or other agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	FA §§5.1, 5.2, 5.3 ADA §§3.1.3, 3.1.5, 6.1, 6.2.3, 6.2.4, 6.2.5, 7.1. MUDA §§3.1.3, 3.1.5, 6.1, 6.2.3, 6.2.4, 6.2.5, 7.1	11
b. Pre-opening purchases/leases	FA §§7.1.10, 7.3, 7.4	5, 7, 8
c. Site development and other pre-opening requirements	FA §§5.2, 5.3, 5.4, 5.5 ADA §§3.1, 6.2 MUDA §§3.1, 6.2	6, 7, 11
d. Initial and ongoing training	FA §§6.1.2, 7.1.12, 7.2	7, 11
e. Opening	FA §§5.4, 5.5, 7.1.1, 7.1.3 ADA §§6.2.1, 6.2.2	11
f. Fees	FA §§6.1, 7.1.19, 8.1, 8.2, 8.3, 8.4, 8.6, 8.7, 8.8, 8.9, 9.4, 10.3, 16.8, 18.8, Exhibits 5 and 6 ADA §§5.1, 5.2, 5.3, 6.1, 6.2.1, 13.8 MUDA §§5.1, 5.2, 5.3, 6.1, 13.8	5, 6, 7, 8
g. Compliance with standards and policies/operating manual	FA §§3.1, 7.1.2, 7.1.6, 7.1.8, 7.1.15, 7.1.22, 7.1.23, 13.1	11, 14

<b>Obligation</b>	<b>Section in franchise or other agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
h. Trademarks and proprietary information	FA §§7.1.16, 11.1, 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, 12.1, 12.2, 12.3, 13.2, 13.3, 13.4 ADA §§8.1, 8.2 MUDA §§8.1, 8.2	13, 14
i. Restrictions on products/services offered	FA §§7.1.8, 7.1.26, 7.1.30, 7.8, 7.10	8, 16
j. Warranty and customer service requirements	FA §§7.1.8, 7.1.9, 7.1.22, 12.4	16
k. Territorial development and sales quotas	FA: Not Applicable ADA §§3.1, 3.2, 6.2, Exhibits 1 and 2 MUDA §§3.1, 3.2, 6.2, Exhibit 1	12
l. Ongoing product/service purchases	FA §§6.2, 7.1.17, 7.1.18, 7.1.19	8
m. Maintenance, appearance, and remodeling requirements	FA §§5.6, 7.1.17, 7.1.18, 7.1.19	11
n. Insurance	FA §7.3	7
o. Advertising	FA §§7.1.3, 7.1.31, 10.1, 10.2, 10.3, 10.5, 10.6, 10.7	6, 7, 8, 11
p. Indemnification	FA §§7.7, 11.5, 17.4 ADA §12.4 MUDA §12.4	6, 17
q. Owner participation/management/staffing	FA §§7.1.5, 7.1.12, 7.1.13, 7.1.14, 7.1.15, 7.2	15

<b>Obligation</b>	<b>Section in franchise or other agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
r. Records and reports	FA §§7.1.26, 9.1, 9.2, 9.3	11
s. Inspections and audits	FA §9.4	6, 11
t. Transfer	FA §§15.1, 15.2, 15.3, 15.4, 15.5, 15.6 ADA §§10.1, 10.2, 10.3, 10.4, 10.5 MUDA §§10.1, 10.2, 10.3, 10.4, 10.5	6, 17
u. Renewal	FA §4.2 ADA §4.2 MUDA §4.2	17
v. Post-termination obligations	FA §§13.2, 13.3, 14.2, 16.5, 16.6 ADA §11.6 MUDA §11.6	17
w. Non-competition covenants	FA §§3.1, 7.2, 13.2, 13.3, 14.1, 14.2, 14.3, 14.4 ADA §§9.1, 9.2, 9.3, 9.4 MUDA §§3.1, 9.1, 9.2, 9.3, 9.4	17
x. Dispute Resolution	FA §§18.1, 18.2, 18.3, 18.4, 18.5, 18.6, 18.7, 18.8, 18.9 ADA §§13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9 MUDA §§13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9	17
y. Annual Franchise System Meeting	FA §7.1.29	Not Applicable
z. Franchise Advisory Council	FA §7.5	20
aa. Website/Electronic Commerce	FA §§7.9, 11.7	13

<b>Obligation</b>	<b>Section in franchise or other agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
bb. Pre-sale, sale and management of memberships	FA §§7.1.8, 7.1.9, 7.1.10, 7.1.30, 7.8, 7.11	16
cc. Owner’s Guaranty/ Owner’s Acknowledgment	FA §2.3, Exhibit 2 ADA §2.3, Exhibit 4 MUDA §2.3, Exhibit 3	1
dd. Reciprocity rule	FA §7.11	11, 16
ee. Other investors	ADA §7.2 MUDA §7.2	16
ff. National and regional sales and membership programs	FA §7.1.31	16

**Notes:**

- (1) References are to the Franchise Agreement (“FA”), Area Development Agreement (“ADA”) or Multi-Unit Development Agreement (“MUDA”).

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 10**

**FINANCING**

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

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## Item 11

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

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

#### Pre-Opening Site Section Obligations

Before you open your business, we will:

1. Provide you with our Operations Manual, which contains our criteria for your business site and its layout. We may develop different Operations Manuals for the different club formats, and in that case we will provide you with the Operations Manual applicable to your Crunch health club format (Crunch Fitness, Crunch Select, or Crunch Signature). Your business site and its layout are subject to our approval. We may arrange for a third party to provide you, at your option, with site selection services at no cost to you, except you must pay for the third party's travel expenses. We estimate the range of site selection travel expenses that you will pay to the third party to be between \$500 to \$3,000. (Franchise Agreement §5.2)
2. The factors that we will consider in approving your site include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, lease terms and local competition. We may require that you use a realtor or broker to help locate an appropriate site. (Franchise Agreement, § 5.3)
3. You have to submit a proposed site to us for approval within 60 days of signing your Franchise Agreement. We will have 20 business days to approve or disapprove your site after you submit the necessary materials to us. You must complete your conversion or construction work and be opened for business within 10 months of signing your Franchise Agreement. (Franchise Agreement, §§ 5.3 and 5.4)
4. If you are an area developer, our only obligation is to help you define your Development Area and assign it to you. (Area Development Agreement, §7.1.)
5. If you are a multi-unit developer, our only obligation is to help you define your Multi-Unit Area and each Trade Area and assign them to you. (Multi-Unit Development Agreement, §7.1)

#### Other Pre-Opening Obligations

Before you open your business, we will:

1. Provide you (if you are an individual) or one of your Owners (if you are an entity) and your manager with those required training courses, programs and materials as we deem appropriate. The training will be conducted at the locations and times as we may designate. We will provide the initial training course without cost to you, except that you will be responsible for paying the travel, living and meal expenses and salaries for yourself or any Owner and any manager attending the training classes. (Franchise Agreement §6.1.2)

2. Provide you with up to 5 days of in club training at the location of the Franchised Business in connection with the opening at our expense. (Franchise Agreement §6.1.3)
3. Provide you via our Website or otherwise with a copy of our Operations Manual. (Franchise Agreement §6.1.4)
4. Provide a list of standards for equipment, uniforms, computer systems, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items which you must use in your Franchised Business. (Franchise Agreement §6.1.5)
5. Designate approved Suppliers from which you can purchase your opening inventory of ready-to-go forms, letterheads, business cards and other daily use marketing items. (Franchise Agreement §6.1.11)
6. Sell you the fitness equipment, tanning beds, hydro massage beds, flooring and lockers that you will need. Currently, we are the only approved supplier for these items. (Franchise Agreement, §§6.2, 7.1.18)

If there are variations in our standards for the different club formats, the training, documentation, and materials provided to you will be those for the club format that you will operate your Franchised Business under.

### **Opening of Your Business**

Franchisees will typically open their Crunch Fitness and Crunch Select Franchised Businesses 4 to 8 months after they sign a Franchise Agreement. Franchisees will typically open their Crunch Signature Franchised Businesses 6 to 8 months after they sign a Franchise Agreement. The factors that may affect this time for you are your ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures or signs. You cannot open your Franchised Business without a signed Franchise Agreement and until we provide you with our written notice of approval to open. For a newly developed Franchised Business you must open within 10 months of signing your Franchise Agreement. (Franchise Agreement, Section 5.4) For an existing health club converted to a Franchised Business, you must open for business within 4 months after the Franchise Agreement is signed. If you are an area developer or multi-unit developer, you must open your newly developed Crunch Fitness or Crunch Select Franchised Business within 4 months after the date you sign a lease, or your conversion unit within 4 months or your Crunch Signature Franchised Business within 6 months after the Franchise Agreement is signed. (ADA §3.1.1 and MUDA §3.1.1).

### **Obligations During Operation of the Franchise**

During the operation of your Franchised Business, we will:

1. Endeavor in the exercise of our business judgment to maintain a high standard of quality for the System, and promote, protect and enhance the public image and reputation of the System. (Franchise Agreement §6.1.1)
2. Maintain a list of standards for equipment, fitness equipment, tanning beds, uniforms, computers, systems, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items which you must use in your Franchised Business. (Franchise Agreement §6.1.5.)

3. As we deem appropriate, make available to you additional and optional or mandatory training courses, programs and materials, with training to be conducted at locations and times designated by us and at fees we establish. (Franchise Agreement §6.1.6)
4. Make available to you throughout the term of your Franchise Agreement sales, marketing and technical assistance, and consultation and advice on operating procedures, that we may deem necessary or desirable in the exercise of our business judgment. (Franchise Agreement §6.1.7)
5. Provide you with a list of approved Suppliers through use of an Internet catalog, and/or the Operations Manual and/or other written or electronic communications. (Franchise Agreement §6.1.8)
6. Make available to you improvements and changes in our services or operating procedures for Crunch health clubs. (Franchise Agreement §6.1.9)
7. As we deem appropriate, develop and maintain an Internet Website for franchisee services and communications, for customer and service leads and referrals, and for promotional specials. (Franchise Agreement §6.1.10)
8. Designate approved Suppliers from which you can purchase on-going supplies of ready-to-go forms, letterheads, business cards and other daily use marketing items. (Franchise Agreement §6.1.11)
9. At our discretion, conduct mystery shopping services or inspections of your business. (Franchise Agreement §6.1.12)
10. As we deem appropriate, offer and make available for purchase by you at your option, and at your discretion and at prices we have established, equipment and other items. (Franchise Agreement §6.1.13)
11. Suggest or establish, to the extent permitted by applicable laws, the prices or range of prices, and terms and conditions of sale, for products and services you offer. (Franchise Agreement §6.4)
12. Not more often than once every 5 years, we may require you to renovate your trade dress for the Franchise Business (including replacing equipment that is in need of replacing) to comply with our then current standards. We estimate these costs to be between \$50,000 - \$600,000, depending on the condition of your Club. Crunch may also require a complete remodel as a condition to renewing your Franchise Agreement at the end of the term. (Franchise Agreement, §5.6)

If there are variations in our standards for the different club formats the training, documentation, and materials provided to you will be those for the club format that you will operate your Franchised Business under.

### **Advertising Program**

All of your advertising and marketing for your Franchised Business in any medium, including social media and mobile marketing, must be conducted in a dignified manner and must conform to the System and the System Standards. All advertising that you propose to use must be approved by us before



your use of those materials. We currently require that all advertising materials and assets must be created by Crunch-hosted online tools (Online Ad Builders) or by Crunch's internal creative team. Franchisees may not hire their own advertising agencies, graphic designers, or other creative production suppliers. This includes mobile marketing. Note that we currently do not allow text messaging for marketing and promotional purposes that does not comply with our policies and the law. We may disapprove any advertising or marketing materials you use or propose to use without liability to you for any costs incurred by you to produce those materials. Our review of the advertising is for compliance with brand standards and proper use of the Licensed Marks. It is always your obligation to make sure that the advertising you use complies with applicable law. You must provide all advertising and/or publicity materials you wish to use to us at least 10 days before the deadline for running the ad. Any advertising not disapproved by us within 5 days shall be deemed approved. (Franchise Agreement §10.1) You must use a marketing Supplier that we designate. Currently, we have supplier and/or agency requirements for local media planning and buying (including but not limited to traditional media, email, SMS marketing, paid social media, paid search, display advertising, and direct mail), advertising/creative asset development, online reputation management, and social media community management.

We require that you spend monthly the higher of 7% of Gross Sales for the month and a set minimum amount on local marketing. The set minimum amount depends on your Crunch health club model: for Crunch Select it is \$10,000; for Crunch Fitness it is \$10,000, and for Crunch Signature it is \$15,000 (Franchise Agreement, §10.2). Your contributions to the Brand Marketing Fund do not off-set this required advertising spend.

You must conduct pre-opening and pre-sale marketing and promotions in your territory in accordance with our pre-opening and pre-sale plan and, you cannot deviate from the plan without our prior written approval. Your pre-opening and pre-sale expenditures must be in an amount of at least \$15,000 per month pre-opening. (Franchise Agreement §7.1.3)

You must participate in all required national promotional offers that we establish from time to time. You may be required to participate in a promotional offer that requires your donation to a charity, provided that: (1) company-owned Crunch franchised businesses operating the same format club as you, also participate in the offer and (2) your required donations are limited to member enrollment fees or a portion thereof. You do not have to participate in a local or regional advertising cooperative. We do not reserve the right to establish and maintain local and regional advertising cooperatives for geographic areas.

You must comply with the requirements included in the Operations Manual, including the Brand Marketing Guidelines, and other related System standards regarding your use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including use of social media or mobile marketing. You cannot have your own Website or register any domain name/URL address. You must use the Website provided by one of our affiliates. We will designate one or more pages of our Website to describe your Franchised Business or to link our Website to your website. Your use of social media, such as Facebook, Instagram and TikTok, and mobile marketing for your Franchised Business is subject to our prior written approval and your complying with our social media requirements. Digital marketing and advertising is an area that changes quickly. We have the right to control all of your online presence (which includes text messaging, social media communities, and mobile applications) and may develop specific rules, guidelines and policies for use and content of your online presence (Franchise Agreement §7.9).

We may require that various types of marketing or advertising utilize a specific template or format. You must give us copies of all proposed applications using any of the Licensed Marks or any variation for use in and for electronic commerce, including your social media or mobile marketing applications. You must obtain our prior written approval before using the Licensed Marks in any way, which approval we

may withhold in our sole discretion. Upon expiration or termination of your Franchise Agreement, you must transfer your social media and mobile marketing accounts to us upon our written request. You will not receive any compensation for any transfer. (Franchise Agreement, §11.7)

If you fail to market for 2 consecutive months, we will have the right to deduct an appropriate amount of marketing funds from your account and use those funds to place marketing for you. (Franchise Agreement, § 10.2) We assume no responsibility for the business performance of those funds (e.g., lead generation, new membership sales, etc.), only the placement of the marketing assets in typical media channels.

## **Brand Marketing Fund**

We have established, and are maintaining and administering a brand marketing fund (“**Brand Marketing Fund**”). You must pay the Brand Marketing Fund Contribution we set. The Brand Marketing Fund Contribution can be up to 2% of monthly Gross Sales and is currently 2% of Gross Sales. Instead of charging a percentage Brand Marketing Fund Contribution we reserve the right to charge you on a pro rata basis for specific or project-based marketing efforts that we undertake. We can modify the amount of your Brand Marketing Fund Contribution on at least 30 days’ notice to you. Most franchisees contribute to the Brand Marketing Fund at the same percentage rate, but some of our first franchisees negotiated modifications. However, in our sole and absolute discretion, under certain circumstances we may temporarily waive or reduce Brand Marketing Fund Contributions in whole or in part for franchisees experiencing temporary hardships. We direct all marketing programs financed by the Brand Marketing Fund and have sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the marketing programs. Among other things, and without limitation, we may use the Brand Marketing Fund to pay the costs of preparing and producing video, audio and written advertising materials; administering local, regional, multi-regional and national advertising programs including, without limitation, purchasing direct mail and other media advertising; employing advertising, public relations and media buying agencies to assist in these activities; supporting public relations, market research and other advertising and marketing activities; constructing and maintaining a Website, social media and mobile marketing accounts and applications, to be used to promote our marketing programs; celebrity endorsement; participation in conventions, conferences and seminars relevant to our industry; and make donations to a charitable foundation that support our brand awareness and promotion efforts. We may elect to use the Brand Marketing Fund to provide you with marketing, advertising and promotional formats and sample materials without additional charge, or to provide you with multiple copies of marketing, advertising and promotional materials at a reasonable price. In our sole discretion, we can cause the Brand Marketing Fund to be incorporated or operated through a separate entity.

The Brand Marketing Fund is not a trust and we don’t have any fiduciary obligations in relation to the Brand Marketing Fund. However, the Brand Marketing Fund will be accounted for separately from our other funds, and will not be used to defray any of our general operating expenses, except for costs, salaries, travel expenses, administrative costs, overhead and other similar expenses we may incur in activities reasonably related to the administration of the Brand Marketing Fund and its marketing programs (including, without limitation, conducting market research, preparing advertising and marketing materials, conducting or employing mystery shopping services, general production costs and collecting and accounting for contributions to the Brand Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contributions of all Franchised Businesses to the Brand Marketing Fund in that year and we may cause the Brand Marketing Fund to invest any surplus for future use by the Brand Marketing Fund. You authorize us to collect for remittance to the Brand Marketing Fund any advertising or promotional monies or credits offered by any Supplier to the Brand Marketing Fund from your purchases. Interest earned on monies contributed to the Brand Marketing Fund will be used to pay advertising costs of the Brand Marketing Fund. We will prepare an annual statement of monies collected and costs incurred by

the Brand Marketing Fund and will furnish it to you upon written request. The Brand Marketing Fund will not be audited.

The Brand Marketing Fund is intended to maximize recognition of the Licensed Marks and patronage of all Franchised Businesses in the United States. Although we will endeavor to utilize the Brand Marketing Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all Franchised Businesses in the United States, we will have no obligation to ensure that expenditures by the Brand Marketing Fund for any geographic area will be proportionate or equivalent to the contributions to the Brand Marketing Fund by franchisees operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Brand Marketing Fund from the development of advertising and marketing materials or the placement of advertising. We are also not obligated to ensure that expenditures by the Brand Marketing Fund in or affecting any health club format will be proportionate or equivalent to the contributions to the Brand Marketing Fund by franchisees operating under that health club format or that any or all Franchised Businesses of different formats will benefit directly or in proportion to their contributions to the Brand Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Although we intend the Brand Marketing Fund to be of unlimited duration, we have the right to terminate and, if terminated, to reinstate, the Brand Marketing Fund at any time after all money in the Brand Marketing Fund has been expended. We also have the right to separate the Brand Marketing Fund into several marketing funds, by health club format, or otherwise, and may in such case distribute funds from the Brand Marketing Fund to the new marketing funds in our sole discretion, provided that we will endeavor to distribute the funds equitably.

There are no circumstances under which you can use your own advertising material without our prior approval. There is no advertising council composed of franchisees that advises us on advertising policies.

Except as described above, we will assume no direct or indirect liability or obligation to you regarding the maintenance, direction or administration of the Brand Marketing Fund.

In the last fiscal year we spent 8.0% of the Brand Marketing Fund on production, 68.0% on media placement, 4.0% SEO, promotions and email marketing, 18.0% on administrative expenses and 2.0% on other, miscellaneous expenses including expenses related to online business listings, online reputation management, and consumer research including net promoter scores. We do not use the Brand Marketing Funds to solicit new franchise sales.

### **Computer Systems**

You must acquire and use in your Franchised Business a computer system, including software, of a type that we may designate that is compatible with the software or other required system designated for use by franchisees, including your HRIS software/system. You must pay any license or maintenance fees that we or an approved Supplier of the software may charge for its use. Currently there are two options available to you. You may purchase your own computers and POS machine, provided they meet certain systems specifications, or you may buy them from ABC. ABC is a membership management and POS system provider that currently services approximately 8,000 health clubs across the country. They are a long time provider of these services in the fitness industry and can provide references upon request. ABC's fees for the basic, required, service are currently a combination of monthly software fees of \$130 and transaction processing fees which will vary. You may choose to purchase additional services from ABC for a higher fee.

We estimate the cost of the computer system, including computer hardware, system/software, P.O.S. bar code reader and software, to be between \$7,500 and \$12,500. ABC may provide you with an

allowance towards the hardware, but there is no guarantee that they will do so. In the past, the allowance has usually been around \$5,000.

You must implement and have fully operational the software system as we designate at the earlier of the date your Franchised Business opens or you start pre-sale of memberships. Neither we, nor any of our affiliates or third parties, is obligated to provide ongoing maintenance, repairs, upgrades or updates. At your sole expense, you must maintain and upgrade your computer system, including software, to meet our requirements. However, the software provider, ABC, will provide software maintenance and upgrades as part of your monthly fee.

You will use the computer system in a variety of ways. It will provide access control, track member usage, allow members reciprocity among clubs, and process membership and financial data. You can also use the computer system for e-mail, Internet access and word processing.

We will have independent access to the information in the software program at all times, including your financial reports. We will have the right to collect and retain from your computer system all data concerning your Franchised Business, and to use that data for the purposes permitted by the Franchise Agreement.

### **Operations Manual**

The table of contents of our Operations Manual, Constructions Manual, and Brand Guidelines are attached as **Exhibit I**. The Operations Manual has 204 pages, the Constructions Manual 158 pages, and the Brand Guidelines 62 pages. Currently the Operations Manual, Constructions Manual, and Brand Guidelines are the same for all Crunch health club models.

### **Training Program**

The Crunch training program, known as Crunch University, consists of a multi-faceted approach including classroom, virtual meetings, online learning, in-gym training and certifications. The classroom training will be held at a location we designate or virtually on an average of once a month. We may change the location of training and/or its frequency. You (if you are individual or one of your Owners (if you are an entity), are, and if you have a manager, your manager is, required to attend and successfully complete the training. There are no charges for the initial training or the training materials, but you must pay all travel and related expenses you or your Owner and your manager may incur while attending the classroom training. We will pay the expenses of our personnel who provide you with on-site training at your Approved Location. All training must be successfully completed to our satisfaction. The training program is as follows:

#### **TRAINING PROGRAM**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Franchise Introduction</b> (Intranet & Crunch Connected)	2	0	Virtual meeting

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Crunch Connected</b> (Crunch History, Sales, Service, Ordering & Inventory, Daily Club Operations, Group Fitness, Small Group Training, Personal Training, Marketing, and Membership System)	14	0	Crunch U online (Crunch Connected learning platform)
<b>Development Training</b> (Crunch History, Development Process, Real Estate, Finance, Equipment and Construction)	8	0	Our headquarters in Portsmouth, NH
<b>Operations Training</b> (Crunch History, Crunch U, Team Building, Sales, Service, Kid's Crunch, Pre-Sale Set-Up, Policies, Procedures & Forms, Daily Club Operations, Group Fitness, Small Group Training, Personal Training, Marketing, Membership System)	20	0	Our national training center in Jacksonville, FL
<b>In-Gym Training</b> (Team Building, Sales, Service, Kid's Crunch, Front Desk Training, Ordering & Inventory, Tanning & Hydromassage, Maintenance, Policies, Procedures & Forms, Group Fitness, Marketing, Membership System)	0	16	Our national training center in Jacksonville, FL
<b>Pre-Sale Training</b> (Sales, Service, Pre-Sale Setup, Daily Club Operations)	0	8	Existing Pre-Sale location (location will vary)
<b>Pre-Sale Launch</b> (Sales, Marketing, Membership System)	0	*32	Your pre-sale location

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>ABC Member Management Pre-Sale Training</b>	0	*40	Your pre-sale location
<b>Group Fitness Certification</b> (Group Fitness, HIITZone, Hot Yoga, & Ride Studio Certification)	0	16	Your location
<b>Personal Training Certification</b> (Personal Training, CrunchONE Kickoff & Founding Client Campaign Certification)	0	16	Your location
<b>Go Live Training</b> (Sales and Operations Certification)	0	*32	Your location
<b>ABC Member Management Go Live Training</b>	0	*40	Your location
Total	44	200	

\* The training described above includes training by ABC Financial Services on the Club Management software that you will be using. You can choose between different service level packages from ABC, and if you choose their Full Service Package, they will provide 10 days of additional training to you for free, in addition to the training described in the chart above. ABC Financial also offers additional training to all franchisees who request it, for a fee. Currently that fee is \$800 per day.

All managers, regionals and executive level team members are required immediately upon hire to attend and successfully complete various aspects of the training listed in the chart above based on their specific role. You are responsible for your managers expenses for attending this training and we may also charge a reasonable fee (intended to off-set our expenses) for this training

It is highly recommended that all team members, regardless of their role complete the applicable Crunch U Online courses through our learning management system, Crunch Connected, upon hire. Your team members are added to Crunch Connected through an integration with one of our approved payroll vendors. It is a requirement to work with one of our approved payroll vendors to ensure the proper integration to Crunch Connected. See the Operations Manual for more details.

The instructional materials will include a copy of Operations Manual, Construction Manual, Brand Guidelines, and supportive teaching aids.

Our instructors are subject matter experts in the detailed brand standards and specifics of the Crunch operating system. Our Executive Vice President of Operations, Craig Pepin-Donat, is in charge of the training program. Mr. Pepin-Donat is one of the founding partners of Crunch Franchise and has worked for the company since the inception of the franchise business in November 2009. Craig is also our Executive Vice President of Operations and a franchisee of the Crunch Harbour Village location that houses the Crunch National Training Center in Jacksonville, Florida. When we launched our franchise business, Craig was in charge of sales, marketing, branding with responsibilities for development of the Franchise Operational system, including; the development of the operations, construction of our Operations Manual, the franchise intranet, franchise communication, Crunch University, operational compliance and marketing and brand development. He continues to manage our operational infrastructure today. Craig is also CEO and Managing Member of CPD Enterprises, LLC, Jacksonville, Florida. From June 1995 through December 2002, Craig held the positions of president of 24 Hour Nautilus, Divisional President of 24 Hour Fitness and Executive Vice President of Sales and Marketing for 24 Hour Fitness Worldwide. From December 2002 to November 2004, he owned and operated his own fitness company, CPD Fitness, LLC. Mr. Pepin-Donat became CEO and Managing Member of CPD Enterprises, LLC, in November 2004. From July 2008 to July 2011, he was the Chief Marketing Officer for dotFIT, LLC, Westlake, California. From 1987 to 1993, Craig worked with the New York Health & Racquet Clubs in New York City as Sales Director, Executive Vice President, and President.

We reserve the right to require you (if an individual) or one of your Owners (if an entity) and your manager to take refresher courses or additional training. We will charge a fee for that additional training and you will be responsible for all travel and related expenses. Additional training may be provided 1 to 2 times annually, if needed, with a duration of 1 to 3 days. The content of the training could include all or some of the following areas: operations, sales, personal training, group fitness or other matters. Each area requires different levels of training and certification, and some training may be longer than others. The training will be held either at your gym or at our National Training Center. You will pay for additional training at the rate disclosed in Item 6, which we estimate will be between \$1,000 - \$3,000. We also organize annual franchise system meetings. Your attendance (if an individual) or one of your Owners (if an entity) must attend and you may also bring your manager to the meeting. You are responsible for you and your manager's expenses for attending the meeting and we may also charge a reasonable fee (intended to off-set our expenses) for the meeting.

### **Reciprocity Rule**

We offer a reciprocity policy that allows members with certain membership types to use other Crunch clubs at no additional charge as outlined in the table below. If a franchisee's member's usage at another Crunch Fitness franchise club exceeds 75% for 2 consecutive months, with an 8 visit minimum, that member may be asked by the visited club to transfer their membership and the associated monthly dues to the visited club. Under no circumstances may a membership be transferred without the members signed consent, for which Crunch provides a member transfer form. The reciprocity policy is designed to be a consumer friendly service that provides members access to other Crunch clubs with the same club type and privileges they purchased at their club of enrollment. Franchisees of visited clubs are not entitled to any revenue sharing for reciprocal membership usage from another franchise club's members, the other franchisee, or from us. Franchisees are required to monitor and manage club usage and transfers. We are not responsible for managing club usage, member transfers or the reciprocity process. We reserve the right to modify the reciprocity policy at our sole discretion.

<u>Format Type</u>	<u>Membership Type</u>	<u>Reciprocity</u>
Crunch Fitness	Base	None
	Peak Plus	All Crunch Fitness Locations
	Peak Results	All Crunch Fitness and Select Locations
Crunch Select	Select	None
	All Select	All Crunch Select and Crunch Fitness Locations
Crunch Signature	One Crunch	None
	City Crunch	All Crunch Select, Fitness and Signature Locations within designated city limits.
	All Crunch	All locations and formats within the Crunch Health Club system

## Item 12

### TERRITORY

You will receive a protected territory under your Franchise Agreement. Your territory for each Crunch Fitness Franchised Business will encompass a population of approximately 75,000 persons at the time of signing your Franchise Agreement. Your territory for each Crunch Select Franchised Business will encompass a population of approximately 75,000 persons at the time of signing your Franchise Agreement. The protected territory will be described on an exhibit to your Franchise Agreement. The actual geographic size of your protected territory will vary and we may define it in different ways, using state or county boundaries, city limits, population, and drive time, to delineate the territory. We have the right, but no obligation, to adjust the boundaries of the territory to reflect population changes, by sending written notice to you of the revised boundaries.

For the source of population determination, we use a demographic and geographic program from Buxton Company. This program provides accurate mapping and demographic solutions.

During the term of your Franchise Agreement, for as long as you are in full compliance with the terms and conditions of your Franchise Agreement and all of your other franchise agreement(s) between you (including any of your affiliates) and us, neither we nor our affiliate Crunch, LLC or any of its subsidiaries will physically locate Crunch health clubs (of any model or format), and we will not grant a franchise to any third party to physically locate another Crunch health club (of any model or format), in your Territory, subject to certain reserved rights described below. While no other Crunch health club would be located in your Territory, other franchisees, and/or we or our affiliates may undertake marketing activities in your Territory. For example, a franchisee of a nearby Crunch health club may advertise that club to consumers in your Territory. While Crunch will not put another Crunch health club in your Territory for as long as you are in full compliance with your Franchise Agreement note that another club may be put right outside of that Territory. Your Territory protection is not dependent on achievement of a certain sales volume, market penetration or other contingency. We will have the right, but not the obligation, to adjust



the boundaries of your Territory to reflect population changes by sending you written notice of the boundaries.

You may operate your Franchised Business only from the Approved Location within your Territory described in an exhibit to your Franchise Agreement. You cannot change the Approved Location of your Franchised Business without our prior written approval, which we can grant or withhold in our sole discretion. The conditions under which we will approve your relocation are the same as if we were approving a new site, with additional restrictions based on the stipulation of your current lease.

You will primarily service members whose residence or place of work is located within your Territory. However, you are not prohibited from servicing members located outside your Territory, and other franchisees are not prohibited from servicing members located inside your Territory. You are not restricted from soliciting or accepting orders from members located outside of your Territory, including the right to use other channels of distribution to make sales outside your Territory. However, your use of the Internet and social media and mobile marketing and the use of our Licensed Marks is subject to our approval. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control.

We do not grant options, rights of first refusal or similar rights to acquire franchises to owners of single-unit franchises. However, we offer qualified individuals development rights under either an Area Development Agreement to develop and operate multiple Franchised Businesses within a specific Development Area under individual Franchise Agreements, or under a Multi-Unit Development Agreement to develop and operate a specified number of Franchised Businesses within certain specified Trade Areas under individual Franchise Agreements.

We offer the exclusive right to develop multiple Franchised Businesses within a defined development area, under an area development schedule under our Area Development Agreement. We also offer the non-exclusive right to develop one Franchised Business in each of an agreed upon number of Trade Areas, under a multi-unit development schedule in our Multi-Unit Development Agreement. If you and we enter into an Area Development Agreement or Multi-Unit Development Agreement the agreement may be for one or more of the different health club formats that we offer. For example, it may just be for the right to open Crunch Fitness locations, or it may be for the right to open Crunch Fitness, Crunch Select and Crunch Signature locations. The mix of formats/models and number of locations of each that you will be required to open will be agreed upon between you and us before we enter in to the Area Development Agreement or Multi-Unit Agreement. In the past we have only franchised the Crunch Fitness format health clubs and the Area Development Agreement or Multi-Unit Development Agreements we entered into before the issuance of this franchise disclosure document is only for Crunch Fitness clubs. Similar to new Area Development Agreement or Multi-Unit Development Agreements, the developer cannot change the club format for the clubs it is committing to open pursuant to their agreement. You will not receive an exclusive territory for your Multi-Unit Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will only be permitted to operate Franchised Businesses in the Development Area or Multi-Unit Area from Approved Locations granted pursuant to Franchise Agreements entered into under the Area Development Agreement or Multi-Unit Development Agreement. We will typically only approve locations that are situated in relatively central areas of the Development Areas and Multi-Unit Areas to avoid potential conflicts with existing or future locations in surrounding areas.

If you are an area developer or multi-unit developer, we will negotiate the Development Area or Multi-Unit Area and Trade Areas with you. During the term of your Area Development Agreement or Multi-Unit Development Agreement, for as long as you are in full compliance with your Area Development

Agreement or Multi-Unit Development Agreement and all of the Franchise Agreements you (including any of your affiliates) have with us, neither we nor our affiliate Crunch, LLC or its subsidiaries will operate Crunch health clubs (of any model or format) in your Development Area or Multi-Unit Area. If you are an area developer, once a Franchised Business has been established in your Development Area, your territorial rights for any particular Franchised Business will be defined in the applicable Franchise Agreement. If you are a multi-unit developer, once a Franchised Business has been established in your Trade Area, your territorial rights as to that particular Franchised Business will be defined in the applicable Franchise Agreement. We will have the right to develop additional Crunch health clubs outside your exclusive Territory in the applicable Trade Area.

We reserve all rights not specifically granted to you in the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement. These agreements do not limit our right or the right of any of our affiliates to use or license the System or to engage in or license any business activity, including the operation or franchising of health clubs under the Licensed Marks at any location outside your Territory, or Development Area if you have area development rights, or Multi-Unit Area if you have multi-unit development rights, and/or to own, operate or franchise clubs under any other trade name, trademark or service mark now or later owned by or licensed to us or our affiliates at any location inside or outside your Territory, or Development Area or Multi-Unit Area, or the sale, distribution or marketing of products identified by the Licensed Marks inside or outside of your Territory, Development Area or Multi-Unit Development Area. However, neither we, nor our affiliate Crunch, LLC, nor its subsidiaries, will operate health clubs in the Development Area under a low price model substantially similar to the Crunch franchising model. There are no restrictions on us from soliciting or accepting orders from members inside your Territory. We and our affiliates are not prohibited from using other channels of distribution, including the Internet, telemarketing, catalog sales, or other direct marketing sales to make sales of memberships within your Territory using the Licensed Marks or under other trademarks, different from the Licensed Marks. We do not have to pay you any compensation for soliciting or accepting orders from inside your Territory.

### Item 13

#### TRADEMARKS

You will have the nonexclusive right and license to operate your Franchised Business under the following principal trademarks, service marks, names, logos and commercial symbols (“**Licensed Marks**”) which have been licensed to us by our affiliate, Crunch IP Holdings, LLC (“**Crunch IP**”) under a Trademark License Agreement.

The following trademarks are registered in the United States Patent and Trademark Office: (“USPTO”).

Mark	Registration Number	Registration Date & Renewal Date	Principal or Supplemental Register of USPTO
CRUNCH & design	1,809,668	12/7/1993, 12/7/2003 and 6/12/2013	Principal
CRUNCH & design	3,146,012	9/19/2006, 12/21/2012, and 10/06/2016	Principal

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date &amp; Renewal Date</b>	<b>Principal or Supplemental Register of USPTO</b>
NO JUDGMENTS	3,642,308	6/23/2009, 6/8/2019	Principal
CRUNCH WEIGH	4,020,116	8/30/2011, 8/31/2021 and 2/8/22	Principal
KID'S CRUNCH	5,725,711	04/16/2019	Principal
NO JUDGMENTS. NO LIMITS	5,793,326	07/02/2019	Principal
CRUNCH FITNESS	6,730,829	05/24/2022	Principal

The following trademarks are pending in the USPTO:

<b>Mark</b>	<b>Application Number</b>	<b>Principal or Supplemental Register of USPTO</b>
CRUNCH SELECT	97/362744	Principal
CRUNCH SIGNATURE	97/362740	Principal

Crunch IP has common law rights in all of the Licensed Marks listed above. These rights are based upon its first use of these Licensed Marks in a manner that is not confusingly similar to that of any other prior users.

All required affidavits of Continuing Use and Incontestability have been filed. Crunch IP intends to renew the registrations covering goods or services covered by our license to you before their expiration.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administration of any state, or of any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the Licensed Marks.

There are no pending material federal or state court litigations regarding the franchisor's use or rights in the Licensed Marks.

There are no agreements currently in effect which significantly limit our right to use or license the use of the Licensed Mark in a manner material to the franchise. Under the terms of the Trademark License Agreement dated as of March 22, 2010 and amended as of March 19, 2014, and as further amended from time to time, entered into between Crunch IP and us, we have a right for 25 years to use, and to sublicense to our franchisees, the Licensed Marks, with one right of renewal for an additional 25 years. Upon termination of the Trademark License Agreement, franchisees can continue using the Licensed Marks until

the expiration or termination of the then current term of their Franchise Agreements (without any right of renewal or extension).

You may use the Licensed Marks only in the manner and format we specify in the Operations Manual or otherwise with our prior written consent. You cannot use any mark in connection with the performance or sale of any unauthorized services or products or in any manner we have not expressly authorized in writing. For Licensed Marks specifically for one of the franchised formats we offer (Crunch Select, Crunch Fitness, and Crunch Signature) you will only be able to use such Licensed Marks at the Crunch health clubs operating under the format that the Licensed Marks are intended for.

You will not acquire any proprietary rights in the Licensed Marks by virtue of the license granted to you in the Franchise Agreement or otherwise. All goodwill established by your use of the Licensed Marks will inure to the sole and exclusive benefit of Crunch IP. You agree not to contest at any time either the validity, or Crunch IP's ownership, of any of the Licensed Marks. Any unauthorized use of the Licensed Marks by you will constitute an infringement of our and Crunch IP's rights in and to the Licensed Marks.

You may not use the Licensed Marks for your corporate, business organization or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols (except for those that we license to you) or in any modified form. You may not use the Licensed Marks when selling any unauthorized product or service or in any other manner that we have not expressly authorized in writing in advance.

You must identify yourself as the independent owner of the Franchised Business, give notices of trademark and service mark registrations in the manner we specify, and obtain any fictitious or assumed name registrations as may be required under applicable law or as may be required by Franchisor to distinguish itself from Franchisor.

You must give us notice immediately upon learning of any alleged infringement or a challenge to your use of the Licensed Marks, or any claim by any third party of any rights in the Licensed Marks or any similar mark, and you may not communicate with any person other than us or our attorneys and your attorneys about the alleged infringement, challenge or claim. We will indemnify you and hold you harmless from any out of pocket expense or liability arising from your use of the Licensed Marks in accordance with the Franchise Agreement. We and Crunch IP have the sole discretion to take the action, if any, we and Crunch IP deem appropriate, and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. You must sign all instruments and documents, provide assistance and take any action that, in the opinion of our or Crunch IP's attorneys, may be necessary or advisable to protect and maintain our interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain our interest in the Licensed Marks.

We or Crunch IP will bear all legal expenses incident to your participation, at our or Crunch IP's request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel you separately retain. We will not be liable to you for any loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature regarding any action involving the Licensed Marks.

We have the right to modify or discontinue our or your use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require you to start use of new or substitute Licensed Marks. You will agree that we may change the Licensed Mark under which you operate your Franchised Business to another mark, and, if any change is made, you will use the other mark as directed by us at your expense.

You must comply with the mandatory requirements included in the Operations Manual regarding your use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including your use of social media or mobile marketing. You are not allowed to have your own website for your Franchised Business. We may require that various types of marketing or advertising utilize a specific template or format. You must give us copies of all proposed applications for registrations of any of the Licensed Marks or any variation for use in and for electronic commerce, including your social media or mobile marketing applications. You must obtain our prior written approval before filing any application, which approval we may withhold in our sole discretion. Upon expiration or termination of this Agreement, you must transfer your registrations, including your social media or mobile marketing accounts, to us upon our written request. You will not receive any compensation for any transfer.

As the owner of the Licensed Marks, Crunch IP is a third party beneficiary and has an independent right to enforce the trademark provisions of your Franchise Agreement.

#### Item 14

### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

No patents or pending patent applications are material to the franchise.

We claim copyrights in the Operations Manual, advertising material and related items used in operating the franchise. Although we have not filed an application for a copyright registration for those items, we claim a copyright and the information is proprietary. We are not obligated to take any action to protect our copyrighted materials, but will respond to this information as we think appropriate.

The Operations Manual and other materials we provide to you contain our confidential and proprietary information. Certain information about the operation of the Franchised Business including the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information we disclose to you and all that information is of a proprietary and confidential nature and our trade secret (“**Confidential Information**”). You (if you are an individual) and each of your Owners (if you are an entity), officers, directors, members, partners, manager, employees and agents must maintain the absolute confidentiality of all Confidential Information both during the term of your Franchise Agreement and after its termination or expiration and may use that Confidential Information only to the extent necessary to operate the Franchised Business. You cannot disclose that Confidential Information for any reason, except to your Owners, officers, directors, members, partners, managers, employees and agents only to the extent necessary for the operation of the Franchised Business. You must sign, and shall cause all persons receiving the Confidential Information to sign, the Confidentiality Agreement attached as **Exhibit J**. You cannot use any Confidential Information in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us during the term of your Franchise Agreement or afterwards. You may not use our Confidential Information in an unauthorized manner and must take all reasonable steps to prevent its disclosure to others. You must promptly tell us when you learn about unauthorized use of our confidential and proprietary information.

#### Item 15

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

Whether you are an individual or an entity, the Franchised Business must always be under the direct on-site supervision of you or an Owner, or a manager, that has successfully completed our initial training

program. We have the right to approve or reject any manager you seek to employ. If the manager is terminated or ceases employment, you must hire and have a new manager trained within 30 days. Although you will be responsible for training any subsequent managers, we can require any manager to attend and successfully complete our initial training program, and you must pay our then current training fees. The manager need not, but may, have an equity interest in your business, but the manager will have to sign the Confidentiality Agreement attached as **Exhibit J**.

If you are an entity, all of your Owners must sign an Owner's Guaranty in the form attached to the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement. If we determine, in our sole discretion, that one or more of your majority Owners has sufficient means to satisfy the requirements of the Owner's Guaranty, we may waive the requirement that all Owners sign the Owner's Guaranty. In that case only the Owner or Owners who alone satisfy the Owner's Guaranty requirements must sign the Owner's Guaranty, as long as that Owner or Owners maintain majority ownership. Regardless of if all Owners sign the Owner's Guaranty, all Owners must sign the Owner's Acknowledgement in the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement agreeing to accept and be bound by their separate rights and obligations in the Franchise Agreement or Area Development Agreement. The Owner's spouse is not required to sign the Owner's Guaranty.

Under the Area Development Agreement and Multi-Unit Development Agreement, you may create a special purpose franchisee entity for each Franchised Business and its related Franchise Agreement provided that (i) you retain 51% or more of the equity in the franchisee entity, (ii) the owners of the franchisee entity are approved by us and (iii) the owners of the franchisee entity each execute the Owner's Guaranty and Owner's Acknowledgement.

## Item 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell all services and products that we specify, including our personal Training System, Class-ic group fitness classes, new membership T-shirt program, and you may not sell services or products we prohibit. Currently, the services and products you must sell include health club memberships that allow access to all Crunch franchised clubs. We have, and may from time to time enter into national or regional sales or membership programs that require you to provide membership, classes, or club access to certain groups on pre-determined terms. Where permitted by law, we may require that you participate in such programs on the pre-determined terms. Those terms may regulate the fees you may charge for your services, the membership or service levels to be provided, and may also require certain reporting and data sharing with us and third parties.

We have the right to add additional goods or services that you are required to offer. There are no limits on our right to do so. There is a \$250 fee/day for selling or providing as a free promotional item any unauthorized products or services.

You can make pre-sales of memberships if permitted by, and in accordance with, applicable law. You must establish bonds and any required escrow accounts with escrow agents acceptable to us. Pre-sales cannot occur until you (if you are an individual) or your Owners (if you are an entity) and your manager are trained.

You will primarily service members whose residence or principal place of work is located within your Territory. We offer a reciprocity policy with all franchisees as outlined in the table below. If a

franchisee’s member’s usage at another Crunch Fitness franchise club exceeds 75% for 2 consecutive months, with an 8 visit minimum, that member may be asked by the visited club to transfer their membership and the associated monthly dues to the visited club. Under no circumstances may a membership be transferred without the members signed consent, for which Crunch provides a member transfer form. The reciprocity policy is designed to be a consumer friendly service that provides members access to other Crunch clubs with the same club type and privileges they purchased at their club of enrollment. Franchisees of visited clubs are not entitled to any revenue sharing for reciprocal membership usage from another franchise club’s members, the other franchisee, or from us. Franchisees are required to monitor and manage club usage and transfers. We are not responsible for managing club usage, member transfers or the reciprocity process. We reserve the right to modify the reciprocity policy at our sole discretion.

<b><u>Format Type</u></b>	<b><u>Membership Type</u></b>	<b><u>Reciprocity</u></b>
Crunch Fitness	Base	None
	Peak Plus	All Crunch Fitness Locations
	Peak Results	All Crunch Fitness and Select Locations
Crunch Select	Select	None
	All Select	All Crunch Select and Crunch Fitness Locations
Crunch Signature	One Crunch	None
	City Crunch	All Crunch Select, Fitness and Signature Locations within designated city limits.
	All Crunch	All locations and formats within the Crunch Health Club system

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**Item 17**

**RENEWAL, TERMINATION, TRANSFER,  
AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

**Franchise Agreement**

<b>Provision</b>		<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	FA §4.1	The initial term is 10 years.
b.	Renewal or extension of the term	FA §§4.2, 4.3	You may renew for 3 additional successive terms of 10 years each. If you continued to operate following expiration with our consent, there will be a month-to-month continuation term terminable on 30 days' written notice by either party.
c.	Requirements for franchisee to renew or extend	FA §§4.2	"Renewal" means that you may be asked to sign the then current form of franchise agreement which may have materially different terms and conditions than your original Franchise Agreement. To renew, you must be in compliance with all your agreements with us, execute a general release of all claims in the form attached as Exhibit K, upgrade your Franchised Business to the then current requirements for franchised businesses operating under the same Crunch health club format, sign our then current form of Franchise Agreement, give us 3 to 6 months' notice of your intent to renew, and pay a renewal fee of \$12,500.
d.	Termination by franchisee	FA §16.1	You can terminate if you have fully complied with your Franchise Agreement and we have materially failed to comply with it and we do not correct the failure within 120 days after our receipt of your written notice.
e.	Termination by franchisor without cause	Not Applicable	



Provision		Section in Franchise Agreement	Summary
f.	Termination by franchisor with cause	FA §§16.2, 16.3	We can only terminate if you or your affiliates are in default under the Franchise Agreement or other agreements with us as our affiliates.
g.	Cause defined – curable defaults	FA §16.3	Curable defaults have cure periods from 10 to 30 days.
h.	Cause defined–non-curable defaults	FA §16.2	We can terminate if: you make an assignment for benefit of creditors, you file a petition in bankruptcy or one is filed against you and not dismissed within 60 days, or a liquidator, trustee in bankruptcy or similar officer is appointed for you, or you commit any act of bankruptcy or start bankruptcy proceedings, or you admit in writing your inability to pay debts as they become due; your assets are seized or you give a security interest without our prior written consent; you willfully or fraudulently misrepresent any factor or condition in any application or report to us; you die or become incapacitated (or if an entity, your principal owner dies or becomes incapacitated), and a permitted Transfer is not made; you adversely affect the goodwill associated with the Licensed Marks or the Franchised Business; you are convicted of, or plead nolo contendere to, a felony that reflects negatively on your Franchised Business, the System or the Licensed Marks; or your Franchised Business is closed by local authorities for health or sanitation reasons or you do not correct a health or sanitation violation within 24 hours after we notify you, you don't timely pay your suppliers or landlord, or if you abandon the Franchised Business for 5 days or more. If you fail to open in a timely manner, you will lose the exclusive rights to your Territory and we can resell that area.
i.	Franchisee's obligations on termination/non-renewal	FA §§11.7, 13,1, 16.5, 16.6	You must return all copies of the Operations Manual and not use our Confidential Information. You must pay all amounts due us or our affiliates, transfer your telephone numbers to us if so requested, not represent to the public that you are still affiliated with the System, cease operating the Franchised Business under the System; cease operating the Franchised Business under the System; cease using the Licensed

Provision		Section in Franchise Agreement	Summary
			Marks, discontinue using all materials that use the Licensed Marks, cancel any fictitious or assumed name registrations, permit us to enter your location to remove our property or property that has the Licensed Marks or any features of the System; delete any references to us or to Licensed Marks from your Webpage or social media or mobile marketing account; and change the appearance of your site to remove any indicia that it was once a Crunch health club. You must cancel all membership agreements with your members, or assign them to us or other franchisees, as we may direct. You must assign your website addresses, domain names or URL addresses to us upon our request. If you do not return the Operations Manual, you must pay \$1,000 for each copy not returned.
j.	Assignment of contract by franchisor	FA §15.1	We can assign, transfer or otherwise dispose of or deal with the Franchise Agreement to anyone in our discretion. Upon transfer, we will be released from any liability under the Franchise Agreement.
k.	“Transfer” by franchisee – defined	FA §15.2	<p>“Transfer” means to directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted under your Franchise Agreement, or any rights or privileges incidental to your Franchise Agreement, or the Franchised Business or any interest in it, or your rights or interest in your Franchise Agreement, or by any of your owners of their ownership interest in you. You may not make a transfer to one of our competitors or to a person operating a Competitive Business. We may adjust the Royalty percentage due under the transferred Franchise Agreement to the then current Royalty percentage for new franchisees at the time of the Transfer, or at our option;</p> <p>We may adjust the agreed upon Royalty percentage under the Franchise Agreement to the then current Franchise Agreement Royalty percentage at the time of the Transfer and require that the transferee sign the current form of</p>

Provision		Section in Franchise Agreement	Summary
			Franchise Agreement, including on Transfers to other developers or franchisees in the network. All requested Transfers will incur a document review fee.
l.	Franchisor approval of transfer by franchisee	FA §15.2	Our written approval is required for a transfer to a third party.
m.	Conditions for franchisor approval of transfer	FA §§15.2, 15.3	We will only approve a transfer to a third party if the proposed transferee is acceptable to us, you are not in default of your Franchise Agreement or other agreement with us, you have paid all amounts due to us and our affiliates and your trade creditors, you sign a general release, you pay a transfer fee of \$5,000 or the total costs and expenses we incur in connection with the transfer, if they exceed our transfer fee, the transferee successfully completes our training program before the transfer, and the transferee assumes all your rights and obligations under your Franchise Agreement. You can transfer to a corporation, limited liability company or other entity if you own 50% of the equity rights. Factors that we will consider when evaluating a prospective transferee include their business skill, financial capacity and personal character, experience operating health clubs, and their other business commitments.
n.	Franchisor's right of first refusal to acquire franchisee's business	FA §15.5	We have a right of first refusal for 30 days to acquire your Franchised Business if you get a bona fide written offer from a third party. Once we give notice that we will exercise our right, we have the option of taking over operation of your Franchise Business and using its revenues to operate the health club.

Provision		Section in Franchise Agreement	Summary
o.	Franchisor's option to purchase franchisee's business	FA §16.7	On expiration or termination, we have the option for 30 days from the effective date of your expiration or termination to purchase any or all or substantially all the assets of your Franchised Business. We can assign this option. Once we give notice that we or our assignee will purchase the assets, we can immediately take over operations of the Franchised Business and use its revenues to operate the health club. The purchase price will be based on 5 times the trailing cash EBITDA (earnings before interest, taxes, depreciation and amortization for the 12 month period before exercise of the option. Closing will take place within 90 days.
p.	Death or disability of franchisee	FA §15.4	On your death or incapacity (or on the death or incapacity of a principal Owner if you are an entity), your heirs or personal representatives can transfer your rights to a third party acceptable to us within 9 months of your death or incapacity.
q.	Non-competition covenants during the term of the franchise	FA §§14.1, 14.3, 14.4	Neither you, nor your owners (if you are an entity) can own or be involved in a Competitive Business during the term of your Agreement that offers health club services competitive to those we offer, franchise or license, unless approved by us before you sign your Agreement. You and your Owners may own and/or operate other commercial businesses as long as they do not provide health club services in the Territory or in the territory of other franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	FA §§14.2, 14.3, 14.4	For 1 year after termination or expiration you and your owners (if an entity) cannot own or be involved in a Competitive Business within your Territory or within 5 miles of any other Crunch health club then in existence. The 1 year period is tolled if you are in breach of the covenant.
s.	Modification of the agreement	FA §19.19	Modifications must be signed by both parties.
t.	Integration/merger clause	FA §19.18	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	FA §18.2	We each have the option of initiating a mediation proceeding under the American Arbitration Rules or other mediation service mutually agreed upon. Mediation shall take place in the county and state where we have our principal place of business.
v.	Choice of forum	FA §18.3	Litigation must be in any state court of general jurisdiction in the county or state, or in the U.S. District Court for the district, in which we have our principal place of business at the time any action is instituted. You will submit to the jurisdiction of those courts. See State Addenda.
w.	Choice of law	FA §19.11	New Hampshire law applies. See State Addenda.

**Area Development Agreement and  
Multi-Unit Development Agreement**

Provision		Section in Agreement <sup>(1)</sup>	Summary
a.	Length of the franchise term	ADA §4.1 MUDA §4.1	Until the date we accept and execute a Franchise Agreement for the last of the Franchised Businesses you are to establish under your Development Schedule, or by the end of a set term for the ADA or the MUDA.
b.	Renewal or extension of the term	ADA §4.2 MUDA §4.2	There is no renewal right.
c.	Requirements for franchisee to renew or extend	Not Applicable	
d.	Termination by franchisee	ADA §11.1 MUDA §11.1	You can terminate if you have fully complied with your ADA or MUDA and we have materially failed to comply with it and do not correct the failure within 120 days of our receipt of your written notice.
e.	Termination by franchisor without cause	Not Applicable	

Provision	Section in Agreement <sup>(1)</sup>	Summary
f. Termination by franchisor with cause	ADA §§11.2, 11.3, 11.4, 19.4 MUDA §§ 11.2, 11.3, 11.4	We can only terminate if you are in default under your ADA or MUDA.
g. Cause defined – curable defaults	ADA §§11.4, 14.4 MUDA §§11.4, 14.4	Curable defaults have a 30 day cure period (10 days for payment default). If a force majeure delay exceeds 120 days, we can terminate the Agreement.
h. Cause defined – non-curable defaults	ADA §§11.2, 11.3 MUDA §§11.2, 11.3	<p>We can terminate if: you make an assignment for benefit of creditors, you file a petition in bankruptcy or one is filed against you and not dismissed within 60 days, or if you file a petition in bankruptcy or a liquidator, trustee or similar officer is appointed for you, or you commit any act of bankruptcy, or you admit in writing your inability to pay debts as they become due; your assets are seized or you give a security interest without our prior written consent; you willfully or fraudulently misrepresent any factor or condition in any application or report to us; you die or become incapacitated (or if an entity, your principal owner dies or become incapacitated), and a permitted Transfer is not made; or you adversely affect the goodwill associated with the Licensed Marks or the Crunch health club.</p> <p>If you fail to meet the obligations of your development schedule, we may terminate your exclusive rights to your Territory and then we can resell non-exclusive rights to that area. We may also reduce the size of your Territory or the number of Franchised Businesses to be developed.</p> <p>You can maintain any existing Franchised Businesses that are established by a Franchise Agreement as long as you comply with the terms of that Franchise Agreement.</p>

<b>Provision</b>	<b>Section in Agreement<sup>(1)</sup></b>	<b>Summary</b>
i. Franchisee’s obligations on termination/non-renewal	ADA §11.6 MUDA §11.6	You will have no right to establish or operate a Franchised Business for which a Franchise Agreement has not been executed at time of termination, except that if you have signed a lease by your expiration date, you can continue to open a Franchised Business within 4 months of a lease signing.
j. Assignment of contract by franchisor	ADA §10.1 MUDA §10.1	We can assign, transfer or otherwise dispose of or deal with the ADA or MUDA to anyone in our discretion. Upon transfer, we will be released from any liability under the ADA or MUDA.
k. “Transfer” by franchisee – defined	ADA §10.2 MUDA §10.2	<p>“Transfer” means to directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sublicense, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted under your ADA or MUDA, or any rights or privileges incidental to your ADA or MUDA, or any Franchised Business or any interest in it, or your rights or interest in your ADA or MUDA or by any of your owners of their ownership interest in you. Under no circumstances can you may make a transfer to one of our competitors, or to a person operating a health club under a license or franchise from one of our competitors.</p> <p>We may adjust the agreed upon Royalty percentage under the transferred ADA or MUDA (or any Development Area or Multi-Unit Area transferred) to the then current Royalty percentage at the time of the Transfer and require that the Transferee sign the then current form of ADA or MUDA, including Transfer to other developers or franchisees in</p>

Provision	Section in Agreement <sup>(1)</sup>	Summary
		the network. All requested Transfers will incur a document review fee.
l. Franchisor approval of transfer by franchisee	ADA §10.2 MUDA §10.2	Our written approval is required for transfer to a third party, including transfers to other Crunch developers, though we do not typically approve transfers to third parties.
m. Conditions for franchisor approval of transfer	ADA §§10.2, 10.3 MUDA §§10.2, 10.3	We have the right to approve or reject any transfer and do not typically approve transfers to third parties. We will only approve a transfer to a third party if the proposed transferee is acceptable to us, you are not in default of your ADA or MUDA or other agreement with us, you have paid all amounts due to us and your trade creditors, you sign a general release, you pay a transfer fee of \$5,000, the transferee assumes all your rights and obligations under your ADA or MUDA. You can transfer to a corporation, limited liability company or other entity if you own 50% of the equity rights. Factors that we will consider when evaluating a prospective transferee include their business skill, financial capacity and personal character, experience developing health clubs, and their other business commitments.
n. Franchisor’s right of first refusal to acquire franchisee’s business	ADA §10.4 MUDA §10.4	We have a right of first refusal for 30 days to acquire your business if you get a bona fide written offer from a third party.  There is a separate “right of first refusal” in your development territory if you do not develop Crunch clubs timely, but that is not a right to acquire your business.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable	



<b>Provision</b>	<b>Section in Agreement<sup>(1)</sup></b>	<b>Summary</b>
p. Death or disability of franchisee	ADA §10.5 MUDA §10.5	On your death or incapacity (or on the death or incapacity of a principal Owner if you are an entity), your heirs or personal representatives can transfer your rights to a third party acceptable to us within 9 months of your death or incapacity
q. Non-competition covenants during the term of the franchise	ADA §§9.1, 9.3, 9.4 MUDA §§9.1, 9.3, 9.4	Neither you or your Owners (if you are an entity) can own or be involved in a Competitive Business that offers health club services competitive to those we offer, franchise or license. You and your Owners can own and/or operate other commercial businesses as long as they do not provide health club services in your ADA Development Area or an adjacent development area, or in your MUDA Multi-Unit Area or adjacent multi-unit area.
r. Non-competition covenants after the franchise is terminated or expires	ADA §§9.2, 9.3, 9.4 MUDA §§9.2, 9.3, 9.4	For 1 year after termination or expiration you and your owners (if an entity) cannot own or be involved in a Competitive Business within your ADA Development Area or your MUDA Multi-Unit Area, or within 5 miles of any other Crunch health club then in existence. The 1 year period is tolled if you are in breach of the covenant.
s. Modification of the agreement	ADA §14.19 MUDA §14.19	Modifications must be signed by both parties.
t. Integration/merger clause	ADA §14.18 MUDA §14.18	Only the terms of the ADA or MUDA are binding (subject to state law). Any representations or promises outside the disclosure document and ADA or MUDA may not be enforceable.

Provision	Section in Agreement <sup>(1)</sup>	Summary
u. Dispute resolution by arbitration or mediation	ADA §13.2 MUDA §13.2	We each have the option of initiating a mediation proceeding under the American Arbitration Association Rules or other mediation service mutually agreed upon. Mediation will take place in the county and state where we have our principal place of business.
v. Choice of forum	ADA §13.3 MUDA §13.3	Litigation must be in any state court of general jurisdiction in the county or state, or in the U.S. District Court for the district, in which we have our principal place of business. You will submit to the jurisdiction of those courts. See State Addenda.
w. Choice of law	ADA §14.4 MUDA §14.11	New Hampshire law applies. See State Addenda.

**Note:**

(1) “ADA” means Area Development Agreement. “MUDA” means Multi-Unit Development Agreement.

There are state specific addenda attached as **Exhibit P** for the states of California, Hawaii, Illinois, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia and Washington. The Michigan Addendum is attached following the state cover page.

**Item 18**

**PUBLIC FIGURES**

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

**Item 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

## Crunch Fitness Format Gyms

This financial performance representation only includes information relating to Crunch health clubs operated under the Crunch Fitness model.

As of December 31, 2022, 392 Crunch franchised locations were open or engaged in presale activities. Of these locations, 328 locations were located domestically in the United States, and 64 locations were located internationally. Of the 328 domestic locations, 314 had completed their first workout and had initiated member billing activities. Of these 314 locations, 13 locations were affiliate related and operated within the holding structure of the Company. Locations excluded from this analysis include 64 international locations, 13 affiliate related and operated within the holding structure of the Company, 14 locations which were in presale and not open, 28 locations which had initiated their first workout in Q4 and were open less than 3 months or changed ownership, and 32 locations that did not submit financials. Therefore, of the 392 open locations, 241 franchise locations are represented in the table(s) of operating activity below.

“Gross Revenue” means all revenues the franchisee received from the performance of all services and the sale of all products from or related to the Franchised Business, including membership revenue, both recurring dues and cash sales, personal training sales and retail sales, less any sales taxes, refunds to customers and discounts.

Franchise	Upper Third	Middle Third	Bottom Third
Average Gross Revenue	\$3,455,122	\$1,902,542	\$1,141,156
Club Sample	80	80	81

Of the 80 locations in the upper third of the Franchise clubs, 46 locations, or 58% are below the average and 34 locations, or 42%, are above the average. The median for this group was \$3,269,873. Of the 80 locations in the middle third of the Franchise clubs, 37 locations, or 46%, are below the average and 43 locations, or 54%, are above the average. The median for this group was \$1,965,410. Of the 81 locations in the bottom third of the Franchise clubs, 30 locations, or 37%, are below the average and 51 locations, or 63%, are above the average. The median for this group was \$1,224,271. Of the 241 operating locations included in the chart above, the Gross Revenue of the highest performing location was \$6,320,881 and the Gross Revenue of the lowest performing location open for more than a one year with the same operator was \$446,059.

The following table provides a summary of 2022 financial performance for 126 clubs operating between 12 and 60 months of operation, largely considered to be the period that clubs develop and stabilize. Results vary based upon a club’s operating size and age. Of the 126 locations engaged in operating activities, 25 locations or 20% were open between 12 and 24 months, 37 locations or 29% were open between 25 and 36 months, 30 locations or 24% were open between 37 and 48 months, and 34 locations or 27% were open between 49 and 60 months. For each category, the table shows revenue and expenses of the median club in the category.

	Median Performing Club Open 12-24 Months	Median Performing Club Open 25-36 months	Median Performing Club Open 37-48 months	Median Performing Club Open 49-60 months
<b>Average Monthly Revenue</b>	\$157,075	\$156,834	\$138,815	\$147,196
<b>Median Square Footage</b>	45,553	24,203	22,245	23,500
<b>Average Square Footage</b>	32,067	28,771	26,002	25,006
<b>Months in Operation</b>	24	33	43	55
<b>Clubs in Grouping</b>	25	37	30	34
<b>Revenue</b>				
Membership Revenue	\$1,551,500	\$1,481,524	\$1,309,620	\$1,431,786
Other Revenue	\$333,402	\$400,486	\$356,162	\$334,572
<b>Total Revenue</b>	<b>\$1,884,902</b>	<b>\$1,882,010</b>	<b>\$1,665,782</b>	<b>\$1,766,358</b>
<b>Total Cost of Goods Sold</b>	<b>\$31,067</b>	<b>\$59,357</b>	<b>\$22,986</b>	<b>\$44,907</b>
<b>Operating Expenses</b>				
Payroll & Benefits	\$463,174	\$675,358	\$425,225	\$531,143
Sales & Marketing	\$255,006	\$30,646	\$100,646	\$92,860
Club Expense	\$480,022	\$486,574	\$339,176	\$343,055
Rent	\$0	\$305,500	\$328,318	\$316,247
<b>Total Operating Expense</b>	<b>\$1,198,202</b>	<b>\$1,498,077</b>	<b>\$1,193,365</b>	<b>\$1,283,305</b>
<b>AVERAGE COP* (EBITDAR)</b>	<b>\$1,189,458</b>	<b>\$1,186,422</b>	<b>\$982,018</b>	<b>\$1,062,838</b>
<b>MEDIAN COP* (EBITDAR)</b>	<b>\$655,633</b>	<b>\$630,076</b>	<b>\$810,729</b>	<b>\$803,037</b>
<b>AVERAGE COP* (EBITDA)</b>	<b>\$765,599</b>	<b>\$721,248</b>	<b>\$590,517</b>	<b>\$638,717</b>
<b>MEDIAN COP* (EBITDA)</b>	<b>\$655,633</b>	<b>\$324,576</b>	<b>\$482,410</b>	<b>\$486,789</b>

\*Cash Operating Profit

Of the 126 clubs operating, 25 locations were open between 12 and 24 months, 37 locations were open between 25 and 36 months, 30 locations were open between 37 and 48 months, and 34 locations were open between 49 and 60 months. Of the 25 open locations between 12 and 24 months, 12 locations, or 48%, reported average Cash Operating Profit (“COP”) greater than the table average while 13 locations or 52% reported averages below those presented in the table. Of the 37 open locations between 25 and 36 months, 15 locations, or 41%, reported average COP greater than the table average while 22 locations or 59% reported averages below those presented in the table. Of the 30 open locations between 37 and 48 months, 14 locations, or 47%, reported average COP greater than the table average while 16 locations or 53% reported averages below those presented in the table. Of the 34 open locations between 49 and 60 months, 15 locations, or 44%, reported average COP greater than the table average while 19 locations or 56% reported averages below those presented in the table.

	Average Members	Average Monthly Revenue	Average Gross Revenue	Median Gross Revenue	Average Months Open
Clubs Open 12-24 Months	6,973	\$227,993	\$2,735,910	\$1,884,902	18
Clubs Open 25-36 Months	6,787	\$216,650	\$2,599,804	\$1,882,010	30
Clubs Open 37-48 Months	5,888	\$180,514	\$2,166,164	\$1,665,782	44
Clubs Open 49-60 Months	6,581	\$197,108	\$2,365,301	\$1,766,358	55

Of the 241 locations operating, 25 were open for 12 to 24 months, 12 or 48% of those reported active members greater than those reported in table 23, while 13 or 52% reported active members less than those reported in the table. Of the 37 locations opened 25 to 36 months, 13 or 35% reported active members greater than those reported in the table and 24 or 65% reported active members less than those reported in the table. Of the 30 locations opened 37 to 48 months, 13 or 43% reported active members greater than those reported in the table with 17 or 57% reporting active members less than those reported in the table. Of the remaining 34 locations opened 49 to 60 months, 15 or 44% reported active members greater than those reported in the table and 19 or 56% reported active members less than those reported in the table.

#### Notes:

1. **Revenue** – The principal source of revenue for a Crunch franchise club is its membership revenue. Membership revenue includes any initial enrollment fees, paid in full or as prepaid dues, the members first month’s membership fees and the member’s monthly dues obligation as well as annual and pro-rated annual fees. In addition to its membership revenue, Crunch franchised facilities also earn a significant percentage of their income through the sale of personal and small group training services to individual members. Fees for this service, which are provided by professional and certified trainers, are incremental to the member’s monthly membership expense and there is no limit on the amount of training that may be purchased by individual members. Clubs also receive additional revenue from the sale of retail products such as beverages, nutritional products and supplements, headphones, tanning goggles, lotions and other over the counter items. Babysitting and tanning, if offered, may present incremental revenue opportunities as well.

With the exception of prepaid activity, membership fees are paid monthly, while fees for personal training programs can range from an “a la carte” point of sale offering to a monthly obligation for packaged services or ongoing training. We currently offer several membership options, with our base membership package priced at \$9.95/month, with a \$29 or \$39 annual fee billed periodically throughout the year; and our Peak membership option priced at \$19.95/month with a \$29 or \$39 annual fee also billed periodically throughout the year. Promotional packages will vary at different times during the year and franchisees have the ability to tailor the clubs offering, and the club’s membership pricing, to their particular market. Pricing may be different in select markets, with several markets now offering price points higher than those listed above. Pricing options throughout the network, which include varying degrees of amenities, now range from \$9.95 per month up to \$49.95 per month, depending upon location.

The performance of your club and your ability to sell memberships will vary based upon a variety of factors including but not limited to the demographics of the market, the location and condition of your club, the capabilities of your staff and club management, the competitive nature of the market and how much time and effort you dedicate to advertising, sales and community outreach.

2. **Expenses** – The expense information contained in the operating statement(s) include the fixed and variable expenses necessary to operate the club(s). This information will differ on a market by market basis and may be higher or lower than information contained in these statements. You may also incur expenses not listed above; however, all of these expenses should be based upon factors within your control and which can be researched prior to making your investment. In comparing the information in columns above, you should note that some of the expenses are fixed and will not change with increases or decreases in membership, while other expenses will increase as membership levels increase.

3. **Purchases:** Retail expenses are generally small and include the cost of retail items such as cooler drinks, tanning products, apparel, nutritional bars and supplements etc. The level of retail expense will vary and will depend largely upon your ability to sell products as part of the membership experience.
4. **Royalty Payments:** Royalties are invoiced and paid monthly based upon the clubs gross revenue and point of sales activity, including but not limited to enrollment fee's, pre-paid memberships, first months dues, the monthly dues tap, personal training, food, beverage, apparel and supplement sales as well as tanning, license fees and any other income.
5. **Online Enrollment:** Online enrollment expenses are invoiced and paid on a monthly basis and represent a \$5 fee paid to the franchisor for every online member that joins the club.
6. **Payroll & Benefits:** The total cost of payroll & benefits activity represents one of the largest expenses associated with operating the club. It includes salary and hourly wage expense for the club and personal training manager(s), front desk staff, marketing, facilities and group fitness personnel as well as commissions and bonus activity paid on various positions. This expense will vary weekly / monthly, depending upon staffing and class schedules and the level of personal training sales.
7. **Sales & Marketing Expense:** Performance of your club is heavily dependent upon your ability to market and sell the value of the product / brand. Crunch Fitness franchisees are required to spend a minimum of the higher of \$10,000 or 7% of gross sales in monthly advertising. We will help create and position all of your sales and marketing material utilizing channels such as direct mail, social media, billboard, print and radio, but ultimately the level of expense is up to you and will vary on a club by club basis. Advertising work is performed by both in-house personnel and outside preferred vendors and is approved by us prior to implementation.
8. **Club Expense:** Club expenses represent the variable expenses necessary to run the day to day operations of the club. They include expenses such as outside professional fees (e.g. legal, accounting etc.), travel and non-travel expenses, technology expense related to computer services and the club software, supplies expense for the office and club, repair and maintenance (equipment and building), utilities, credit card processing and other miscellaneous expense. Of these, utilities expense and credit card processing are generally the largest, with travel and non-travel expenses historically representing an insignificant percentage. Of the remaining items, supplies expense includes the paper and cleaning products for necessary to operate and service the club as well as general office supplies for the front desk and staff. Repairs and maintenance expense represents expenses necessary to maintain the physical plant and fitness equipment in the club. As both the property and equipment age, this expense is likely to increase and will represent a more significant percentage of the club's expenses.
9. **Rent & Occupancy:** Determining the location of your club and managing the cost of your real estate lease is critical to the success of your club. The cost of rent can vary significantly depending upon the size and location of the club and the amount of tenant improvement contributions provided by the landlord. Real estate space located closer to the center of major metropolitan markets is likely to be significantly more expensive than locations located on the periphery of those markets or in more suburban locations. Controlling this expense and keeping the square footage expense within ranges suggested by us will help improve the likelihood of your success. We suggest you negotiate rent / lease space aggressively and commonly see rent deferrals and tenant contributions provided by landlords.

**10. Cash Operating Profit / (Loss):** Cash operating profit represents the income or loss generated after subtracting cost of goods sold and operating expenses from net revenue. This figure relates to the actual performance of the club, once opened, and does not include interest expense on equipment or improvements that may be financed, sales tax expense on profits generated from the business or any non-cash expenses such as depreciation / amortization expense related to the value of equipment or improvements to the property. Similarly, the cost of the initial franchise fee(s), architectural renderings or other initial investment expenses are excluded from this statement. We anticipate that each franchisee will fund its investment differently and, therefore, have made no assumptions on how the investment would be funded or accounted for.

There is no assurance that any Crunch franchise location will attain the revenue or income levels in the ranges stated above. Each market is different and a club's early stage sales and earnings performance may be lower or higher than those provided above. Prior to developing any earnings expectations, it is recommended that local market demographics, competition, real estate costs and labor expenses be investigated. Variables such as the location and visibility of the club, local traffic patterns, demographic composition, operator engagement and adherence to the System, market area trends served by the club, the competitive environment, the region and market area in which the club is located, the quality of club management and customer service levels at the club, as well as individual skills of the franchisee and other factors are critical determinants to the clubs overall success.

The performance results included in the operating statements above are for affiliated locations and do not reflect results of independent franchisee activity. Franchisee contact information is disclosed in this filing and you are encouraged to contact our franchisees as a source of information in your due diligence.

You have the sole responsibility for developing your own business plan for the proposed club or market area, including the capital budgets, pro forma financial statements, sales and expense projections and other elements appropriate to the particular circumstances of your location. In developing your business plan, you are cautioned to make necessary allowances for changes in financial results that may occur due to unforeseen circumstances, for any and all ranges of economic conditions that may exist now or in the future, or for any other circumstances that may impact the operation and performance of the business.

You should not consider the revenues or estimates of expenses presented above to be the actual potential revenues and expenses that you will realize. We do not represent that you can or will attain these levels, or any particular level or percentage of that level. We do not represent that you will generate income which exceeds the initial payment of, or investment in, the franchise.

We recommend that you perform your own independent analysis to determine whether the franchise may be profitable or worthwhile for your investment. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow projections. We strongly suggest that you consult a financial advisor or accountant concerning financial projections, federal, state and local income tax obligations and any other applicable taxes that you may incur in operating a Crunch Franchise business.

**Some Crunch Fitness health clubs have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.**

Written substantiation for the financial performance representations in this Item will be made available to you upon reasonable request.

Other than as described in the preceding financial performance representation, we do not make any representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ben Midgley at 201 Harbour Place, Ste. 230, Portsmouth, NH 03801, 603.501.0437, the Federal Trade Commission, and the appropriate state regulatory agencies.

### **Crunch Select and Crunch Signature Gyms**

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ben Midgley at 201 Harbour Place, Ste. 230, Portsmouth, NH 03801, 603.501.0437, 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**

#### **Crunch Fitness Model**

Column 1  Outlet Type	Column 2  Year	Column 3  Outlets at the Start of the Year	Column 4  Outlets at the End of the Year	Column 5  Net Change
Franchised	2020	225	252	+27
	2021	252	284	+32
	2022	284	318	+34
Company-Owned	2020	25	23	-2
	2021	23	22	-1
	2022	22	13	-9
Total Outlets	2020	250	275	+25
	2021	275	305	+30
	2022	306	326	+20

**Note:** All numbers are as of December 31 of each year.



**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Arizona	2020	0
	2021	2
	2022	0
California	2020	0
	2021	0
	2022	11
Connecticut	2020	0
	2021	0
	2022	1
Kentucky	2020	0
	2021	0
	2022	2
North Carolina	2020	0
	2021	0
	2022	1
New Jersey	2020	0
	2021	0
	2022	3
New York	2020	0
	2021	1
	2022	4
Texas	2020	0
	2021	0
	2022	3
Total	2020	0
	2021	3
	2022	24

**Note:** All numbers are as of December 31 of each year.

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**Table No. 3  
Status of Franchised Outlets  
For Years 2020 to 2022**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>	<b>Column 9</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of the Year</b>
Alabama	2020	2	4	0	0	0	0	6
	2021	6	2	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Arizona	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Arkansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
California	2020	46	1	0	0	0	0	47
	2021	47	1	0	0	0	0	48
	2022	48	8	0	0	0	2	54
Colorado	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Connecticut	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Florida	2020	24	8	0	0	0	1	31
	2021	31	11	0	0	0	0	42
	2022	42	4	0	0	0	0	46
Georgia	2020	6	1	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	6	0	0	0	0	13
Idaho	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Illinois	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Kansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Louisiana	2020	0	0	0	0	0	0	0

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Maryland	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Massachusetts	2020	11	2	0	0	0	2	11
	2021	11	1	0	0	0	1	11
	2022	11	2	0	0	0	2	11
Michigan	2020	9	1	0	0	0	0	10
	2021	10	1	0	0	0	0	11
	2022	11	0	0	0	0	0	11
Minnesota	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Mississippi	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Missouri	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	1	2
New Jersey	2020	18	3	0	0	0	0	21
	2021	21	1	0	0	0	1	21
	2022	21	1	0	0	0	0	21
New Mexico	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New York	2020	14	3	0	0	0	0	17
	2021	17	1	0	0	0	0	18
	2022	18	0	0	0	0	0	18
North Carolina	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Ohio	2020	6	1	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	2	0	0	0	0	3
Pennsylvania	2020	11	1	0	0	0	1	11
	2021	11	1	0	0	0	0	12
	2022	13	3	0	0	0	0	15
Puerto Rico	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
South Carolina	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	3	0	0	0	0	7
Tennessee	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Texas	2020	17	2	0	0	0	0	19
	2021	19	7	0	0	0	1	25
	2022	25	6	0	0	0	1	30
Virginia	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Washington	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	1	5
	2022	5	0	0	0	0	1	4
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	225	31	0	0	0	5	251
	2021	251	35	0	0	0	4	282
	2022	282	41	0	0	0	7	315

**Note:** All numbers are as of December 31 of each year.

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**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
California	2020	13	0	0	1	0	12
	2021	12	0	0	1	0	11
	2022	11	0	0	2	6	3
New York	2020	8	0	0	0	0	8
	2021	8	0	0	0	0	8
	2022	8	0	0	0	1	7
Oregon	2020	4	0	0	1	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Totals	2020	25	0	0	2	0	23
	2021	23	0	0	1	0	22
	2022	22	0	0	3	6	13

**Notes:**

- (1) Company-owned outlets are health clubs owned by affiliated companies that are substantially similar to those offered to prospective franchisees.
- (2) All numbers are as of December 31 of each year.

**Table No. 5**  
**Projected Openings as of December 31, 2022 (Crunch Fitness Clubs)**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company – Owned Outlets In the Next Fiscal Year</b>
California	0	2	0
Florida	0	6	0
Georgia	0	4	0
Illinois	0	1	0
Indiana	0	4	0
Kentucky	0	2	0
Massachusetts	0	2	0
Maryland	0	1	0

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company – Owned Outlets In the Next Fiscal Year</b>
Minnesota	0	1	0
North Carolina	0	3	0
New York	0	4	0
Oklahoma	0	1	0
Tennessee	0	3	0
Texas	0	7	0
Total	0	41	0

**Crunch Select Model**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	0	0	+/-0
	2021	0	0	+/-0
	2022	0	0	+/-0
Company-Owned	2020	0	0	+/-0
	2021	0	0	+/-0
	2022	0	0	+/-0
Total Outlets	2020	0	0	+/-0
	2021	0	0	+/-0
	2022	0	0	+/-0

**Note:**

(1) We only started franchising the Crunch Select format as of May 17, 2023.

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**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Note:**

(1) We only started franchising the Crunch Select format as of May 17, 2023.

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>	<b>Column 9</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of the Year</b>
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Note:**

(1) We only started franchising the Crunch Select format as of May 17, 2023.

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**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**Notes:**

- (1) Company-owned outlets are health clubs owned by affiliated companies that are substantially similar to those offered to prospective franchisees.
- (2) We only started franchising the Crunch Select format as of May 17, 2023.

**Table No. 5**  
**Projected Openings as of December 31, 2022**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company – Owned Outlets In the Next Fiscal Year</b>
All States			
Total			

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**Crunch Signature Model**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	0	0	+/-0
	2021	0	0	+/-0
	2022	0	0	+/-0
Company-Owned	2020	32	31	-1
	2021	31	30	-1
	2022	30	28	-2
Total Outlets	2020	32	31	-1
	2021	31	30	-1
	2022	30	28	-2

**Note:**

(1) We only started franchising the Crunch Signature format as of May 27, 2022.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2020 to 2022<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Note:**

(1) We only started franchising the Crunch Signature format as of May 27, 2022.

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022<sup>(1)</sup>**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Note:**

(1) We only started franchising the Crunch Select format as of May 27, 2022.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022<sup>(1)(2)</sup>**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2020	12	0	0	1	0	11
	2021	11	0	0	1	0	10
	2022	10	0	0	0	0	10
Florida	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
New York	2020	19	0	0	0	0	19
	2021	19	0	0	0	0	19
	2022	19	0	0	2	0	17
Totals	2020	32	0	0	1	0	31
	2021	31	0	0	1	1	30
	2022	30	0	0	2	0	28

**Notes:**

- (1) Company-owned outlets are health clubs owned by affiliated companies that are substantially similar to those offered to prospective franchisees.
- (2) We only started franchising the Crunch Signature format as of the effective date of this franchise disclosure document.

**Table No. 5**  
**Projected Openings as of December 31, 2022**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
All States	0	0	0
Total	0	0	0

Attached as **Exhibit L** is a list of the names of all franchisees and their addresses and telephone number of all their outlets as of December 31, 2022.

Attached as **Exhibit M** is a list of the name, city and state and current business telephone number or last known home telephone of every franchisee who, in our most recent full fiscal year end, had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily closed to do business under the Franchise Agreement, or has not communicated with us within 10 weeks of the Disclosure Documents issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**Confidentiality Clauses**

During last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

**Franchise Advisory Council**

We may form a Franchise Advisory Council (“**FAC**”) of franchisees and our representatives to provide non-binding advice to us. You must become a Member of the FAC and pay any dues that may be assessed.

**Item 21**

**FINANCIAL STATEMENTS**

Our audited financial statements, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, member’s equity, and cash flows for each of the three years ended December 31, 2022, are attached to this franchise disclosure document as **Exhibit N**. Unaudited financials as of March 31, 2023 are also included as part of **Exhibit N**.

## ITEM 22

### CONTRACTS

The following agreements are attached to this franchise disclosure document:

- (a) Franchise Agreement, including Owner's Guaranty, Lease Rider, Franchise Agreement Rider (for Area Developers Only) and Franchise Agreement Rider (for Multi-Unit Developers Only) - **Exhibit C**
- (b) State Specific Amendments to Franchise Agreement for Illinois, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington - **Exhibit D**
- (c) Area Development Agreement, including Owner's Guaranty- **Exhibit E**
- (d) State Specific Amendments to Area Development Agreement for Illinois, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington - **Exhibit F**
- (e) Multi-Unit Development Agreement, including Owner's Guaranty - **Exhibit G**
- (f) State Specific Amendments to Multi-Unit Development Agreement for Illinois, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington - **Exhibit H**
- (g) Confidentiality Agreement - **Exhibit J**
- (h) General Release - **Exhibit K**
- (i) Renewal Rider - **Exhibit O**
- (j) Franchisee Disclosure Questionnaire **Exhibit Q**

## ITEM 23

### RECEIPTS

The last 4 pages of this Disclosure Document are 2 receipts. Please date and sign both copies. Detach the last page and return it to us promptly upon execution.

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

## State Administrators

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws.

### California

Department of Financial Protection and  
Innovation  
State of California  
320 West 4<sup>th</sup> Street  
Suite 750  
Los Angeles, California 90013  
(213) 576-7500  
(866) 275-2677

### Hawaii

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

### Illinois

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

### Indiana

Franchise Section  
Indiana Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

### Maryland

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

### Michigan

Consumer Protection Division  
Franchise Section  
Michigan Department of Attorney General  
525 W. Ottawa Street  
G. Mennan Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48913  
(517) 373-7117

### Minnesota

Minnesota Department of Commerce  
Commissioner of Commerce  
85 E 7th Place, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

### New York

Bureau of Investor Protection and Securities  
New York State Department of Law  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8211

### **North Dakota**

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

### **Virginia**

State Corporation Commission  
Division of Securities & Retail Franchising  
Commonwealth of Virginia  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

### **Oregon**

Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
State of Oregon  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4140

### **Washington**

Department of Financial Institutions  
Securities Division  
State of Washington  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8738

### **Rhode Island**

Division of Securities  
State of Rhode Island  
233 Richmond Street, Suite 232  
Providence, Rhode Island 02903  
(401) 222-3048

### **Wisconsin**

Division of Securities  
Department of Financial Institutions  
Wisconsin Commissioner of Securities  
P.O. Box 1768  
Madison, Wisconsin 53701-1768  
(608) 266-8559

### **South Dakota**

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

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



**AGENTS AUTHORIZED TO  
RECEIVE SERVICE OF PROCESS, BY STATE**

**California**

Commissioner of Business Oversight  
Department of Financial Protection and  
Innovation  
State of California  
Suite 750  
320 West 4th Street  
Los Angeles, CA 90013-2344

National Registered Agents, Inc.  
2875 Michelle Drive  
Suite 100  
Irvine, CA 92606

**Hawaii**

Hawaii Commissioner of Securities  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
State of Hawaii  
335 Merchant Street  
Room 204  
Honolulu, Hawaii 96813

**Illinois**

Office of Attorney General  
State of Illinois  
500 South Second Street  
Springfield, IL 62706

**Indiana**

Secretary of State  
State of Indiana  
201 State House  
200 W. Washington St.  
Indianapolis, IN 46204

**Maryland**

Maryland Securities Commissioner  
Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202-2020

**Michigan**

Consumer Protection Division  
Franchise Section  
Michigan Department of Attorney General  
525 W. Ottawa Street  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
Lansing, MI 48913

**Minnesota**

Minnesota Department of Commerce  
Commissioner of Commerce  
85 E 7th Place, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

**New York**

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

**North Dakota**

Securities Commissioner  
State of North Dakota  
5<sup>th</sup> Floor  
600 East Boulevard Ave.  
Bismarck, ND 58505-0510

**Oregon**

Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
State of Oregon  
350 Winter Street, N.E., Room 21  
Portland, OR 97310

**Rhode Island**

Director of Business Regulation  
Department of Business Regulation  
Division of Securities  
State of Rhode Island  
233 Richmond Street, Suite 232  
Providence, RI 02903

**South Dakota**

Franchise Administration  
Department of Labor and Regulation  
Division of Insurance  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501

**Virginia**

Clerk of the State Corporation Commission  
Commonwealth of Virginia  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**Washington**

Director of Financial Institutions  
Securities Division  
State of Washington  
150 Israel Rd., S.W.  
Olympia, WA 98501

**Wisconsin**

Commissioner of Securities  
Wisconsin Securities Commission  
345 W. Washington Ave., 4th Floor  
Madison, WI 53703

**EXHIBIT C**

**FRANCHISE AGREEMENT**  
**INCLUDING OWNER'S GUARANTY**

**FRANCHISE AGREEMENT**  
**for operation of a**  
**CRUNCH<sup>®</sup> HEALTH CLUB**

Franchisee: \_\_\_\_\_

Date: \_\_\_\_\_

Club Model: \_\_\_\_\_

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## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, dated \_\_\_\_\_, 20\_\_\_\_ (“Effective Date”), is made by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company (“we”, “us” or “our”), located at 1 Harbour Place, Suite 230, Portsmouth, NH 03801, and \_\_\_\_\_, a \_\_\_\_\_ (“you” or “your”), located at \_\_\_\_\_, who in consideration of the mutual promises set forth below, agree as follows:

### 1. Nature and Scope of Agreement

1.1 **The Franchisor.** We have developed and own a distinctive System designed to operate health clubs under the service mark CRUNCH® and associated marks, logos and designs (the “Licensed Marks”) which offer members basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, tanning and online nutritional programs. We offer franchises to operate a Crunch health club using the Licensed Marks and the System under three different formats: Crunch Fitness, Crunch Select, and Crunch Signature. The Licensed Marks may vary depending on the format of Franchised Business this Agreement is for, and there are other variations to the System (as defined below) depending on the format of your Franchised Business.

1.2 **The System.** The “System” is used by health clubs that offer members basic health club services and operate under the Licensed Marks under the Crunch Fitness, Crunch Select, and Crunch Signature formats, with some variations depending on the format. The System presently includes, but is not limited to: the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; the methods, designs, know how, business standards; and other requirements as stated or referred to in this Agreement and from time to time in our Operations Manual, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may vary the System and its application between the Crunch Fitness, Crunch Select, and Crunch Signature formats, and may make exceptions based on local conditions, special circumstances or different contractual provisions applicable to one or more Franchised Businesses. We may change or modify the System, including temporarily, from time to time, in our sole discretion, and you agree to comply with the System standards as they may exist from time to time and as they apply to the format of your Franchised Business (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3 **The Franchisee.** You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. Aware of the relevant facts, you desire to enter into this Agreement to obtain a license to use the System and the Licensed Marks to operate one Franchised Business in the format set forth on **Exhibit 1**, or identified in Section 3.1, within the Territory described in this Agreement.

### 2. Definitions, Representations and Owner’s Guaranty

2.1 The capitalized terms used in this Agreement shall have the following meanings:

2.1.1 “**Affiliate**” means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

2.1.2 “**ADA**” is defined in Section 7.1.20.

2.1.3 “**Anti-Terrorism Laws**” is defined in Section 19.1.

2.1.4 “**Approved Location**” is defined in **Exhibit 1** to this Agreement.

2.1.5 “**Business Improvement**” is defined in Section 12.3 of this Agreement.

2.1.6 “**Claims**” is defined in Section 17.4 of this Agreement.

2.1.7 “**Competitive Business**” is defined in Section 14.1 of this Agreement.

2.1.8 “**Confidential Information**” is defined in Section 13.2 of this Agreement.

2.1.9 “**Confidentiality Agreement**” means the confidentiality agreement that we will prescribe from time to time to be signed by each of your Owners, officers, directors, members or partners, and your managers and employees, who receive Confidential Information.

2.1.10 “**Crunch IP**” is defined in section 11.1 of this Agreement.

2.1.11 “**Expiration Date**” is the date stated on **Exhibit 1** to this Agreement.

2.1.12 “**Franchise Advisory Council**” is defined in Section 7.5 of this Agreement.

2.1.13 “**Franchised Business**” is defined in Section 3.1 of this Agreement. Any reference to “Franchised Business” in this Agreement is to the format of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.

2.1.14 “**Franchisee**” means the person referred to in the opening paragraph, described as “you” or “your”.

2.1.15 “**Franchisor**” means Crunch Franchising, LLC.

2.1.16 “**Gross Sales**” is defined in Section 8.6 of this Agreement.

2.1.17 “**Incapacity**” is defined in Section 15.4 of this Agreement.

2.1.18 “**Indemnified Parties**” is defined in Section 17.4 of this Agreement.

2.1.19 “**Initial Franchise Fee**” is defined in Section 8.1 of this Agreement.

2.1.20 “**Initial Term**” is defined in Section 4.1 of this Agreement.

- 2.1.21 “**Licensed Marks**” is defined in Section 1.1 of this Agreement.
- 2.1.22 “**Brand Marketing Fund**” is defined in Section 10.3 of this Agreement.
- 2.1.23 “**Brand Marketing Fund Contribution**” is defined in Section 8.3 of this Agreement.
- 2.1.24 “**Notice**” is defined in Section 19.7 of this Agreement.
- 2.1.25 “**Online Enrollment Processing Fee**” is defined in Section 8.4 of this Agreement.
- 2.1.26 “**Operations Data**” is defined in Section 9.2.
- 2.1.27 “**Operations Manual**” is defined in Section 13.1 of this Agreement.
- 2.1.28 “**Owner(s)**” is defined in Section 7.6 of this Agreement.
- 2.1.29 “**Owner’s Guaranty**” means the Owner’s Guaranty attached to this Agreement as **Exhibit 2**.
- 2.1.30 “**Renewal Term**” is defined in Section 4.2 of this Agreement.
- 2.1.31 “**Royalty**” is defined in Section 8.2 of this Agreement.
- 2.1.32 “**Supplier**” or “**Suppliers**” is defined in Section 6.2 of this Agreement.
- 2.1.33 “**System**” means the specified business format and system and related standards, specifications and procedures we prescribe for operating a Franchised Business, including but not limited to the Operations Manual, and is more fully described in Section 1.2. As used in this Agreement, “System” refers to the System as applied by us to the format of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.
- 2.1.34 “**System Operations Data**” is defined in Section 9.2.
- 2.1.35 “**Technology and IT Support Services Fee**” is defined in Section 8.8.
- 2.1.36 “**Term**” is defined in Section 4.3 of this Agreement.
- 2.1.37 “**Territory**” means that geographic area specified in **Exhibit 1** to this Agreement.
- 2.1.38 “**Transfer**” is defined in Section 15.2 of this Agreement
- 2.1.39 “**Website**” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software, and includes, without limitation, the Internet and WorldWide Web home pages.

2.2 **Representations and Warranties.** You hereby represent and warrant to us as follows:



2.2.1 You are acquiring this franchise for your own account for the operation of a Franchised Business, and not for the purpose of resale or redistribution or other speculative matter;

2.2.2 All information you provided to us in your application and other documents to induce us to grant this franchise was true, correct, complete and accurate as of the date made, and, as of the Effective Date, no material change has occurred in such information;

2.2.3 Your execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment you have;

2.2.4 If you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement; and

2.2.5 This Agreement represents a valid, binding obligation of you and each of your Owners. Each of your Owners has fully read this Agreement and our Franchise Disclosure Document, and each Owner represents that he/she is capable of complying with all of the terms of this Agreement and the Owner's Guaranty.

2.3 ***Owner's Guaranty/Owner's Acknowledgment.*** If you are an entity, each of your Owners must execute an Owner's Guaranty in our favor and deliver the executed Owner's Guaranty to us concurrently with execution of this Agreement, or if such ownership interest is acquired later, within ten (10) days after obtaining the interest as an Owner. All Owners also must sign the Owner's Acknowledgment which follows the signature block of this Agreement. If we determine, in our sole discretion, that one or more of your majority owners has sufficient means to satisfy the requirements of the Guaranty, we may waive the requirement that all Owners (as such term is defined below) sign the Guaranty. In that case only the Owner or Owners who alone satisfy the Guaranty requirements must sign the Guaranty, as long as that Owner or Owners maintain majority ownership

### 3. Scope of License

3.1 ***Grant of License.*** Subject to the terms and conditions of this Agreement, we hereby grant to you a non-exclusive license to operate one Crunch health club using the System and the Licensed Marks (the "**Franchised Business**") in the format set forth in **Exhibit 1** (Crunch Fitness, Crunch Select, or Crunch Signature) at and only at the Approved Location within the Territory as set forth on **Exhibit 1**. If Exhibit 1 does not indicate the format for the Franchised Business, the license granted under this Agreement is for a Crunch Fitness format Franchised Business. You hereby accept such grant and agree to operate one Franchised Business throughout the Term in accordance with the System under the Licensed Marks at and only at the Approved Location set forth on **Exhibit 1** and to exert continuously your best efforts to promote and enhance the operation of the Franchised Business and the goodwill associated with the Licensed Marks.

3.2 ***Territory.*** During the Term of this Agreement, for as long as you are in full compliance with the terms and conditions of this Agreement and all other franchise agreements between you (including any of your Affiliates) and us, we will not grant a franchise to any third party to physically locate another Crunch health club, in the Territory. We will have the right to adjust your Territory as specified in Section 3.3. The parties acknowledge and agree that the territorial grant in this Section does not restrict us, our Affiliates, or any franchisees or other third parties from advertising, marketing or otherwise promoting the System, or any other Crunch health club, wherever located, in your Territory.

3.3 **Determination and Adjustment of Territory.** We will provide you with a Territory which will encompass a population of approximately 75,000 persons for Crunch Fitness and Crunch Signature clubs, and 30,000 for Crunch Select clubs, if you are an Area Developer or a Multi-Unit Developer at the time of this Agreement and which will be described on **Exhibit 1**. We have the right, but not the obligation, to adjust the boundaries of the Territory from time to time to reflect population changes by sending written notice to you of the revised boundaries.

3.4 **Reserved Rights.** We reserve all rights not specifically granted to you in this Agreement. Among other things, this Agreement does not limit our right or the right of any of our Affiliates to use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of health clubs under the Licensed Marks at any location outside your Territory, and/or the ownership, operation or franchising of health clubs under any other trade name, trademark or service mark now or hereafter owned by or licensed to us or our Affiliates, at any location inside or outside your Territory, or the sale, distribution or marketing of products identified by the Licensed Marks inside or outside of your Territory. Notwithstanding the forgoing, neither we nor our Affiliate Crunch, LLC, nor its subsidiaries will operate health clubs in the Territory under a low price model substantially similar to the Crunch franchising model. You acknowledge that our rights to use and/or license the System pre-date this Agreement and are not limited or changed by the terms of this Agreement. You agree that by acknowledging those rights, the parties do not intend to make our exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement.

#### 4. Term and Renewal

4.1 **Initial Term.** Unless terminated earlier pursuant to Article 16, the initial term of this Agreement shall be for ten (10) years (“**Initial Term**”), commencing on the Effective Date and terminating on the Expiration Date.

4.2 **Continuation Term.** If you continue to operate the Franchised Business with our express or implied consent following the expiration of the Term of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise agreed in writing (“**Continuation Term**”). All provisions of this Agreement will apply while you continue to operate the Franchised Business during the Continuation Term. The Continuation Term of this Agreement will then be terminable by either party on thirty (30) days’ prior written notice to the other party.

4.3 **Renewal.** You may renew this Agreement for three (3) additional successive terms of ten (10) years each (“**Renewal Term**”) for operation of a Franchised Business, provided that all of the following conditions are met:

4.3.1 You have substantially complied with all the provisions of this Agreement (including, without limitation, making all payments in full when due) and all other agreements between you and us, or between you and one of our Affiliates, during the Term of this Agreement prior to renewal, and you are in full compliance with this Agreement and such other agreements at the end of the Term of this Agreement prior to renewal;

4.3.2 Prior to commencement of the Renewal Term, if we so request, you execute our then current form of franchise agreement and all other agreements then customarily used by us in granting franchises for Franchised Businesses, with a remaining renewal term as provided above, which agreements may contain different terms and conditions (including, without limitation, different or increased financial terms, royalties and/or brand marketing fund contributions, a requirement that you remodel, refurbish, renovate or re-equip the Franchised Business to bring it

into full compliance with all standards for new Franchised Businesses, and adjusted boundaries for the Territory to reflect population changes);

4.3.3 Prior to commencement of the Renewal Term, you execute a general release, in form satisfactory to us, of all claims you may have against us and our members, officers, directors, owners, employees, Affiliates, successors and assigns;

4.3.4 Prior to commencement of the Renewal Term, at your expense, you renovate, upgrade and modify your Franchised Business so that it meets the standards for new franchised businesses of the same format or model at the commencement of the Renewal Term, which requirement may include significant changes to the furniture, fixtures and equipment, including replacement of any or all exercise equipment;

4.3.5 Prior to the expiration of the Term of this Agreement, you give us at least three (3) months and not more than six (6) months Notice of your intention to renew this Agreement; and

4.3.6 Upon execution of the renewal Franchise Agreement, you pay us a renewal fee of \$12,500.

Any agreement for a Renewal Term will be for a Franchised Business in the same format (Crunch Fitness, Crunch Select, or Crunch Signature) as granted under this Agreement (or, if such format is no longer franchised at the time of renewal, for such other format then currently being franchised that most resembles the format franchised under this Agreement.

4.4 **Term.** Collectively, the Initial Term and Renewal Terms are called the “**Term.**”

## 5. Location and Business Site

5.1 **Location.** You must operate your Franchised Business at and only at the location within the Territory that is described on **Exhibit 1 (“Approved Location”)**. You may not change the location of the Franchised Business without our prior written approval, which we may grant or withhold in our sole discretion. Any relocation must be completed within six (6) months from the date of our approval.

5.2 **Site Criteria.** Your business site and its layout, which are subject to our approval, must meet our criteria described in the Operations Manual. Depending on the format of your Franchised Business, the business site for your Franchised Business must be approximately 10,000 to 45,000 square feet and designed to offer basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, and online nutritional program. Your business site must comply with local zoning, business, permitting and licensing requirements, and have parking to accommodate members. We may arrange for a third party to provide you, at your option, with site selection services at no cost to you, except you must pay for such third party’s travel expenses. We reserve the right to require you to use realtors or brokers approved by us to locate your proposed site.

5.3 **Our Approval of Site.** You must submit a proposed site to us for approval within sixty (60) days of signing this Agreement. Should you choose to utilize them, you will be assisted with site selection through the professional services of a real estate broker. There generally will be no fees incurred by you for the broker’s services, other than reimbursed expenses. We will have twenty (20) business days from receipt of the materials relating to the proposed site to approve or disapprove the site. We will not unreasonably withhold our approval of a proposed site. Our approval of your business site

only means that we believe that the business site falls within our then current criteria. You acknowledge that your selection of a business site is based on your own independent investigation of its suitability and that our approval is not a guarantee or promise of success.

5.4 **Construction/Opening.** For a newly developed Franchised Business, you are solely responsible for obtaining all necessary financing and constructing and opening the business site as a Franchised Business in accordance with the layout and other criteria described in our Operations Manual or in other written communications by us. All such construction work must be completed and the Franchised Business open for business within ten (10) months after this Agreement is signed. You may not open your Franchised Business until we provide our written notice of approval. If you open your Franchised Business before we approve it for opening, or if you operate it during any period of temporary closure during the term, or otherwise operate your Franchised Business in contravention of applicable law, you will have to pay us an Unauthorized Operations Fee of \$1,000 per day. The Unauthorized Operations Fee is not an authorization to open or operate your Franchised Business in violation of this Agreement, but is paid to off-set our loss of goodwill and the cost and expenses incurred by us in addressing your violation. Us charging you the Unauthorized Operations Fee for a violation of this Agreement does not limit our right to terminate this Agreement based on the same violation.

5.5 **Conversion Opening.** For an existing health club converted to a Franchised Business, you are solely responsible for obtaining all necessary financing and converting and opening the business site as a Franchised Business in accordance with the layout and other criteria described in our Operations Manual or in other written communications by us. All such conversion work must be completed and the Franchised Business open for business within four (4) months after this Agreement is signed. You may not open your Franchised Business until we provide our written notice of approval.

5.6 **Maintenance, Appearance and Remodeling.** You must maintain the business site of the Franchised Business and its appearance in accordance with our standards which we will communicate to you from time to time in the Operations Manual, or by other written or electronic communications. We may require you periodically to add new equipment or replace obsolete equipment used in the Franchised Business. Not more often than once every five (5) years, as we may require you to renovate your trade dress for the Franchised Business to comply with our then current standards, including installing new color schemes, flooring, signage or other visual elements within the club. In addition, we may require you to replace and update at your Franchised Business: (a) all cardio equipment not more often than once every five (5) years, and (b) all other exercise equipment not more often than every six (6) years and in each case as further specified in the Operations Manual or otherwise in writing from time to time. If after notice from us to you, you fail to timely update and renovate your trade dress for the Franchised Business to comply with our then current standards, then you will pay us a Trade Dress Non-Compliance Fee of \$250 per day for the violation. The Trade Dress Non-Compliance Fee is not an authorization to delay implementation of updates and renovations required pursuant to this Agreement, but is paid to off-set our loss of goodwill and the cost and expenses incurred by us in addressing your violation. Us charging you the Trade Dress Non-Compliance Fee for a violation of this Agreement does not limit our right to terminate this Agreement based on the same violation.

5.7 **Lease Rider.** In connection with our consent to the Approved Location pursuant to Section 5.1, you must make reasonable efforts to have your landlord execute a Lease Rider substantially in the form attached as **Exhibit 4**.

5.8 **Relocation.** If you need to relocate your Approved Location due to lease termination, or due to the full or partial destruction or condemnation of your previously Approved Location you must submit a new location for approval by us within six (6) months of the date that you can no longer operate

the Franchised Business out of the Approved Location. Failure to timely submit a new location for approval is a default under this Agreement.

## **6. Our Responsibilities**

6.1 ***Our Obligations.*** In addition to our other obligations under this Agreement, we will also have the following obligations:

6.1.1 We will endeavor in the exercise of our business judgment to maintain a high standard of quality for the System, and to promote, protect and enhance the public image and reputation of the System;

6.1.2 We will provide you (if you are an individual) or one of your Owners (if you are an entity) and your manager with such required training courses, programs and materials as we deem appropriate, such training to be conducted at such locations and times as we may designate. We will provide the initial training course without cost to you or one of your Owners and your manager, but you will be responsible for paying the travel, living and meal expenses and salaries for yourself or any Owner and manager attending the training classes;

6.1.3 In conjunction with the opening of the Franchised Business, we will provide you with up to five (5) days of on-site training at the location of the Franchised Business, at our expense;

6.1.4 Upon execution of this Agreement, we will provide to you via our Website or otherwise with a copy of our Operations Manual, and thereafter provide copies of any amendments of those materials;

6.1.5 We will develop and maintain a list of standards for equipment, uniforms, computer systems, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items which you must use in your Franchised Business;

6.1.6 As we may deem appropriate, we will make available to you additional and optional or mandatory training courses, programs and materials, such training to be conducted at locations and times as we designate and at fees we establish. Both initial and additional training courses are subject to change during the Term and we have the right to designate optional training and mandatory and vice versa, make training available and required for you, your Owners, and managers, and change fees, provided that fees will be reasonable;

6.1.7 We will make available to you throughout the Term of this Agreement such sales, marketing and technical assistance, and consultation and advice on operating procedures, that we may deem necessary or desirable in the exercise of our business judgment;

6.1.8 We will provide you with a list of approved Suppliers through use of an Internet catalog, and/or the Operations Manual and/or other written or electronic communications;

6.1.9 We will make available to you improvements and changes in our services or operating procedures relating to Crunch health clubs of the same format as your Franchised Business;

6.1.10 We reserve the right to develop and maintain an Internet Website for franchisee services and communications, for customer and service leads and referrals, and for promotional specials;

6.1.11 We will make available for your purchase from approved Suppliers ready-to-go forms, letterheads, business cards and other daily use marketing items;

6.1.12 At our discretion, we may conduct mystery shopping services or inspections of your Franchised Business; and

6.1.13 We reserve the right to offer and make available for your purchase, and at our discretion and at prices we have established, equipment and other items.

For each obligation set forth above we may, in our sole discretion, provide the same or different standards, terms, information, services, training, and materials for Crunch health clubs of the different formats we now offer (Crunch Fitness, Crunch Select, or Crunch Signature), or may offer in the future. With respect to your Franchised Business, only those standards, terms, information, services, training, and materials will apply that are applicable to the format Crunch health club granted to you under this Agreement.

## 6.2 *Approved Suppliers and Approved Products and Services*

6.2.1 We have the right to designate or approve, from time to time, one or more third parties (a “**Supplier**” or “**Suppliers**”), or our self or an Affiliate, to supply you with certain categories of products and services. If we so designate or approve a Supplier, you must purchase the categories of products or services only from Suppliers we so designate or approve or from us or one of our Affiliates. We may designate or approve a Supplier for any products or services and may designate or approve a Supplier only as to certain products or services, including supplies to be used in the Franchised Business, and we may limit our approval to one or more of the health club formats then being franchised. We may concentrate purchases with one or more Suppliers to obtain lower prices, better advertising support and/or better services for any group of Franchised Businesses.

6.2.2 We have the right to designate or approve, from time to time, goods, services, fixtures, equipment, work-out machines and equipment, supplies, signage, employee uniforms, computer hardware and software, sales and marketing materials, items using our logo or brand and other items (an “**FF&E item**” or “**FF&E items**”) that you must use in the build-out and operation of your Franchised Business.

6.2.3 If you propose to contract for or purchase products or services from any Supplier that we have not previously designated or approved for such products or services, or if you propose to contract for or purchase alternative products or services to FF&E items, you must first notify us in writing and submit to us all information, specifications and samples that we request. We will have the right to require that our representatives, at your expense, be permitted; (a) in the case of an alternative Supplier, to inspect the proposed Supplier’s facilities and that samples from the proposed Supplier be delivered to us or our designated testing facility for evaluation and testing; and (b) in the case of alternative products or services to FF&E items, to review all applicable information, specifications and samples. We have the right to assess you our standard fee for evaluating your proposed Supplier, or alternative FF&E item, or our actual cost for such evaluation if it exceeds our standard fee. We will have sole discretion as to whether or not to approve any Supplier or alternative FF&E item. Approval of a Supplier as to any products or

services, or of an alternative FF&E item, must be made by us in writing. In the case of alternative Suppliers, the approval may also be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, concentration of purchases and other criteria, and may be conditioned on the Supplier providing us with adequate insurance protection, the Supplier's execution of reasonable indemnity and confidentiality agreements, and the Supplier's payment of reasonable license fees to us if the Licensed Marks are to be used, and may be temporary or conditional, pending our further evaluation of the Supplier.

6.2.4 We reserve the right to re-inspect, at any time, the facilities, products and/or services of any approved Supplier and to revoke our approval upon the Supplier's failure to continue to meet any of our then-current criteria. We also reserve the right to reevaluate at any time the approval of any alternative FF&E item and to revoke our approval if the alternative FF&E item no longer satisfies our then current criteria for such FF&E item.

6.2.5 We and/or our Affiliates may realize a profit or receive payments, commissions, discounts or other allowances in connection with your purchases of products or services from approved Suppliers, and, where permitted by applicable law, we and/or our Affiliates may retain those profits, payments, commissions, discounts or allowances for our own accounts without having any obligation to provide any benefits to you.

6.2.6 WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY FF&E ITEM OR OTHER PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH FF&E ITEMS, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

6.3 **Payment of Suppliers.** In the event that you fail to pay a Supplier for products and services, in each case within 60 days of the due date, you will have a fifteen (15) day period to cure the default after receiving notice from us of such default. If you do not cure the default within the cure period, we shall have the right and option to withdraw funds automatically from your monthly billing for the purpose of paying the Supplier.

6.4 **Pricing.** We may from time to time suggest or establish, to the extent permitted by applicable law, the prices or range of prices, and terms and conditions of sale, for products and services you offer.

## 7. Your Responsibilities

7.1 **Your Obligations.** In addition to your other obligations under this Agreement, you also have the following obligations:

7.1.1 You must convert or construct and open your Franchised Business for business within the time periods provided in Section 5.4 or Section 5.5, as applicable;

7.1.2 You must operate your Franchised Business at and only at the Approved Location according to the System and under the Licensed Marks, and not deviate from the System without our prior written consent;

7.1.3 You must conduct grand opening marketing and promotions in your Territory in accordance with our grand opening plan, and you cannot deviate from that plan without our prior written approval, which expenditures shall be in an amount of not less than \$15,000;

7.1.4 You must use your best efforts in the Territory to promote, develop and expand the market for Crunch health clubs;

7.1.5 You (if you are an individual) or one of your Owners (if you are an entity) must devote sufficient time and effort to your Franchised Business as required by Section 7.2 to ensure the proper, efficient and effective operation of the Franchised Business;

7.1.6 You must comply with all of our mandatory standards, methods, policies, products, procedures, techniques and specifications we prescribe from time to time, whether in the Operations Manual or in other written or electronic communications, including hours of operation, the wearing of uniforms while performing services, and using only equipment, uniforms, computers, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items that meet or exceed our standards;

7.1.7 You must operate the Franchised Business continuously throughout the Term and provide efficient, courteous, and high-quality service to all club members;

7.1.8 You must offer and sell all the services and products we specify from time to time, including without limitation our Personal Training System, Class-ic group fitness classes, dotFit services and supplements, and you may not sell services or products we prohibit;

7.1.9 You must manage and service all member accounts to our satisfaction and in accordance with the System;

7.1.10 You must allow access to your Franchised Business by members of other Crunch locations or Crunch members in accordance with reciprocity provisions included in their membership agreements in the manner and as detailed in the Operations Manual;

7.1.11 You must purchase an opening inventory of t-shirts, drinks, supplements and promotional items from approved Suppliers prior to opening your Franchised Business;

7.1.12 You (if an individual) or one of your Owners (if an entity) and your managers, if any, must attend and successfully complete our initial training program, and any ongoing training we designate. The training for owners and managers may be different. You are solely responsible for all the travel, living and meal expenses, and salaries, for yourself and your Owner or manager who attend the training classes;

7.1.13 The Franchised Business must always be under your direct on-site supervision (if you are an individual) or one of your Owners (if an entity) or a manager who has successfully completed the initial training program. If you have a manager and the manager is terminated or ceases employment, you must hire and have a new manager trained within thirty (30) days after the previous manager's employment ends;

7.1.14 You must hire such employees as are necessary or appropriate to staff the Franchised Business, and must ensure that all your employees have licenses required by law. You are solely responsible for the terms of their employment and compensation, and proper training;



7.1.15 You must conduct appropriate background checks on your employees as provided in the Operations Manual;

7.1.16 You must present and use the Licensed Marks exactly and only as permitted;

7.1.17 You must maintain, at your sole expense, all exterior signs, fixtures, décor items, equipment and other construction elements as required by Section 5.6. You must immediately address maintenance deficiencies we identify;

7.1.18 You must purchase or license from approved Suppliers such equipment, fitness equipment, tanning beds, uniforms, computer systems, points of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items as we designate and make, at your sole expense, upgrades to your equipment and technology used in the Franchised Business, as we direct from time to time;

7.1.19 You must periodically renovate the trade dress and equipment for the health club as required by Section 5.6;

7.1.20 You must pay all fees and other payments due to us hereunder promptly when due;

7.1.21 You must comply at all times with all federal, state and municipal laws, orders, regulations, ordinances and the like pertaining to the operation of the Franchised Business, including, without limitation, all governmental regulations relating to the Americans with Disabilities Act (“**ADA**”), OSHA, workers’ compensation, unemployment insurance, and withholding and payment of federal, state and local income taxes and sales taxes;

7.1.22 At your sole expense, you must acquire all necessary permits, bonds, utilities, merchant accounts and licenses required to operate your Franchised Business;

7.1.23 You must operate your Franchised Business in accordance with all health and sanitation requirements we specify or which are required by federal, state or local authorities;

7.1.24 You must promptly pay when due all taxes, expenses and surcharges of any kind levied or assessed by any governmental body, whether federal, state or local, by reason of or in connection with your operation of your Franchised Business;

7.1.25 You must promptly pay any technology update, maintenance or support fees charged by us or any of our Affiliates or third-party suppliers;

7.1.26 You must submit the reports required by Section 9.3 and permit us to access your data as provided in Sections 9.1 and 9.2;

7.1.27 You must conduct your Franchised Business in a manner that does not reflect adversely on us, the System or the Licensed Marks, or which might depreciate the goodwill associated with any of them;

7.1.28 Each of your Owners, officers, directors, members, partners, and each of your employees, agents and managers, who obtain Confidential Information must sign a Confidentiality Agreement we prescribe;

7.1.29 You (if an individual) or one of your Owners (if you are an entity) must attend an annual franchise system meeting. We will inform you of the system meeting not less than 60 days prior to the event. At your option, your manager may also attend the annual franchise system meeting in addition to you or one of your Owners. You are responsible for all expenses you or your representative incurs in attending the meeting. We reserve the right to charge a reasonable fee for the system meeting;

7.1.30 You may only sell memberships on terms and conditions we specify using our forms, if required, which membership agreements may contain reciprocity of use provisions for other Crunch and Crunch health clubs;

7.1.31 Unless prohibited by applicable law, you must participate in such national or regional sales and membership programs as we make available to your Franchised Business, as detailed in the Operations Manual, which programs may include reciprocity rights allowing certain customers to use your Franchised Business without compensation to you; and

7.1.32 You must use a marketing Supplier that we designate and/or approve.

7.2 ***Operation of Franchised Business.*** You (if an individual) or one of your Owners (if an entity) must diligently and fully exploit the rights granted in this Agreement by providing direct supervision in the operation of the Franchised Business. You may not engage in conflicting enterprises or other activities which could be detrimental to or interfere with the operation of the Franchised Business. You may appoint a manager to handle day to day operations. Any such manager shall attend and pass our initial training program. We have the right to approve or reject any manager you appoint. Although you will be responsible for training any subsequent managers, we reserve the right to require any subsequent manager to attend and satisfactorily complete our training program, and you must pay our then current training fees for such training.

### 7.3 ***Insurance.***

7.3.1 You must purchase, and at all times during the Term of this Agreement, maintain in full force and effect, policies of insurance for and in respect of the Franchised Business in such amounts and with such coverages as we reasonably require as set forth in the Operations Manual, including, without limitation, (i) commercial general and product liability insurance, (ii) all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the replacement value of the Franchised Business and its contents, and (iii) any other insurance policies, such as business interruption, automobile and unemployment and workers compensation issuance, as we may specify from time to time in the Operations Manual. All such policies must be issued by carriers we approve and contain all the types and minimum coverages, exclusions and maximum deductibles as provided in the Operations Manual. In all such policies of insurance, we and our Affiliates must be named as an additional insureds and all such policies must provide that we will be sent duplicate copies of all documentation and correspondence from the insurer. You must, at least fourteen (14) days prior to the opening of the Franchised Business, provide us with a certificate of coverage issued by the insurer indicating that all required insurance is in full force and effect and that it will not be terminated, permitted to lapse, expire or be changed without at least thirty (30) days' prior written notice to us. In the event that you do not maintain such insurance as required, we may obtain such insurance from an insurer we select and keep the same in full force and effect at your sole expense. In such event, you must promptly reimburse us for the cost of such insurance upon receipt of an invoice therefor. At your option and sole cost, you may participate in any group or blanket insurance program which we may establish from time to time for our franchisees.

7.3.2 We do not represent or warrant that any insurance that you are required to purchase, or which we procure on your behalf, will provide adequate coverage for you. You should consult with your own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits required herein. Our review and verification of certain elements of your insurance does not in any way reduce or eliminate your obligations to fully comply with all insurance requirements. It is solely your obligation to fully comply with these insurance requirements and it is your sole obligation to confirm with your insurance providers that your policies are in compliance.

7.4 **Computer System/Office Equipment.** You must acquire and use in the Franchised Business a computer system, including monitors, hardware and software, of a type that we may designate from time to time that is compatible with the software or other required system designated for use by our franchisees generally from time to time. You must also acquire and use the office equipment and accounting platform that we may designate for use by franchisees from time to time. You must pay any license or maintenance fees that we or an approved Supplier of the software may charge for its use. You must implement and have fully operational the software system we may designate by the earlier of the date the Franchised Business opens or you commence pre-sale of memberships as provided in Section 7.8. At your sole expense, you must maintain and upgrade your computer system, including software, to meet our requirements from time to time.

7.5 **Franchise Advisory Council.** We reserve the right to establish an advisory council of franchisees and our representatives to provide non-binding advice to us (“**Franchise Advisory Council**”). In the event that we establish a Franchise Advisory Council, you must become a member of the Franchise Advisory Council and pay any dues which may be associated therewith. We have the right to prepare and amend the by-laws for, or to dissolve, the Franchise Advisory Council.

7.6 **Owners of Franchisee. Exhibit C** to this Agreement must at all times completely and accurately describe all of your owners and their beneficial ownership interests in you (“**Owner(s)**”). You and your Owners must sign and deliver to us such revised **Exhibit C** as may be necessary to reflect any permitted changes in the information contained therein within five (5) business days following the occurrence thereof and to furnish such other information about your organization or formation as we may request.

7.7 **Tax Indemnity.** You must pay to us the amount of any state or local sales, use, gross receipts, or similar tax that we may be required to pay on payments which you make to us under this Agreement, regardless of whether the state or local tax is imposed directly on us, is required to be withheld by you from amounts due to us under this Agreement, or is otherwise required to be collected by you from us. Your obligations under this Section shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision does not apply to income taxes or comparable taxes measured by income to which we may be subject.

7.8 **Pre-Sale of Memberships.** You may make pre-sales of memberships if permitted by, and in accordance with, applicable law. You must establish any required escrow accounts with escrow agents acceptable to us. We will prescribe any permitted pre-sale program, but pre-sales cannot occur until you (if an individual) or your Owner (if an entity) and your manager are trained. Upon disbursement of funds from the escrow account, all fees due to us shall be paid.

7.9 **Website, Social Media and Mobile Applications.** We have the right to control all media or other online presence for Crunch clubs, including, but not limited to, websites, social media accounts, text messaging and mobile applications (“**Online Presence**”). You may not establish a separate Website or register any domain name/URL address. We will designate one or more pages on our Website

or provide a replicated website to describe your Franchised Business or we will link our Website to your Website. Your use of social media, including but not limited to webpages such as Facebook, Twitter and Instagram, mobile applications and other mobile marketing (including text messaging for marketing and promotional purposes, which, as of the Effective Date is not permitted) for your Franchised Business is subject to our prior written approval, and your compliance with the requirements of Section 11.7. We may establish rules, guidelines or policies to determine the use and content of such Online Presence. These rules, guidelines or policies will be as determined by us from time to time in our sole discretion.

7.10 **Members.** You will primarily service members whose residence or place of work is located within your Territory.

7.11 **Reciprocity Rule.** We have a reciprocity rule with all franchisees that “Peak membership level” or above level memberships can use other Crunch franchise clubs on an unlimited basis, except that Crunch Fitness club members do not have access to Crunch Select or Crunch Signature Clubs. If any franchisee’s member’s usage at another club exceeds 75% for two (2) consecutive months, with an 8 visit minimum, that member may be asked by the visited club to transfer his or her membership over to that club. Under no circumstances may a membership be transferred without the member’s signed consent. We will provide a member transfer form, but it is the responsibility of the visiting club to manage club usage, request and manage the transfer and the reciprocity process. We reserve the right to modify the reciprocity rule at our sole discretion. For the avoidance of doubt, we and you acknowledge that you are not entitled to any revenue sharing for reciprocal membership usage from us or from other franchisees.

## 8. Fees and Payments

8.1 **Initial Franchise Fee.** You must pay to us upon your execution of this Agreement an initial franchise fee of \$25,000 (“**Initial Franchise Fee**”), which amount you acknowledge to be fully earned and nonrefundable. If we permit you to pay the Initial Franchise Fee in installments, you must sign a promissory note in form acceptable to us. Receipt by us of the Initial Franchise Fee, or the first installment thereof if we permit installment payment, is a condition to the effectiveness of this Agreement.

8.2 **Royalty.** You must pay us a monthly Royalty of five percent (5%) of Gross Sales (“**Royalty**”). The Royalty must be calculated and paid within five (5) days after the end of each calendar month. The Royalty will be automatically paid from your bank account as provided in Section 8.10.

8.3 **Brand Marketing Fund Payments.** You must pay us a monthly Brand Marketing Fund contribution in the amount we designate, but not to exceed two percent (2%) of Gross Sales (“**Brand Marketing Fund Contribution**”). The Brand Marketing Fund Contribution must be calculated and paid within five (5) days after the end of each calendar month. The Brand Marketing Fund Contribution will be automatically paid from your bank account as provided in Section 8.10. In lieu of charging a Brand Marketing Fund Contribution we may charge you on a pro rata basis for marketing and advertising projects that fall within the scope of the permissible use for the Brand Marketing Fund. In the event we charge you on a project basis your share of the project cost will be payable against invoice.

8.4 **Online Enrollment Processing Fee.** You must pay us our then current enrollment processing fee for each member of your health club (“**Online Enrollment Processing Fee**”). The Online Enrollment Processing Fee must be paid within five (5) days after the end of each calendar month. The Online Enrollment Processing Fee will be automatically paid from your bank account as provided in Section 8.10.

8.5 **Unauthorized Product/Service Fee.** You must pay us an unauthorized product/service fee (“**Unauthorized Product/Service Fee**”) of \$250 per day if you sell or lease any products or services from or related to the Franchised Business that are not authorized by us at the time of sale or lease, or give away any such products or services. For purposes of this Section, unauthorized products and services include otherwise approved products or services purchased or acquired from suppliers that have not been authorized by us for those products or services. The Unauthorized Product/Service Fee is not an authorization to sell unauthorized products or services, but is paid to off-set our loss of goodwill and the cost and expenses incurred by us in addressing your violation of this Agreement. Us charging you the Unauthorized Product/Service Fee for a violation of this Agreement does not limit our right to terminate this Agreement based on the same violation.

8.6 **Gross Sales.** “**Gross Sales**” is defined as all revenues you receive from the performance of all services and the sale of all products from or related to the Franchised Business, including membership revenue, both recurring dues and cash sales, personal training sales and retail sales, less any sales taxes, refunds to customers, and discounts.

8.7 **Past Due Service Charge.** If any amount owed by you to us is past due hereunder, we may collect a past due service charge equal to the lesser of one and one-half percent (1.5%) per month or the maximum permissible rate on such past due amounts.

8.8 **Technology and IT Support Services Fee.** You must pay us a monthly fee for technology and IT support (“**Technology and IT Support Services Fee**”) for access to the intranet set up for all Franchised Businesses (of one or more health club format), set-up and maintenance of email addresses for your Franchised Business, and for other technology that we make available to you from time to time, and license fees we may incur for provision of the same. As of the Effective Date, Crunch Connected and Club URL are included in the services provided, but we reserve the right to amend the technology and IT support provided at any time. As of the Effective Date the Technology and IT Support Services Fee is \$75.00 per month, but we have the right to amend the fee upon notice to you if our expenses in providing the covered services increases.

8.9 **New Technology Fee.** Because the technologies involved in the System and the Franchised Business are constantly evolving, we reserve the right to require your participation in such technologies as are being implemented as part of the System and the Franchised Business and to charge you reasonable fees therefor, in each case intended to off-set costs and expenses incurred by us or our affiliates in connection with such technologies and related services. The fees may be charged as a one-time fee, or as a recurring, monthly fee. If the fee is a one-time fee it will be payable upon demand. If the fee is a recurring monthly fee, it will be payable pursuant to Section 8.10.

8.10 **Payments.** Your monthly Royalties and Brand Marketing Fund, your Online Enrollment Processing Fee, your Performance Fee, your local marketing amount if we have to place marketing for you pursuant to Section 10.2, the Technology and IT Support Services Fee, and any new technology fee charged monthly pursuant to Section 8.10, will be drafted by us directly from an account that you designate. Our designated back office solutions provider will process your billing each month, then withdraw directly from your monthly Electronic Funds Transfer (“**EFT**”) tap any amounts due to us under this Agreement, including your Royalty, Brand Marketing Fund Contribution and Performance Fee payments. Notwithstanding the foregoing, we reserve the right to revise the required payment method from time to time and reserve the right to access information about your Gross Sales through your computer system. On the payment dates designated in Sections 8.2, 8.3 and 8.4, we will calculate the amount due and make the deposit to our designated account on your behalf. All records of the transactions will be provided to you monthly. Any other payments due to us must be made by you by electronic funds transfer to an account we designate. All payments made by you will be applied in such

order as we may designate from time to time. At our discretion, upon not less than thirty (30) days' notice to you, we may change the payment frequency of any recurring payments due under this Agreement.

## 9. Records, Reports, Inspections and Inquiries

9.1 **Records.** During the Term of this Agreement, you must maintain and preserve full, complete and accurate books, records and accounts relating to the conduct and operation of the Franchised Business in the format we specify. The books, records, and accounts shall be kept at the Approved Location, unless we permit another location in writing. You must establish and maintain, at your own expense, a bookkeeping, accounting and record keeping system in accordance with requirements we prescribe. We have the right to require you to use a standard chart of accounts and income format. We also have the right to access and obtain any information which you are required to deliver to us for the Franchised Business pursuant to the terms of this Agreement directly from the systems you establish, and, to the extent we cannot or do not do so, you must transmit to us all information we request in the manner and at the times we specify.

9.2 **Access to and Use of Your Data.** We will use the software program we specify to gather information on your Franchised Business and the entire Crunch health club franchise system. You hereby grant us independent access to the information maintained in the electronic format we specify at all times, including your financial reports. We have the right to collect and retain from your computer system all data concerning the Franchised Business, and to use such data in any manner we deem appropriate without compensating you. We may use this information, if we so choose, to prepare a financial performance representation for our Franchise Disclosure Document. You further agree that we may disclose to third parties' data concerning and relating, directly or indirectly, to you and the operations of your Franchised Business ("**Operations Data**"). You waive any notice in connection with the disclosure of Operations Data. We agree that we will from time to time disclose to you such operations data as we deem appropriate regarding other franchisees (Operations Data jointly with operations data of other franchisees, "**System Operations Data**"). We may, in our sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from you, change the scope of the Systems Operations Data being disclosed to you or when it is disclosed. Systems Operations Data disclosed to you is disclosed solely for your internal business purposes and to enable you to compare your results with those of other franchisees. The disclosed Operations Data and Systems Operations Data remains our Confidential Information. You may not disclose Systems Operations Data to other franchisees, prospective franchisees, competitors, prospective purchasers of you or any of your assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to us by our franchisees, and we will not verify such information. We have no obligation to correct Systems Operations Data disclosed after we learn that it is incorrect or incomplete, or to inform you thereof.

9.3 **Reports.** You must give us in the format we prescribe from time to time: (i) by the fifth (5<sup>th</sup>) day of each month, a report of Gross Sales for the preceding calendar month; (ii) if we request, by the thirtieth (30<sup>th</sup>) day following the end of each calendar month, a monthly and year-to-date statement of cash receipts and disbursements and a balance sheet of the Franchised Business for the immediately preceding calendar month; (iii) upon our request, such other data, inventory reports, information and supporting records for such periods as we may require; and (iv) within ninety (90) days after the end of each calendar year, a year-end balance sheet, statement of cash receipts and disbursements and statement of changes in financial position for the Franchised Business for the calendar year, reflecting all year-end adjustments. You must also maintain and furnish complete copies of all federal, state and local income tax returns and any amendments which you file with the Internal Revenue Service and state tax departments reflecting sales and income of the Franchised Business. You must maintain those records

at the Franchised Business, unless we permit you to maintain those records at another location. You (if an individual) or your Chief Financial Officer or an Owner (if an entity) must certify all reports provided to us pursuant to subsection (vi) above.

9.4 **Inspection and Audits.** We or our authorized agents and representatives have the right during business hours, but without prior notice to you, to inspect all aspects of the operation of your Franchised Business, together with all accounting and other records, books of account, tax returns and other documents and materials in your possession or under your control relating to the Franchised Business and the subject matter and terms of this Agreement, including, without limitation, all your records required to be maintained pursuant to applicable law, to ascertain that you are operating the Franchised Business in accordance with the System and the terms of this Agreement. We also have the right to send secret shoppers to your Franchised Business to evaluate its operation in compliance with the System. If those materials are permitted to be kept at a location other than the Approved Location, you must permit us to inspect such materials at such other location. We and our authorized agents and representatives must be allowed to make extracts from or copies of all such materials. In the event that our inspection reveals a discrepancy which has resulted in the underpayment of any fee, including the Brand Marketing Fund Contribution, you must promptly pay any such underpayment and a past due service charge as specified in Section 8.7, and if the underpayment of any fee shows a discrepancy of more than two percent (2%), you must also reimburse us upon receipt of an invoice for all expenses associated with such inspection or audit. In the event that our inspection reveals discrepancies that, in our sole judgment, warrant a re-inspection, you will pay us a re-inspection fee \$1,000 for each re-inspection that is required until the discrepancies are cured in full, as well reimburse us for any travel expenses we, or our authorized agents and representatives incur in connection with such re-inspections.

9.5 **Credit and Background Checks.** By your execution of this Agreement, you authorize us and our agents and representatives to make credit and background checks, including, without limitation, reasonable inquiries of your bankers, suppliers and other trade creditors regarding their dealings with you in relation to the Franchised Business and the subject matter and terms of this Agreement, and to discuss the affairs, finances and accounts of the Franchised Business and the subject matter and terms of this Agreement with your bankers. By your execution of this Agreement, you authorize and direct such bankers, suppliers and trade creditors to discuss with us and our agents and representatives the affairs, finances and accounts of the Franchised Business and to provide information and copies of invoices relating to sales or other dealings between all such parties and you in any way relating to the Franchised Business and the subject matter and terms of this Agreement. If requested, you agree to execute and deliver such directions and other documents as we may require in order to authorize such bankers, suppliers and trade creditors to release or disclose any such information and documents to us.

## 10. Advertising/ Brand Marketing Fund

10.1 **Advertising and Marketing.** You agree that all your advertising and marketing with respect to your Franchised Business in any medium, including in social media and mobile marketing, must be conducted in a dignified manner and must conform to the System. All advertising that you propose to use, including in social media and mobile marketing, must be approved by us prior to your use of such materials. We may disapprove any advertising or marketing materials you use or propose to use, without liability to you for any costs incurred by you in connection with the same. You must provide all advertising and/or publicity materials you wish to use to us not less than ten (10) days prior to the deadline for running the advertisement. Any advertising not disapproved by us within five (5) days shall be deemed approved.

10.2 **Local Marketing.** We require that you spend a minimum amount on local marketing each month. In each year of this Agreement you must spend, on average per month, the greater of: (a) seven percent (7%) of Gross Sales; and (b) the set monthly minimum amount for the health club format of your Franchised Business. The set monthly minimum amount is (a) \$10,000 for a Crunch Select health club; (b) \$10,000 for a Crunch Fitness health club; and (c) \$15,000 for a Crunch Signature health club. If you fail to market for two (2) consecutive months, we have the right to deduct an appropriate amount of marketing funds from your designated account and use it to place marketing for you.

10.3 **Brand Marketing Fund.** We have established and maintain and administer a brand marketing fund (“**Brand Marketing Fund**”). As of the Effective Date, the Brand Marketing Fund Contribution is two percent (2%) of your Gross Sales. The Brand Marketing Fund Contribution will not exceed two percent (2%) of your Gross Sales. We may modify the amount of the Brand Marketing Fund Contribution at any time on not less than thirty (30) days’ prior Notice to you. You must pay the Brand Marketing Fund Contribution as required by Section 8.3. In lieu of charging a Brand Marketing Fund Contribution we may charge you on a pro rata basis for marketing and advertising projects that fall within the scope of the permissible use for the Brand Marketing Fund. We direct all marketing programs financed by the Brand Marketing Fund and have sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the marketing programs. Among other things, and without limitation, we may use the Brand Marketing Fund to pay the costs of preparing and producing video, audio and written advertising and marketing materials for any medium, including social media and any other online presence; administering local, regional, multi-regional and national advertising programs including, without limitation, purchasing direct mail and other media advertising; employing advertising, public relations and media buying agencies to assist in these activities; preparing and supporting public relations, market research and other advertising and marketing activities; constructing and maintaining a Website, and social media and mobile marketing accounts, used to promote our marketing programs; mystery shopper programs; celebrity endorsements; participation in conventions, conferences and seminars relevant to our industry; and donations to charitable causes and organizations relating to fitness and training. We may elect to use the Brand Marketing Fund to provide you with marketing, advertising and promotional formats and sample materials without additional charge, or to provide you with multiple copies of marketing, advertising and promotional materials at a reasonable price. In our sole discretion, we can cause the Brand Marketing Fund to be incorporated or operated through a separate entity which will have all the rights and duties described in this Agreement.

10.4 **Use of Brand Marketing Fund Contributions.** The Brand Marketing Fund is not a trust and we have no fiduciary obligations relating to the Brand Marketing Fund to you or any other person. However, we will account for the Brand Marketing Fund separately from our other funds, and will not use the Brand Marketing Fund to defray any of our general operating expenses, except for costs, salaries, travel expenses, administrative costs, collecting and accounting for contributions to the Brand Marketing Fund, overhead, collection of overdue fund contributions, and other similar expenses we may incur in activities reasonably related to the administration of the Brand Marketing Fund and its marketing programs (including, without limitation, as specified in Section 10.3). We may spend in any fiscal year an amount greater or less than the total contributions of all Franchised Businesses to the Brand Marketing Fund in such year and we may cause the Brand Marketing Fund to invest any surplus for future use by the Brand Marketing Fund. You authorize us to collect for remittance to the Brand Marketing Fund any advertising or promotional monies or credits offered by any Supplier to the Brand Marketing Fund based upon your purchases. Interest earned on monies contributed to the Brand Marketing Fund will be used to pay advertising costs of the Brand Marketing Fund. We will prepare an annual statement of monies collected and costs incurred by the Brand Marketing Fund and will furnish it to you upon written request. The Brand Marketing Fund will not be audited.



10.5 ***Benefit of Brand Marketing Fund.*** You agree that the Brand Marketing Fund is intended to maximize recognition of all of the Licensed Marks and patronage of all Franchised Businesses in the United States, independent of the health club format such Franchised Businesses are operated under. Although we will endeavor to utilize the Brand Marketing Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all Franchised Businesses in the United States, including those operated under the same format as your Franchised Business, we are not obligated to ensure that expenditures by the Brand Marketing Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Brand Marketing Fund by franchisees operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Brand Marketing Fund from the development of advertising and marketing materials or the placement of advertising. We are also not obligated to ensure that expenditures by the Brand Marketing Fund in or affecting any health club format will be proportionate or equivalent to the contributions to the Brand Marketing Fund by franchisees operating under that health club format or that any or all Franchised Businesses of different formats will benefit directly or in proportion to their contributions to the Brand Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Although we intend the Brand Marketing Fund to be of unlimited duration, we have the right to terminate and, if terminated, to reinstate, the Brand Marketing Fund at any time after all money in the Brand Marketing Fund has been expended. We also have the right to separate the Brand Marketing Fund into several marketing funds, by health club format, or otherwise, and may in such case distribute funds from the Brand Marketing Fund to the new marketing funds in our sole discretion, provided that we will endeavour to distribute the funds equitably.

10.6 ***Our Obligations.*** Except as expressly provided in this Article 10, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Brand Marketing Fund.

10.7 ***No Representation.*** We make no representation that any marketing, advertising or promotional materials or programs provided to you by us, or prepared by you and approved by us, will comply with local law or interpretations of local laws or conditions of any agreements or orders to which you may be subject. You will be solely responsible for the use of all such materials and programs. You must, at your own expense and risk, obtain all governmental approvals of all such materials and programs and defend any claim that such advertising or promotional materials are not in compliance with law.

## 11. Licensed Marks

11.1 ***Use of Licensed Marks.*** The Licensed Marks have been licensed to us by Crunch IP Holdings, LLC (“**Crunch IP**”). You have the non-exclusive right and license for the Term of this Agreement to use the Licensed Marks solely for purposes of identifying and operating your Franchised Business pursuant to the System and the Operations Manual in compliance with this Agreement. You may use the Licensed Marks only in the manner and format specified in the Operations Manual or otherwise with our prior written consent. We reserve the right to specify which Licensed Marks you may use and how you may use them, and to pre-approve in writing any non-specified use of the Licensed Marks.

11.2 ***Goodwill.*** You acknowledge and agree that you will not acquire any proprietary rights in the Licensed Marks by virtue of the license granted to you in this Agreement or otherwise. All goodwill established by your use of the Licensed Marks will inure to the sole and exclusive benefit of Crunch IP. You agree not to contest at any time either the validity, or our ownership, of any of the Licensed Marks. Any unauthorized use by you of the Licensed Marks will constitute an infringement of our and Crunch IP’s rights in and to the Licensed Marks.

11.3 **No Use in Business Name.** Except as provided in Section 11.4, you may not use the Licensed Marks in connection with your corporate, business organization or trade name, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols (except for those that we license to you) or in any modified form. You may not use the Licensed Marks when selling any unauthorized product or service or in any other manner that we have not expressly authorized in writing in advance.

11.4 **Identification.** You must identify yourself as the independent owner of your Franchised Business, give notices of trademark and service mark registrations in the manner we specify, and obtain such fictitious or assumed name registrations as may be required under applicable law or as may be required by us to distinguish you from us.

11.5 **Infringements.** You must give us Notice immediately upon learning of any alleged infringement or a challenge to your use of the Licensed Marks, or any claim by any third party of any rights in the Licensed Marks or any similar mark, and you may not communicate with any person other than us or our attorneys and your attorneys in connection with the alleged infringement, challenge or claim. We will indemnify you and hold you harmless from any out of pocket expense or liability arising from your use of the Licensed Marks in accordance with the Franchise Agreement. We and Crunch IP have the sole discretion to take the action, if any, that we and Crunch IP deem appropriate, and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. You must sign all instruments and documents, provide assistance and take any action that, in the opinion of our or Crunch IP's attorneys, may be necessary or advisable to protect and maintain our interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain our interest in the Licensed Marks.

We or Crunch IP will bear all legal expenses incident to your participation, at our or Crunch IP's request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel you separately retain. Except as expressly provided in this Section, we will not be liable to you for any loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Licensed Marks.

11.6 **Modification or Discontinuance.** We have the right to modify or discontinue our or your use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require you to commence the use of new or substitute Licensed Marks. You agree that we may change the mark under which you operate your Franchised Business to another mark, and, if such change is made, you must use the other mark as we direct at your sole expense. If such change is made, reference in this Agreement to the Licensed Marks shall be deemed to refer to such new mark.

11.7 **Electronic Commerce.** You must comply with the requirements set forth in the Operations Manual regarding your use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including your use of social media or mobile marketing. You are not allowed to have your own website for your Franchised Business. We may require that various types of marketing or advertising utilize a specific template or format. You must give us copies of all proposed applications for registrations of any of the Licensed Marks or any variation thereof for use in and for electronic commerce, including your social media or mobile marketing applications. You must obtain our prior written approval before filing any such application, which approval we may withhold in our sole discretion. Upon expiration or termination of this Agreement, you must transfer all registrations, including your social media or mobile marketing accounts, to us upon our written request. You will not receive any compensation for such transfer.

11.8 ***On-line Promotions/Social Media:*** You agree and acknowledge that you are obligated to comply with our online policies which are subject to change by us from time to time. You agree and acknowledge that individual franchisee websites are prohibited, and that your on-line promotional strategies must comply with our online policy. You further agree and acknowledge that we may review and monitor all online content on social media sites, blogs, electronic communication and other online sites on which the Licensed Marks, service marks, trade names, copyrights or any similar marks are used. You agree to remove any usage or content that we require, including without limitation, content that we deem to be scandalous, immoral or detrimental to our image. You further agree and acknowledge that we may prohibit use of the Licensed Marks, service marks, trade names, copyrights or any similar marks on any site or all sites.

11.9 ***Third Party Beneficiary.*** As the owner of the Licensed Marks, Crunch IP is a third party beneficiary of Section 11 and has an independent right to enforce these provisions.

## **12. Rights to the System**

12.1 ***Ownership of System.*** You may not contest our unrestricted and exclusive ownership of the System or our right to grant licenses to use the System. All Business Improvements and additions to or associated with the System, whenever and by whomever made, and all service mark and trademark registrations and goodwill at any time associated with the System, including the Licensed Marks, are our property. You acknowledge that you do not have any right to license others to use any part of the System, and that all materials relating to the System shall at all times remain our sole property. Upon expiration or termination of this Agreement, no monetary amount shall be assigned or attributed to any goodwill associated with your use of the System.

12.2 ***Disputes Concerning System.*** We have the sole right and responsibility to handle and resolve litigation and other disputes with third parties (including imitators and infringers) concerning the use of all or any part of the System. We are not obligated to initiate suit against imitators or infringers and may settle any dispute by grant of a license or otherwise. You will, at your reasonable expense, extend your full cooperation to us in all such matters.

12.3 ***System and Business Improvements.*** Any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of the System or any Licensed Mark (collectively, a “**Business Improvement**”) made by you or by your employees or Owners shall be our sole and exclusive property, regardless of your, your employee’s or your Owners’ participation or sole participation in its development, and shall be deemed assigned to us. Upon our request, you and your Owners shall, and shall cause your employees and all Owners, to execute any instruments and documents that we request and shall assist us to perfect or protect all intellectual property rights in such Business Improvement. You, your employees and your Owners shall not be entitled to any compensation for the use or licensing of any Business Improvement.

12.4 ***Customer or Government Complaints.*** You must immediately provide us with copies of any complaints relating to the operation or activities of your Franchised Business that you receive from any of your customers or from any federal, state or local regulatory or governmental agency.

## **13. Operations Manual and Confidentiality**

13.1 ***Operations Manual.*** We will loan to you one copy of our Operations Manual and you must comply with all mandatory provisions of the Operations Manual. We may make the Operations Manual available solely through a secure Internet link from time to time during the Term of this Agreement. We may from time to time communicate to you mandatory and suggested standards,

methods, procedures and specifications applicable to the System and information relative to your other obligations under this Agreement and to the operation of the Franchised Business. Those communications may be made through updates to the Operations Manual or written or electronic media. For the purposes of the following provisions of this Section 13.1 (and where otherwise referred to in this Agreement), any such Operations Manual and all our communications shall be collectively referred to as the “**Operations Manual.**” The Operations Manual may be modified from time to time by us in our sole discretion, and you agree that from time to time we may reasonably change the System. You expressly agree to comply with each modification within a reasonable time, addition or deletion of the Operations Manual or System at your sole cost and expense. You acknowledge that such changes may be necessary and may involve the expenditure of substantial sums of money by you. We agree to impose such requirements and changes in a reasonable, non-discriminatory manner among other franchisees. The Operations Manual at all times shall remain our exclusive property and you must return the Operations Manual (and all copies thereof which you may make) to us promptly upon our request and, in any event, upon termination or expiration of this Agreement for any reason whatsoever. You may not at any time copy, duplicate, record or otherwise reproduce or transcribe the Operations Manual or any of the forms we supply hereunder without our prior written consent. If the Operations Manual is supplied electronically, you may print one copy for your personal use.

13.2 **Confidential Information.** You acknowledge that certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information we disclosed to you and that all such information is of a proprietary and confidential nature and our trade secret (“**Confidential Information**”). You (if you are an individual) and each of your Owners (if you are an entity), officers, directors, members, partners, employees, agents and managers, must maintain the absolute confidentiality of all such Confidential Information both during the Term of this Agreement and after the termination or expiration of this Agreement, may use such Confidential Information only to the extent necessary to operate the Franchised Business, and may not disclose any such Confidential Information for any reason whatsoever, except as provided herein. You may disclose the Confidential Information to your Owners, officers, directors, members, partners employees, agents and managers, only to the extent necessary for the operation of the Franchised Business in accordance with this Agreement. You must sign, and must cause those persons receiving the Confidential Information to sign, any Confidentiality Agreement we prescribe. You may not use any such Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit therefrom not specifically approved in writing by us during the Term of this Agreement or afterwards.

13.3 **Use of Confidential Information.** You will not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with ownership and operation of your Franchised Business during the Term of this Agreement and any Renewal Term, and you acknowledge that your use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with us, our Affiliates and our other franchisees.

You acknowledge that we are disclosing the Confidential Information to you solely on the condition that you agree, and you hereby agree, that any Confidential Information received from us (a) will only be used by you for purposes of performing your obligations under this Agreement, (b) will not be used by you in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by you both during and after the Term of this Agreement and any renewal term, (d) will not be copied by you without our prior written authorization, and (e) will not be disclosed by you to any third party without our prior written consent. You must use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further limit the dissemination of the Confidential

Information within your own organization to individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. You will cause each person receiving the Confidential Information to sign a copy of a Confidentiality Agreement if we request.

You acknowledge that no other right or license to use the Confidential Information is granted by this Agreement, and agree that the amount of the Confidential Information to be disclosed to you is completely within our discretion.

13.4 **Exception to Obligation.** You will be under no obligation under this Agreement with respect to any information: (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of you and then only after said date; or (c) which you can demonstrate was in your possession before receipt. The exception to confidentiality obligations as set forth in Section 13.4 shall also include information that must be disclosed in order to comply with applicable laws or regulations or with any requirement imposed by judicial or administrative process. However, in the event that you are requested or become subject to make a legally compelled disclosure of any confidential information, you must first provide us with prompt written notice of such requirement so that we may seek a protective order or other appropriate remedy.

## 14. Non-Competition

14.1 **Non-Competition During the Term.** You (if you are an individual) and your Owners (if you are an entity) shall not, directly or indirectly, own or be involved with a Competitive Business during the Term of this Agreement without our prior written approval. A “**Competitive Business**” means a company or other business that offers health club services competitive with those we offer, franchise or license. You (if you are an individual) and your Owners (if an entity) may own and/or operate other commercial businesses as long as they do not provide health club services in the Territory or in the territory of other franchisees, unless previously approved by us in writing.

14.2 **Post-Term Non-Competition.** For a period of one (1) year after termination, transfer or expiration of this Agreement or the maximum time permitted under applicable law, you (if an individual) and your Owners (if an entity) agree that you (or they) will not, directly or indirectly, own or be involved with a Competitive Business within your Territory or within five (5) miles of any other Crunch health club then in existence. You agree and acknowledge that the one (1) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction. This section only applies where permitted by applicable law.

14.3 **Severability of Restrictive Covenants.** You acknowledge that the invalidity or unenforceability of any portion of Sections 14.1, or 14.2 shall not affect the validity or enforceability of any other portion of Sections 14.1, or 14.2 or any other section of this Agreement and any invalid or unenforceable portion of Section 14.1 or Section 14.2 shall be deemed to be severable.

14.4 **Amendment of Restrictive Covenants.** You acknowledge that the provisions of this Article 14 have been inserted for our sole benefit and that we have the right, from time to time during the Term of this Agreement in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 14 or any portion of this Agreement without your consent effective upon our giving you Notice.

## 15. Transfer

15.1 **Transfer by Us.** We have the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of or deal with this Agreement, or any or all of our rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity as we may in our sole discretion deem appropriate. In the event of any such transfer, we will be released from any liability under this Agreement for the obligations transferred.

15.2 **Transfer by You.** You acknowledge that the granting of the rights hereunder is based upon our investigation of your qualifications, such as business skill, financial capacity and personal character, and that such rights are personal to you. Except as hereinafter provided, neither you, nor any of your Owners may directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sublicense, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted hereunder, or any part of this Agreement, or any rights or privileges incidental to this Agreement, or any Franchised Business or any interest therein, or your rights or interest in this Agreement, or any Owner's direct or indirect ownership interest in you (herein collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party without our prior written consent. We will not unreasonably withhold our consent to such Transfer having regard to factors which may include, without limitation; the viability of the investment by the transferee based on the price for the Franchised Business payable by the transferee; the business skill of the transferee and its owners; the other operational and development obligations if the transferee, including if the transferee is a Crunch franchisee or developer; and any other factors considered when granting a new franchise to a new or existing franchisee at the time of the transfer. Notwithstanding the foregoing, a Transfer may not be made to one of our competitors or to a person operating a Competitive Business. Any actual, attempted or purported Transfer occurring without our prior written consent will constitute a default of this Agreement and shall be null and void. In no event will we be willing to provide our consent to any Transfer, unless:

15.2.1 The proposed transferee is acceptable to us based upon standards for new franchisees we use at such time, which may include, but not be limited to, standards relating to the transferee's financial strength, general business acumen, experience operating health clubs, other business commitments, and such other standards and factors as we, in our sole judgment, deem important;

15.2.2 You are not in default in the performance or observance of any of your obligations under this Agreement (including, without limitation, making all payments in full when due), or any other agreement between you and us relating to the Franchised Business or any other agreement between you and us or one of our Affiliates;

15.2.3 You have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us or our Affiliates, and all trade creditors of the Franchised Business;

15.2.4 You have delivered to us a general release, in form satisfactory to us, of all claims you may have against us and our members, officers, directors, owners, employees, Affiliates, successors and assigns;

15.2.5 Except in the case of a Transfer pursuant to Section 15.3 or a Transfer to Franchisor pursuant to Section 15.4, you have paid our transfer fee of \$5,000, or the total actual

costs and expenses (including legal fees) we incur in connection with such transfer, if they exceed the transfer fee;

15.2.6 Prior to the Transfer, the proposed transferee has successfully completed our initial training program and has paid us our reasonable costs of administering such program. The proposed transferee shall bear all transportation and accommodation costs and living expenses of the transferee and its manager for such initial training program; and

15.2.7 The proposed transferee has assumed in writing all of your rights and the obligations under this Agreement, or, at our option, entered into a new franchise agreement for the Franchised Business, for the remainder of the Term of this Agreement. The new franchise agreement may be on different terms than this Agreement, including fees in different amounts, or different fees. Even if we do not require transferee to enter into a new franchise agreement we may require that the Royalty rate be adjusted to the then current Royalty rate for new franchise agreements.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts which you owe, you will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of Transfer.

In addition to the transfer fee set forth in Section 15.2.5, we have the right to charge a document review fee in connection with any proposed transfer, other than a transfer pursuant to Section 15.3. The document review fee will be the greater of \$1,500 or our legal fees incurred in connection with the review of the proposed transferee.

**15.3 *Transfer to a Corporation, Limited Liability Company or other Entity.*** If you are an individual, you may, coincident with or at any time after execution of this Agreement, after obtaining our written consent and provided all of your obligations to us have been satisfied, transfer and assign all of your rights and obligations hereunder to a corporation, limited liability company or other entity, provided that throughout the Term of this Agreement you remain a principal executive officer of the corporation, limited liability company or other entity, and the beneficial and registered owner of greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in such corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests), and provided that you:

15.3.1 Cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement; execute and cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to execute any agreement we may specify relating to the assumption by the corporation, limited liability company or other entity, of any rights and obligations under this Agreement; cause the corporation in its articles of incorporation or, if a limited liability company or other entity, in its operating agreement, to provide in effect that its object or business is confined exclusively to the operation of a Franchised Business as provided in this Agreement; causes the corporation, limited liability company or other entity to restrict the issue of, and its directors and shareholders to restrict the transfer of, shares of the corporation or ownership or membership interests in a limited liability company or other entity, so that you continuously own greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in the corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests), and to have such restrictions noted on all share certificates of the corporation or the owner's or members' ownership certificates; and

cause the corporation, limited liability company or other entity to inform Franchisor and to keep it informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation, limited liability company or other entity, from time to time;

15.3.2 execute such documents in respect of the transfer and assignment as we may direct, including the attached Owner's Guaranty and Owner's Acknowledgement; and

15.3.3 pay to us all of our reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by us in connection with the Transfer.

15.4 ***Death or Incapacity.*** If you are an individual and you die or become incapacitated, or if you are a corporation, limited liability company, partnership or other entity, a principal Owner dies or becomes incapacitated, and in case of such incapacity, a qualified manager appointed or employed by you, is not able to devote full time and attention to the operation of the Franchised Business, then your heirs or personal representatives must transfer the rights granted hereunder to a third party acceptable to us within a reasonable time, not to exceed nine (9) months from the date of death or Incapacity. In no event will we be willing to provide our consent to such transfer unless all of the conditions set out in Section 15.2 of this Agreement are satisfied. In the event that any of the conditions set forth in Section 15.2 of this Agreement are not satisfied, we will have the right in our sole discretion to terminate this Agreement by Notice (in the case of death of an individual franchisee sent to your estate) and, in the case of Incapacity of you or a principal Owner, to you. For purposes of this Section 15.4, "**Incapacity**" means in our reasonable opinion your inability or the inability of your principal owner, by reason of physical or mental illness or disability, to operate the Franchised Business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period. In the event of your or the principal Owner's death or Incapacity, we may elect to service your health club members ourselves or through another franchisee if those members cannot otherwise be adequately serviced during the period of your Incapacity or after the death. We or the other franchisee shall be entitled to be paid for such services in accordance with our or such other franchisee's then current fees for such services.

15.5 ***Right of First Refusal.*** If you or one or more of your Owners proposes to make a Transfer to any individual or entity (other than a corporation, partnership or other entity wholly owned by you or your Owners) that has provided a bona fide offer, we will have the right for a period of thirty (30) days after you or your Owners have submitted all information requested by us, including a copy of the bona fide written offer, to exercise a right of first refusal and substitute ourselves for the proposed transferee in the transaction. If we decline to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, you or your Owners must promptly notify us, and we will have the further right to exercise our right of first refusal over the revised transaction for a period of fifteen (15) days. If we exercise our right of first refusal, we will have not less than ninety (90) days to close the transaction, and we will have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. You and your Owners agree to make all customary representations and warranties that we may require in connection with the proposed transaction. If we do not exercise our right of first refusal or we revoke our right of first refusal, you or the transferring Owners may make a transfer on the terms and conditions of the offer we considered if you and your Owners have complied with all of the provisions of Section 15 and we have approved the Transfer. Once we give notice that we will exercise our right of first refusal, we will have the option immediately to take over operation of your Franchised Business. From the date we take over the Franchised Business to the date of closing of the purchase, we will be entitled to use the revenues of the Franchised Business to operate the health club.



15.6 ***Offer of Securities.*** You may offer securities, units or other ownership interests in your entity by public or private offering, or otherwise, only with our prior written consent (whether or not our consent is required under Section 15 of this Agreement). If you request consent for a public offering, we may grant or withhold our consent in our sole discretion based solely upon what we deem to be in our best interests. If you request consent for a private offering, we will not unreasonably withhold our consent. All materials required for such offering by federal or state law shall be submitted to us for review prior to their being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to us for review prior to their use. No offering you make shall imply (by use of the Licensed Marks or otherwise) that we are participating in an underwriting, issuance or offering of your or our securities, and our review of any offering will be limited solely to the subject of the relationship between you and us. You and the other participants in the offering must fully indemnify us in connection with the offering. For each proposed public offering, you must pay us a fee of \$25,000, or such higher amount that covers our reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. In our discretion, we may refund any unused portion of such fee. For each private offering of securities, you must pay us a fee of \$10,000 or such higher amount that covers our reasonable costs and expenses associated with reviewing the proposed private offering, including, without limitation, legal and accounting fees. You must give us written notice at least thirty (30) business days prior to the date of commencement of any private offering or other transaction covered by this Section.

## **16. Termination and Expiration**

16.1 ***Termination by You.*** If you have fully complied with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within thirty (30) days after receipt of Notice thereof, you may terminate this Agreement effective thirty (30) days after we receive Notice of such termination. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

16.2 ***Termination by Us Without Opportunity to Cure.*** You will be deemed to be in default under this Agreement, and we may, at our option, terminate this Agreement and all rights granted herein effective immediately, without giving you Notice of, or the opportunity to cure, the default, if either:

16.2.1 You make or are deemed to have made a general assignment for the benefit of creditors, or if a petition is filed against you under the Bankruptcy Code and not dismissed within sixty (60) days of filing, or if a petition is filed by you under the Bankruptcy Code, or if you are declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed for you, or if you commit any act of bankruptcy or institute proceedings to be adjudged bankrupt or insolvent or consent to the institution of such appointment or proceedings, or if you admit in writing an inability to pay your debts generally as they become due;

16.2.2 You at any time have any of the assets of the Franchised Business seized or taken in execution or in attachment by one of your creditors, or a writ of execution is issued against such assets, or if you without our prior written consent give any security interest in any of such assets or sell any of such assets except in the normal course of business, such that the foregoing materially impairs the operation of the Franchised Business or any security interest which we may have in respect of this Agreement;

16.2.3 You willfully or fraudulently misrepresented any fact or condition made in any application or report provided to us or required to be made by this Agreement;

16.2.4 You die or become incapacitated (or if you are an entity, your principal Owner dies or becomes incapacitated) and a Transfer is not consummated as described in Section 15.4;

16.2.5 By your actions, or your failure to take an action that you are required to take, adversely affect the goodwill associated with the Licensed Marks or the Franchised Business;

16.2.6 You are convicted of, or plead nolo contendere to, a felony or other crime that reflects negatively on the Franchised Business, the System or the Licensed Marks;

16.2.7 Your Franchised Business is closed in whole, or in part, by federal, state or local authorities for health or sanitization reasons, or you do not correct a health or sanitation violation within twenty-four (24) hours after receipt of Notice from us;

16.2.8 You make any unapproved Transfer in violation of Section 15.2; or

16.2.9 You cease to do business, otherwise abandon the Franchised Business, or forfeit the legal right to do business in the jurisdiction in which the Franchised Business is located, in each case for five (5) days or more.

16.3 ***Termination by Us After Opportunity to Cure.*** You will be deemed to be in default of this Agreement, and we may, at our option, terminate this Agreement and all rights granted herein, effective as of the time noted without further notice, if either:

16.3.1 You fail to pay when due any monies owed to us or any of our Affiliates, including, without limitation, the Initial Franchise Fee, any Royalties or any Brand Marketing Fund Contributions, and such default is not cured within ten (10) days after receiving Notice thereof from us;

16.3.2 You are in default in paying any monies owed to your landlord or to any Supplier under the normal payment terms and conditions of the landlord or such Suppliers and fails to cure such default and satisfy us that such default has been cured within thirty (30) days after receiving Notice from us to cure the same;

16.3.3 You fail satisfactorily to service all of your member accounts to our satisfaction and in accordance with the System and fail to cure such default and satisfy us that such default has been cured within thirty (30) days after receiving Notice from us to cure the same;

16.3.4 You are in default of any of your other obligations contained in this Agreement or in any other agreement or instrument entered into or made between you and us, or between you and one of our Affiliates, relating to the Franchised Business and fail to cure such default and satisfy us that such default has been cured within thirty (30) days after receiving Notice from us to cure the same;

16.3.5 You have received from us during any consecutive twelve (12) month period three (3) or more Notices relating to a default under this Section 16.3 (whether such Notices relate to the same or different defaults and whether or not such defaults have been remedied by you), such termination to be effective immediately upon the sending of Notice by us; or

16.3.6 You, or any of your affiliates, are in default under any other franchise agreement or other agreement with us or one of our Affiliates, which is not curable, or, if such default is curable, you have not cured such default within the applicable cure period.

16.4 **Other Relief.** Any termination under Sections 16.2 and 16.3 of this Agreement shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which we may otherwise be entitled against you. All moneys paid by you to us under this Agreement or otherwise will be retained by us as consideration for the rights and benefits previously conferred on you hereunder. The foregoing remedy shall not exclude any of the remedies which we may have at law or in equity by reason of the default, breach or non-observance by you of any provision of this Agreement.

16.5 **Your Obligations on Termination or Expiration.** Upon the termination or expiration of this Agreement for any reason whatsoever, you forthwith will cease to be one of our franchisees and you must immediately:

16.5.1 Pay to us or our Affiliates all amounts and charges as have or will thereafter become due hereunder or under any other agreement between you and us, or between you and one of our Affiliates, which are then unpaid;

16.5.2 Return to us all copies of the Confidential Information and Operations Manual, including any copies printed from the Internet Website, any written embodiment of the System and other Confidential Information;

16.5.3 Notify the telephone company and all listing agencies of the termination or expiration of your right to use all classified and other directory listings of the Franchised Business, including any applicable Yellow Pages or comparable directory, and, at our option, assign any telephone numbers of the Franchised Business to us;

16.5.4 Cease to operate the Franchised Business under the System or otherwise and thereafter not, directly or indirectly, represent to the public that any continued business is operated in association with us or the System, or hold yourself out as a present or former franchisee of Franchisor;

16.5.5 Cease to use, directly or indirectly, in advertising or in any other manner whatever any of the Licensed Marks, any name or mark similar to any of the Licensed Marks, any other identifying characteristics or indicia of operation of the System, including trade dress elements, and any confidential standards, methods, procedures and specifications associated with the System;

16.5.6 Discontinue using for any purpose, and sell to us at our request, at the fully depreciated book value thereof, any or all equipment, signs, advertising materials, fixtures, furnishings, invoices, supplies, forms or other products or materials which display any Licensed Marks or any distinctive feature or device associated with the System;

16.5.7 Take all such action as may be necessary to cancel any fictitious or assumed name registration which contains any part of the Licensed Marks under any federal or state laws or regulations, and give us satisfactory evidence of your compliance with this obligation within thirty (30) days after the termination or expiration of this Agreement;

16.5.8 Permit us, at your expense, to enter the Approved Location and remove any and all of our personal property and any and all of your personal property which displays any of the Licensed Marks or any distinctive feature or device associated with the System, including any and all equipment, tools, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies or forms, and make such reasonable alterations in the exterior and interior decor as we

deem necessary to remove from the premises where the Franchised Business is operated any identification as a Franchised Business;

16.5.9 Change the appearance of your Approved Location site to remove any indicia that it was once a Crunch health club;

16.5.10 Delete any references to us or the Licensed Marks from any Internet webpage or social media or mobile marketing account used by you, if not assigned to us; and

16.5.11 Cancel all membership agreements with your members, or assign them to us or other franchisees, as we may direct.

16.6 ***Failure to Return Manual.*** If you do not return to us all copies of the Operations Manual as required by Section 16.5.2, including any copies printed from the Website you will be liable to us for any damages we suffer by reason of your failure to return all copies of the Operations Manual.

16.7 ***Option to Buy On Termination or Expiration.*** Upon termination or expiration of this Agreement for any reason, we will have the option, exercisable by giving written notice of exercise to you within thirty (30) days from the effective date of termination or expiration, to purchase from you and your Owners any, all or substantially all the assets of the Franchised Business and assume all of your agreements relating to the Franchised Business. Assets of the Franchised Business will include, without limitation, the lease, leasehold improvements, equipment, fixtures, furniture, furnishings, signs, inventory and membership agreements. We will have the right to assign this option. We or our assignee will be entitled to all customary warranties, representations and prorrations in connection with the asset purchase. You must cooperate with us in obtaining any necessary lessor or other consents.

Once we give notice that we or our assignee will purchase the assets of your Franchised Business, we will have the right immediately to take over the operations of the Franchised Business. From the date we take over the Franchised Business to the date of closing of the purchase, we will be entitled to use the revenues of the Franchised Business to operate the health club.

The purchase price for the assets of the Franchised Business shall be five (5) times the trailing cash EBITDA (earnings before interest, taxes, depreciation and amortization) for the twelve (12) month period prior to exercise of the option.

The purchase price will be paid in cash at the closing of the purchase, by means of a check, wire transfer or electronic funds transfer, which shall take place no later than ninety (90) days after your receipt of our notice of exercise of the option to purchase, at which time you must deliver instruments transferring to us or our assignee: (1) good and marketable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you and (2) all licenses of the Franchised Business and/or permits which may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. We have the right to set off against and reduce the purchase price by any and all amounts owed by you to us and our Affiliates, the amount of any encumbrances or liens against the assets, and any of your liability of assumed or paid for by us.

16.8 ***Alternatives to Termination.*** In addition to, and without limiting our other rights and remedies under this Agreement, any other agreement or applicable law, if your default is such that, in our sole judgment, the Franchised Business does not fairly represent the quality and standards of the System, we may, temporarily in lieu of termination, either upon the occurrence of any default or upon your failure

to cure such default elect, in our sole discretion and upon written notice to you, take any or all of the following actions without terminating this Agreement until such time as we confirm in writing that such default has been cured: (1) assess a non-compliance fee in the amount of 1% of the Gross Revenue of the Franchised Business for each month in which that non-compliance has occurred or continued for one or more days, in order to compensate Franchisor for damage to the reputation of Proprietary Marks and the entire System; and (2) at your expense, require you, your owners and/or general manager to attend and successfully complete System training designated by us. Because fees charged by us for access to any Online Presence and other marketing channels are generally set to cover the cost of the channels and charged on a pro rata basis, you will continue to pay such fees, so that your default does not negatively impact other Crunch franchisees. Our exercise of any of the alternatives to termination set forth in this Section will not constitute a waiver of our right to terminate this Agreement due to the underlying default and we may at any point exercise such right, in spite of having exercised its rights under this Section.

## 17. Relationship, Indemnification, and Security Interest

17.1 ***Independent Parties.*** You are and will at all times remain an independent contractor and will not, and will not represent yourself to be, our agent, joint venturer, partner or employee, or otherwise related to us other than as our independent franchisee. You may not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with us, and we will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by you to any other person nor with respect to any other action by you. You may not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in our name or on our credit. No acts of assistance given by us to you will be construed so as to alter this relationship. You are solely responsible for paying all the operating costs of your Franchised Business, including all taxes. Nothing in this Agreement or in its performance, or otherwise is intended to make us the employer or joint employer of you, or of any of your employees, agents or independent contractors. You agree that we are not in a position to, and do not undertake to (other than to the extent of controlling the quality of the System/brand): exercise control over the employment, supervision (including not setting employee schedules or conditions of employment), or discharge of the employees of the Franchised Business and have no right to do so, and the quality of the products and services that you offer; maintenance of the Franchised Business; guest safety and health; or other matters arising out of or affecting the operations of the Franchised Business, which are within your responsibility as a qualified independent business operator and as the day-to-day operator of the Franchised Business.

17.2 ***Liability of Multiple Individuals.*** If two (2) or more individuals execute this Agreement as Franchisee, the liability of each such individual hereunder shall be joint and several.

17.3 ***Non-Liability.*** We are not obligated or liable for any injury or death of any person or damage to any property caused by your action, failure to act, negligence or willful conduct, nor for any other liability you have.

17.4 ***Your Indemnity Obligation.*** You agree to indemnify, hold harmless and, upon request, defend us, our Affiliates, and their respective officers, directors, owners, shareholders, managers, employees and agents (hereinafter each an “**Indemnified Party**” and jointly the “**Indemnified Parties**”), from and against all losses, suits, proceedings, arbitrations, claims, damages (direct, consequential, or otherwise), demands, causes of action, liabilities, fines, penalties, costs or expenses (including reasonable attorney’s fees, expenses, or costs, including, but not limited to, any expert fees, costs, and/or expenses) of whatever kind and nature, directly or indirectly arising in whole or in part out

of: (a) any default or breach by you of any obligation contained in any agreement with any Indemnified Party; (b) any act, failure to act, negligence, or willful conduct at or in connection with your Franchised Business; (c) your operation of the Franchised Business; (d) any allegation of agency or other alleged legal relationship by which any Indemnified Party is being held or might be held responsible for your acts or omissions; (e) your use of Crunch IP, including the use of the Crunch IP on signage and in the advertising or promoting of any aspect of the Franchised Business; (f) the violation of any federal, state, municipal or local law, rule, regulation, court order, ordinances, government directive or the like by you or any of your customers; (g) all taxes, levies, or assessments incurred and owed by you of whatever kind and nature; (h) the revocation of any prior approval to use or display, or the loss of any right to use or display, any or all of the Crunch IP; (i) the investigation by any Indemnified Party of any claim, suit, proceeding, demand, and/or cause of action, (j) or any other act or omission of you, your customers, or any of your agents, employees, contractors, invitees, licensees, or business associates, except such as may be due to the negligence of the Indemnified Parties.

You agree that the defense obligation in this Section will be immediate and ongoing, regardless of any ultimate allocation of negligence or other form of liability.

To the extent to which you are required hereunder to provide any Indemnified Party with a defense as set forth in this Agreement, the Indemnified Parties shall have the sole and absolute right to select counsel to represent the Indemnified Party(ies) at your sole expense, and the Indemnified Parties shall have the sole and absolute right to direct the defense of the Indemnified Parties and/or the settlement of any such claim or suit on behalf of the Indemnified Parties.

In the event that the Indemnified Parties, in their sole and absolute discretion, allow you to select counsel to represent both you and the Indemnified Parties pursuant to this Agreement and the representation of you and the Indemnified Parties by the same counsel would be or becomes a conflict of interest for such counsel, the Indemnified Parties may select independent counsel to represent it or them without relieving you of your obligations of indemnification and defense as set forth in this Agreement.

You shall provide prompt, written notice to Indemnified Parties of any claim, suit, or proceeding, including, but not limited to, any arbitration, lawsuit, or any action taken by any local, municipal, state, or federal government or any local, municipal, state, or federal governmental agency, that names any Indemnified Party as a party and/or that could actually or potentially involve any Indemnified Party in any way.

17.5 ***Grant of Security Interest.*** You hereby pledge and grant to us, and hereby create a continuing first priority lien and security interest in favor of us in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the “**Collateral**”) until such Collateral is paid in full by you: (a) all fixtures and personal property of every kind (including without limitation inventory and equipment) acquired, directly or indirectly, from or through us or any of our affiliates; and (b) all proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to you from time to time with respect to any of the foregoing. All our rights and liens and security interests hereunder, and all your Secured Obligations hereunder, shall be absolute and unconditional.

17.6 ***Secured Obligations.*** The Collateral secures the due and prompt payment and performance of: (a) your obligations from time to time arising under this Agreement or otherwise with respect to the due and prompt payment of (i) all amounts due under this Agreement, and (ii) all your other monetary obligations, including fees, costs, attorneys’ fees and disbursements, reimbursement

obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), under or in respect of this Agreement; and (b) all your other covenants, duties, debts, obligations and liabilities of any kind under or in respect of this Agreement or any other document made, delivered or given in connection with this Agreement, including with respect to the purchase or lease of any FF&E item from us (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in this Section being herein collectively called the "**Secured Obligations**").

17.7 ***Perfection of Security Interest and Further Assurances.*** You shall, from time to time, as may be required by us with respect to all Collateral, immediately take all actions as may be requested by us to perfect our security interest in the Collateral, all at your sole cost and expense. You hereby irrevocably authorize us at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by you hereunder, without your signature where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by you, or words of similar effect. You agree to provide all information required by us pursuant to this Section promptly to us upon request. You agree that at any time and from time to time, at your expense, you will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that we may request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable us to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral. On the date on which all Secured Obligations have been paid and performed in full, we will, at your request and sole expense, execute and deliver to you a proper instrument or instruments acknowledging the satisfaction and termination the security interest created herein.

17.8 ***Representations and Warranties.*** You represent and warrant as follows: (a) at the time the Collateral becomes subject to the lien and security interest created by this Agreement, you will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement; (b) the pledge of the Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations; (c) you have full power, authority and legal right to pledge the Collateral pursuant to this Agreement; and (d) no authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for pledge by you of the Collateral pursuant to this Agreement.

17.9 ***Covenants.*** You covenant as follows:

(a) You will not, without providing at least thirty (30) days' prior written notice to us, change your legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of your chief executive office or your principal place of business or your organizational identification number. You will, prior to any change described in the preceding sentence, take all actions requested by us to maintain the perfection and priority of our security interest in the Collateral.

(b) You shall, at your own cost and expense, defend title to the Collateral and our first priority lien and security interest therein against the claim of any person claiming against or through you and shall maintain and preserve such perfected first priority security interest for so long as this Agreement shall remain in effect.

(c) You will not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein without our prior written consent.

(d) You will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. You will permit us, or your designee, to inspect the Collateral at any reasonable time, wherever located.

(e) You will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

#### 17.10 ***Remedies Upon Default.***

(a) If any event of default shall have occurred under this Agreement or any other document made, delivered or given in connection with this Agreement, including with respect to the purchase or lease of any FF&E item from us, and be continuing, we, without any other notice to or demand upon you, may assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. "UCC" means the Uniform Commercial Code as in effect from time to time in the State in which you are domiciled or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

(b) You hereby irrevocably appoint us your attorney-in-fact, with full authority in our place and stead and in our name or otherwise, from time to time during the continuance of an event of default in our discretion to take any action and to execute any instrument which we may deem necessary or advisable to accomplish the purposes of this Agreement (but we shall not be obligated to and shall have no liability to you or any third party for failure to do so or take action).

(c) If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to you at your notice address as provided in this Agreement hereof ten (10) days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, we may sell such Collateral on such terms and to such purchaser(s) (which may be us as we in our absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. You hereby waive and release to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise.

(d) If we shall determine to exercise our rights to sell all or any of the Collateral pursuant to this Section, you agree that, upon our request, you will, at your own expense, do or



cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

17.11 **Survival.** The provisions in this Article survive the expiration, transfer and termination of this Agreement.

## 18. Dispute Resolution

18.1 **Resolution of Disputes.** Any dispute between you and us arising out of the relationship created by this Agreement shall be subject to the dispute resolution provisions set forth below.

18.2 **Mediation.** In the event of any dispute, other than disputes that are the subject of your default pursuant to Section 16.2.1, Section 16.2.3, Section 16.2.5, or Section 16.3.1, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to its procedures, or any other mediation service mutually agreed to by the parties according to the procedures of such other mediation service.

The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation.

All mediation proceedings shall take place in the county and state where we have our principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

The commencement of any dispute resolution procedure shall not act to prevent us from instituting or proceeding with any action which may be the subject of the dispute.

18.3 **Venue.** You agree that we may institute any action against you arising out of or relating to this Agreement in any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which we have our principal place of business at the time any such action is instituted, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

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

18.5 **Limitations Period.** Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the parties hereto, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim.

18.6 **No Punitive, Exemplary or Consequential Damages.** EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO

SECTION 17.4, AND EXCEPT FOR CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER PARTY AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND/OR TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

18.7 **No Jury Trial.** YOU AND WE AND YOUR OWNERS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY.

18.8 **Attorneys' Fees.** The prevailing party in any litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

18.9 **No Class Actions.** Any disagreement between you and us (and our Affiliates and owners) will be considered unique as to its facts and must not be brought as a class action, and you waive any right to proceed against us (and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff consolidated or collective action.

## 19. General

19.1 **Compliance with Laws.** You and your Owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. You represent and warrant that neither you nor any of your direct or indirect Owners, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("**Anti-Terrorism Laws**"). You and your Owners may not engage in any activity that would expose us to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your's or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

19.2 **Severability of Provisions.** Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

19.3 **Counterparts.** This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original.

19.4 **Force Majeure.** Neither party shall be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds seventy-five (75) days, we have the right to terminate this Agreement or to require you to move to a new location approved by us within an additional period of one hundred twenty (120) days.

19.5 **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon us, you, your Owners and their respective heirs, legal representatives, successors and permitted assigns.

19.6 **Delegation of Performance.** We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third parties, who may or may not be our Affiliates. Such third parties will be obligated to perform all functions for you in compliance with this Agreement.

19.7 **Survival.** All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

19.8 **Notices.** All notices, consents and approvals (a “Notice”) permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if set forth in writing and be delivered either (i) personally; (ii) by certified or registered mail; or (iii) by overnight courier service, if to us addressed as follows:

Crunch Franchising, LLC  
1 Harbour Place  
Suite 230  
Portsmouth, NH 03801  
Attention: CEO

and if to you addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Any Notice so given or made shall be deemed to have been given and delivered or made and received at the earlier of actual receipt or one (1) business day after sending by overnight courier service, or at the earlier of actual receipt or three (3) business day after sending certified or registered mail. Any party from time to time by Notice in writing given pursuant to the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

19.9 **Right of Set-off.** Notwithstanding any other provision of this Agreement, upon the failure by you to pay us as and when due any sums of money under this Agreement or any other amounts owing to us, we may, at our election, deduct any and all such sums remaining unpaid from any monies or credit held by us for your account.

19.10 **Not Withhold Payment.** You agree that you will not on the grounds of the alleged non-performance by us of any of our obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to us whether on account of equipment or goods purchased by you or otherwise.

19.11 **Non-Waiver.** The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. Our acceptance of payments due under this Agreement shall not constitute a waiver of any preceding breaches by you.

19.12 **Applicable Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles. Notwithstanding the foregoing, if the covenants in Section 14 of this Agreement would not be enforceable under the laws of New Hampshire, and the Franchised Business is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 19.11 is intended by the parties to subject this Agreement to any franchise of similar law, rule or regulation of the State of New Hampshire to which this Agreement would not otherwise be subject. If applicable law provides you with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, we will comply with the requirements of such laws to the extent they exceed our obligations under this Agreement.

19.13 **Our Rights are Cumulative.** Our rights under this Agreement are cumulative and no exercise or enforcement by us of any right or remedy under this Agreement shall preclude the exercise or enforcement by us of any other right or remedy under this Agreement or which we are otherwise entitled by law to enforce. At our option, a default by you under this Agreement will constitute a default by you under any other agreement between the parties, or between you or our affiliated entities or one of our Affiliates and the default by you under any other agreement between the parties or between you or your affiliated entities and one of our Affiliates shall constitute a default by you under this Agreement.

19.14 **No Third Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

19.15 **Approvals or Consents.** Your requests for approvals or consents shall be in writing and shall be timely made. Approvals and consents provided by us will not be effective unless in writing and duly executed by us. Except as expressly provided to the contrary herein, we may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and shall not be required to show “reasonableness” or to comply with any other standard in connection herewith.

19.16 ***Effect of Standards.*** Our specifications of the System will not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. We will not be liable to you or others on account of the specifications of the System, including your operation of your Franchised Business pursuant to the System.

19.17 ***Construction.*** You acknowledge that you had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement shall be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

19.18 ***Further Assurances.*** The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

19.19 ***Entire Agreement.*** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of our business relationship defined in this Agreement. Neither you nor we wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that we each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement.

19.20 ***Amendments.*** No change, modification, amendment or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first written above.

Franchisee:

Franchisor:

\_\_\_\_\_

**CRUNCH FRANCHISING, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## Owners' Acknowledgement

Each following party is mentioned in this Agreement as having certain rights and/or duties as an Owner of the Franchisee. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an Owner mentioned in this Agreement.

Owner:

Owner:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Owner:

Owner:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT 1**  
**BUSINESS TERMS**

<b>Club Model:</b> (check applicable box)	<input type="checkbox"/> Crunch Fitness <input type="checkbox"/> Crunch Select <input type="checkbox"/> Crunch Signature
<b>Your business name, address, phone number, facsimile and e-mail address:</b>	
<b>Expiration Date of this Agreement:</b>	
<b>Approved Location of Franchised Business:</b>	
<b>Territory:</b>	<b>[list Territory][See Exhibit 1-A for Territory boundaries]</b>
<b>Royalty Rate:</b>	



**EXHIBIT 1-A**  
**[TERRITORY MAP]**

## EXHIBIT 2

### OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Franchise Agreement**") by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company ("**Franchisor**"), and \_\_\_\_\_ ("**Franchisee**"), the undersigned hereby personally and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter, including any renewal, as provided in the Franchise Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Franchise Agreement (collectively, the "**Franchise Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents applicable to owners of Franchisee.

The undersigned waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

- (1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee's obligations;
- (2) the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
- (3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
- (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time

to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied; and

- (6) shall pay Franchisor's court costs and reasonable attorney's fees in enforcing or collecting on this Guaranty.

All capitalized terms when used herein shall have the meaning ascribed to them in the Franchise Agreement.

This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

WITNESS(ES):

GUARANTOR(S):

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**EXHIBIT 3**  
**OWNERS OF FRANCHISEE**

<b>Name of Owner</b>	<b>Nature of Interest</b>	<b>Beneficial Interest in Franchisee</b>
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
<b>Totals</b>		<b>100%</b>

## EXHIBIT 4

### LEASE RIDER

THIS LEASE RIDER is made and entered into \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_ (the “**Landlord**”), \_\_\_\_\_ (the “**Tenant**”), and CRUNCH FRANCHISING, LLC, a Delaware limited liability company (the “**Franchisor**”), who, in consideration of mutual promises set forth below, agree as follows

#### 1. Nature and Scope of the Agreement

1.1 This Lease Rider supplements and forms part of the attached Lease Agreement between Landlord and Tenant dated \_\_\_\_\_ (the “**Lease**”) for the premises situated at \_\_\_\_\_ (the “**Premises**”) to be used by Tenant to operate a Crunch health Club.

1.2 This Lease Rider is entered into in connection with Franchisor’s approval of the location of the Premises as a Crunch health club and the grant of a franchise to Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”).

1.3 This Lease Rider is intended to provide Franchisor the opportunity to reserve the Premises for use as a Crunch health club under the circumstances set out below and to assure Landlord that if Franchisor exercises the option set out below, any defaults of Tenant under the Lease will be cured by Franchisor before it takes possession of the Premises.

1.4 Landlord agrees that Franchisor shall have the right, but not the obligation, to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

#### 2. Upon Default of Tenant Under The Lease

2.1 Landlord agrees to send to Franchisor copies of any Notice of Default that are given to Tenant concurrently with the giving of such Notices to Tenant. If Tenant fails to cure any defaults within the period specified within the Notices, Landlord shall promptly give to Franchisor further written Notice specifying the defaults that Tenant has failed to cure. Franchisor shall have thirty (30) days following receipt of the second written Notice to exercise its right to enter a new Lease on the same terms as apply to this Lease by written notice to Landlord and Tenant and, in the event that Franchisor does exercise such right, then the circumstances described in Section 2.2 below shall apply.

2.2 The provisions of this Section 2.2 shall take effect if and when Franchisor exercises its rights pursuant to clause 2.1 above. Franchisor shall cure the defaults and/or begin paying rent upon Landlord delivering possession of the Premises to Franchisor. If it becomes necessary for Landlord to pursue legal remedies in order to remove Tenant and deliver possession of the premises, but Landlord is unable to deliver possession of the Premises to Franchisor within nine (9) months following the date of exercise referred to in clause 2.1 above, Franchisor shall hereafter have the right, at any time, until Landlord delivers possession of the Premises, to rescind its exercise of the option by written notice to Landlord.

#### 3. Upon Termination Of The Franchise Agreement

If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if Franchisor desires to assume the Lease, Franchisor shall

promptly give Landlord written notice to this effect. Within thirty (30) days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease and the provisions of clause 5.3 below shall apply.

#### **4. Upon Non-Renewal Of The Lease Term**

If the Lease contains term renewal or extension right(s), and if Tenant allows the term to expire without exercising such right(s), Landlord shall give Franchisor written notice to this effect and Franchisor shall have the option for thirty (30) days following receipt of such notice to exercise Tenant's renewal or extension right(s) on the same terms and conditions as are contained in this Lease Rider. If Franchisor elects to exercise such right(s), it shall notify Landlord in writing whereupon Landlord and Franchisor shall promptly execute and exchange an agreement whereby Franchisor assumes the Lease effective at the date of termination of any holding over period by Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

#### **5. Additional Provisions**

5.1 Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if Tenant fails to timely cure any defaults under the Lease, Tenant shall within ten (10) days after written demand by Franchisor, assign all of its right, title and interest in and to the Lease to Franchisor. If Tenant fails to do so within the said ten (10) days, Tenant hereby designates Franchisor as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of Tenant's rights thereunder. Landlord hereby consents to such assignment, subject to Franchisor executing an assignment of the Lease and curing all defaults of Tenant under the Lease before taking possession of the Premises. Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of Franchisor. Any property not so removed by Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by Tenant and immediately and permanently relinquished to Franchisor. Franchisor acknowledges that where Franchisor enters into an assignment or sub-letting as referred to in Section 5.5 below it will attempt to procure, if the assignee is a company (other than a listed public company), a Deed of Guarantee in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the directors of the assignee company.

5.2 Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest thereon and Franchisor's reasonable collection costs.

5.3 Franchisor, upon taking possession of the Premises, shall concurrently cure the defaults specified by Landlord in its written notice and shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform and be bound by all of the duties and obligations under the Lease. Franchisor shall pay, perform and be bound by all of the duties and obligations of the Lease applicable to Tenant. Franchisor may elect not to be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval to such amendment, which approval shall not be unreasonably withheld or delayed.

5.4 After Franchisor assumes Tenant's interest under the Lease, Franchisor may, at any time, sublet the Premises to a franchisee of Franchisor without having to obtain the prior written consent of Landlord.

5.5 After Franchisor assumes Tenant’s interest under the Lease, Franchisor may, at any time, assign or sublet its interest under the Lease but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

5.6 If the Lease or Franchise Agreement is terminated and Franchisor fails to exercise its option as described above, Tenant agrees, upon written demand by Franchisor, to de-identify the Premises as a Crunch health Club and to promptly remove signs, decor and other items which Franchisor reasonably requests be removed as being distinctive and indicative of a Crunch health Club. Franchisor may enter upon the Premises without being guilty of trespass or tort to effect de-identification if Tenant fails to do so within ten (10) days after receipt of written demand from Franchisor, following termination of the Franchise Agreement or Lease. Tenant shall pay Franchisor for its reasonable costs and expenses in effecting the de-identification. Landlord shall not be obligated to Franchisor for such costs unless Landlord and Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to Franchisor pursuant to this clause.

5.7 BY EXECUTING THIS LEASE RIDER TO THE LEASE, FRANCHISOR DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS A TENANT UNDER THE LEASE, UNLESS AND UNTIL FRANCHISOR EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

5.8 All notices pursuant to this Lease Rider shall be in writing and shall be personally delivered, sent by certified mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses described above or to such other address as any party to this Lease Rider may, either by written notice, instruct that notices be given.

Landlord: \_\_\_\_\_ Tenant: \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Its: \_\_\_\_\_ Its: \_\_\_\_\_

Franchisor:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT 5**

**FRANCHISE AGREEMENT RIDER  
(for Area Developers only)**

1. For Area Developers entering into this Franchise Agreement, Sections 8.1 and 8.2 are deleted, and Section 3.3 is deleted and the following substituted in lieu thereof:

“We will provide you with a Territory which will encompass a population of a minimum of 75,000 persons within a contiguous geographic area at the time of this Agreement and which will be described on **Exhibit 1**. We have the right, but not the obligation, to adjust the boundaries of the Territory from time to time to reflect population changes by sending written notice to you of the revised boundaries.”

2. Notwithstanding Section 5.4 of the Franchise Agreement, a newly developed Franchised Business must be open within six (6) months after signing of a lease for the Franchised Business at an Approved Location.

3. The first sentence of Section 8.2 is deleted and the following substituted:

“You must pay us a monthly Royalty of \_\_\_\_\_ percent  
(\_\_%) of Gross Sales (“**Royalty**”).

**[Delete if not applicable]**

Franchisor:

Franchisee:

**CRUNCH FRANCHISING, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**EXHIBIT 6**

**FRANCHISE AGREEMENT RIDER  
(for Multi-Unit Developers Only)**

1. For Multi-Unit Developers entering into this Franchise Agreement, Sections 8.1 and 8.2 are deleted.

2. Notwithstanding Section 5.4 of the Franchise Agreement, a newly developed Franchised Business must be open within six (6) months after signing of a lease for the Franchised Business at an Approved Location.

3. The first sentence of Section 8.2 is deleted and the following substituted.

“You must pay us a monthly Royalty of \_\_\_\_\_ percent  
(\_\_%) of Gross Sales (“**Royalty**”).

**[Delete if not applicable]**

Franchisor:

Franchisee:

**CRUNCH FRANCHISING, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT 7**

**STATE AMENDMENT TO  
FRANCHISE AGREEMENT**

[Use for the following states: Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia, Washington]

[delete if not applicable]

**EXHIBIT 8**

**RENEWAL ADDENDUM**

**[Insert, if applicable]**

**EXHIBIT D**  
**STATE SPECIFIC AMENDMENTS TO**  
**FRANCHISE AGREEMENT**

**MULTI-STATE AMENDMENT  
TO FRANCHISE AGREEMENT  
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)**

This Amendment pertains to franchises sold in the states that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the “SOP”) and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not apply, does not subject the parties to the provisions of the SOP. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_ , will be amended as follows:

1. The following language is added immediately before the signature block of the Franchise Agreement:

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

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ILLINOIS AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the “Act”) and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Illinois law shall supersede any provisions of the Franchise Agreement or New Hampshire law which are in conflict with the law.

2. Nothing in Section 19.11 of the Franchise Agreement waives any rights Franchisee may have under Section 41 of the Illinois Franchise Disclosure Act of 1987, which provides:

“Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

3. Section 18.3 of the Franchise Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

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

Franchisor:

CRUNCH FRANCHISING, LLC

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

## MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the “Act”) and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The following language is added to Section 4.2.3 of the Franchise Agreement dealing with “Renewal”:  
  
“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”
2. Section 8.1 of the Franchise Agreement is amended by adding the following:  
  
“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”
3. The following language is added to Section 15.2.4 of the Franchise Agreement dealing with “Transfer by You”:  
  
“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”
4. The following language is added to the end of Section 18.3 of the Franchise Agreement dealing with “Venue”:  
  
“You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.”
5. The following language is added to the end of Section 18.5 of the Franchise Agreement dealing with the “Limitations Period”:  
  
“All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.”
6. Sections 1.3, dealing with “The Franchisee”, and 19.18, dealing with “Entire Agreement”; of the Franchise Agreement and the Franchisee Disclosure Questionnaire are amended to state:

“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, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**MINNESOTA AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice’ for non-renewal of the franchise agreement and
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NEW YORK AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the “Act”) and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Franchisor and Franchisee are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Amendment. This Amendment is annexed to and forms part of the Franchise Agreement. This Amendment is being signed because: (a) you are a resident of the State of New York and your franchise will operate in New York; and/or (b) the offer or sale of the franchise occurred in New York.

2. The following is added as a new Section 16.1 of the Franchise Agreement:

“You may terminate this Agreement upon any grounds available at law.”

3. The following is added to Section 19.11 of the Franchise 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 and the regulations issued thereunder.”

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

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NORTH DAKOTA AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 16.5 of the Franchise Agreement is amended as follows:

“Remedies Upon Termination. If the Franchise Agreement is terminated, and in addition to your obligations as otherwise provided herein, we will retain the full amount of any fees heretofore paid to us and you will continue to remain liable to us for any and all damages which we have sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on your part for the unexpired Term of the Franchise Agreement.”

2. Section 18.3 of the Franchise Agreement is deleted.
3. Section 18.6 of the Franchise Agreement is deleted.
4. Section 18.7 of the Franchise Agreement is deleted.
5. Section 18.8 of the Franchise Agreement is amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

7. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or New Hampshire law if such provisions are in conflict with North Dakota law.

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

Franchisor:

CRUNCH FRANCHISING, LLC

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the “Act”) and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, 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.”

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**VIRGINIA AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the “Act”) and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Sections 16.2 and 16.3 of the Franchise Agreement are amended by adding the following language:

“§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause.”

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## WASHINGTON AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the “Act”) and is for the purpose of complying with Washington statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

2. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with 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 Franchisor including the areas of termination and renewal of your franchise.

3. A release or waiver of rights executed by a Franchisee shall 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

5. 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.

6. 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.

7. 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.

8. The undersigned hereby acknowledges receipt of this amendment.

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT E**

**AREA DEVELOPMENT AGREEMENT,  
INCLUDING OWNER'S GUARANTY**

**AREA DEVELOPMENT AGREEMENT  
for  
CRUNCH<sup>®</sup> HEALTH CLUBS**

Area Developer:

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Date:

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Exhibit 1 Area Development Schedule

Exhibit 2 Business Terms

Exhibit 3 Owners of Area Developer

Exhibit 4 Owner’s Guaranty

Exhibit 5 Franchise Agreement

## AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT, dated \_\_\_\_\_, \_\_\_\_\_, is made by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company (“we”, “us” or “our”), located at 1 Harbour Place, Suite 230, Portsmouth, NH 03801, and \_\_\_\_\_, a \_\_\_\_\_ (“you” or “your”), located at \_\_\_\_\_, who in consideration of the mutual promises set forth below agree as follows:

### 1. Nature and Scope of Agreement

1.1 **The Franchisor.** We have developed and own a distinctive System designed to operate health clubs under the service mark CRUNCH® and associated marks, logos and designs (the “**Licensed Marks**”) which offer members basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, tanning and online nutritional programs. We offer franchises to operate Crunch health clubs using the Licensed Marks and the System under three different formats: Crunch Fitness, Crunch Select, and Crunch Signature. The Licensed Marks may vary depending on the format of Franchised Business this Agreement is for, and there are other variations to the System (as defined below) depending on the format of your Franchised Business.

1.2 **The System.** The “**System**” is used by health clubs that offer basic health club services and operate under the Licensed Marks under the Crunch Fitness, Crunch Select, and Crunch Signature formats, with some variations depending on the format. The System presently includes, but is not limited to: the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; the methods, design, know how, business standards and other requirements as stated or referred to in this Agreement and from time to time in our Operations Manual, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may vary the System and its application between the Crunch Fitness, Crunch Select, and Crunch Signature formats, and may make exceptions based on local conditions, special circumstances or different contractual provisions applicable to one or more Franchised Businesses. We may change or modify the System, from time to time, in our sole discretion, and you agree to comply with the System as they may exist from time to time and as they apply to the format of your Franchised Business (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3 **The Area Developer.** You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. Aware of the relevant facts, you desire to enter into this Agreement to obtain rights to develop Crunch health clubs in the format set forth on **Exhibit 1** under the System and the Licensed Marks in accordance with the attached development schedule.

### 2. Definitions, Representations and Owner’s Guaranty

2.1 **Definitions.** The capitalized terms used in this Agreement shall have the following meanings:

2.1.1 “**Affiliate**” means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse,

lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

2.1.2 “**Anti-Terrorism Laws**” is defined in Section 14.1.

2.1.3 “**Approved Location**” is defined in Section 6.1.

2.1.4 “**Area Developer**” means the person or business entity referred to in the opening paragraph of this Agreement as “you” or “your”.

2.1.5 “**Area Development Schedule**” is defined in Section 3.1.

2.1.6 “**Claims**” is defined in Section 12.4.

2.1.7 “**Competitive Business**” is defined in Section 9.1.

2.1.8 “**Confidential Information**” is defined in Section 8.1.

2.1.9 “**Confidentiality Agreement**” means the confidentiality agreement that we will prescribe from time to time to be signed by each of your Owners, officers, directors, members or partners, and your managers and employees who receive Confidential Information as required by Section 8.1.

2.1.10 “**Develop**” is defined in Section 3.1.1.

2.1.11 “**Development Area**” is defined in **Exhibit 2**.

2.1.12 “**Development Fee**” is defined in Section 5.1.

2.1.13 “**Development Schedule**” is that schedule of clubs to be opened set forth in **Exhibit 1**.

2.1.14 “**Franchise Agreement**” is defined in Section 3.1.2.

2.1.15 “**Franchised Business**” is defined in Section 3.1. Any reference to “Franchised Business” in this Agreement is to the format or formats of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.

2.1.16 “**Franchisor**” means Crunch Franchising, LLC.

2.1.17 “**Indemnified Parties**” is defined in Section 12.4.

2.1.18 “**Licensed Marks**” is defined in Section 1.1.

2.1.19 “**Notice**” is defined in Section 14.7.

2.1.20 “**Owner(s)**” is defined in Section 7.3.

2.1.21 “**Owner’s Guaranty**” means the Owner’s Guaranty attached to this Agreement as **Exhibit 4**.

2.1.22 “**System**” means the specified business format and system and related standards, specifications and procedures we prescribe for operating a Franchised Business, including but not limited to the Operations Manual, and is more fully described in Section 1.2. As used in this Agreement, “System” refers to the System as applied by us to the format of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.

2.1.23 “**Term**” is defined in Section 4.1.

**2.1.23 “Territory” is defined in Section 6.1**

2.1.24 “**Transfer**” is defined in Section 10.2.

2.2 ***Representations and Warranties.*** You hereby represent and warrant to us as follows:

2.2.1 You are acquiring these area development rights for your own account to develop and operate Franchised Businesses, and not for the purpose of resale or redistribution or other speculative matter;

2.2.2 All information provided to us in your application and other documents to induce us to grant these area development rights was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information;

2.2.3 Your execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment you have;

2.2.4 If you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement; and

2.2.5 This Agreement represents a valid, binding obligation of you and each of your Owners. Each Owner has fully read this Agreement and our Franchise Disclosure Document, and each Owner represents that he/she is capable of complying with all of the terms of this Agreement and the Owner’s Guaranty.

2.3 ***Owner’s Guaranty/Owner’s Acknowledgment.*** If you are an entity, each of your Owners must execute an Owner’s Guaranty in our favor and deliver the executed Owner’s Guaranty to us concurrently with execution of this Agreement, or if such ownership interest is acquired later, within ten (10) days after obtaining the interest as an Owner. All Owners must also sign the Owner’s Acknowledgment which follows the signature block of this Agreement.

### **3. Scope of License**

3.1 ***Grant of Area Development Rights.*** Subject to the terms of this Agreement, we hereby grant to you the exclusive right, and you hereby accept the obligation, to develop the number of franchised Crunch health clubs which will use the System and the Licensed Marks (each a “**Franchised Business**”) in the format or formats set forth in **Exhibit 1** (Crunch Fitness, Crunch Select, or Crunch Signature), described in the Development Area in **Exhibit 2**, and within the time periods described in the area development

schedule set forth in **Exhibit 1** attached hereto (the “**Area Development Schedule**”) In this regard, the parties further agree that:

3.1.1 The Area Development Schedule contemplates that you must develop one (1) Franchised Business for every 75,000 persons residing or working in the Development Area, at the rate set forth in the Area Development Schedule, except that for any Franchised Business that is a Crunch Select club there shall be one Franchised Business for every 75,000 persons residing or working in the Development Area. “**Develop**” a Franchised Business means that you either (i) sign a lease for a newly developed Franchised Business at an Approved Location and, once a lease is signed, you open the Franchised Business within four (4) months for a Crunch Select or Crunch Fitness Franchised Business, or within six (6) months for a Crunch Signature Franchised Business, or (ii) convert an existing health club to a Franchised Business at an Approved Location within four (4) months after the Franchise Agreement for that Approved Location is signed for a Crunch Select or Crunch Fitness Franchised Business, or within six (6) months after the Franchise Agreement for that Approved Location is signed for a Crunch Signature Franchised Business. If at any time during the term of this Agreement you fail to satisfy the Area Development Schedule, we will have the right, but not the obligation, to exercise our termination rights or modification of your rights pursuant to Section 11.3 hereof.

3.1.2 Each Franchised Business developed under this Agreement will be established and operated pursuant to a separate Crunch health club Franchise Agreement as provided in Section 6.1 below.

3.1.3 Each Franchised Business developed under this Agreement must be located within the Development Area that is specified in **Exhibit 2** attached hereto. We will provide you with a Development Area that will encompass a residential or working population of a minimum of 1,000,000 persons within a contiguous geographic area at the time of this Agreement. We have the right, but not the obligation, to adjust the boundaries of the Development Area from time to time to reflect population changes by sending written notice to you of the revised Development Area.

3.1.4 If, during the term of this Agreement, any one of the Franchised Businesses permanently closes for any reason after having been opened, and as a result of such closure you fall below the development quota applicable at the time of closure pursuant to the Area Development Schedule, you will have six (6) months from the closing date in which to open a substitute Franchised Business within the Development Area in its place. Such substitute Franchised Business shall not decrease the number of Franchised Businesses to be opened pursuant to the Development Schedule.

3.1.5 If, during the term of this Agreement, you wish to relocate any one of the Franchised Businesses, the new site for the Franchised Business must be approved by us, pursuant to Section 6.1 of this Agreement. A relocated Franchised Business will not decrease the number of Franchised Businesses to be opened pursuant to the Development Schedule.

3.1.6 This Agreement does not give you any right to license others to operate any Franchised Businesses. Except as provided in Section 7.2, only you may open and operate Franchised Businesses pursuant to this Agreement and only under Franchise Agreements with us.

3.2 **Development Area.** During the term of this Agreement, for as long as you are in full compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any of your Affiliates) and us, neither we nor any of our Affiliates will operate Crunch health clubs, or grant a franchise to any third party to physically locate another Crunch health club, in the



Development Area, except as otherwise provided under Section 3.3. Once a Franchised Business has been established in the Development Area, your exclusivity rights with respect to that particular Franchised Business will be defined in the applicable Franchise Agreement. The parties acknowledge and agree that the territorial grant in this Section does not restrict us, our Affiliates, or any franchisees or other third parties from advertising, marketing or otherwise promoting the System, or any other Crunch health club, wherever located, in your Development Area.

3.3 **Reserved Rights.** We reserve all rights not specifically granted to you in this Agreement. Among other things, this Agreement does not limit our right or the right of any of our Affiliates to use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of health clubs under the Licensed Marks at any location outside the Development Area, and/or under any other trade name, trademark or service mark now or hereafter owned by or licensed to us or our Affiliates at any location inside or outside the Development Area, or the sale, distribution or marketing of products identified by the Licensed Marks inside or outside of the Development Area. Notwithstanding the forgoing, neither we, nor our Affiliate Crunch, LLC nor its subsidiaries will operate health clubs in the Development Area under a low price model substantially similar to the Crunch franchising model. You acknowledge that our rights to use and/or license the System pre-date this Agreement and are not limited or changed by the terms of this Agreement. You agree that by acknowledging those rights, the parties do not intend to make our exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement.

3.4 **Right of First Refusal.** If at any time during the term you have not developed and opened the number of Franchised Businesses in the format(s) as required by the Area Development Schedule attached hereto as Exhibit 1, then we will have the right to locate potential locations in the Development Area for development and operation of Franchised Businesses. For any location we may locate (each, a “**ROFR Location**”), we will provide you with at least the same information as we at the time require from you to evaluate a new location for a Franchised Business, and you will have the right for a period of thirty (30) days after we have submitted all such information to exercise a right of first refusal for the ROFR Location, by providing us Notice in writing of your election. If you decline to exercise your right of first refusal, or do not acquire the ROFR Location (whether by lease or purchase) within thirty (30) days of your exercise of the right of first refusal for the ROFR Location, we will have the right to acquire the ROFR Location for operation of a Crunch health club, or franchise the ROFR Location to a third party for operation of the same. If you do not exercise your right to first refusal for the ROFR Location and the site is developed by us or a third party, your Development Schedule will be adjusted to reduce the number of Franchised Businesses to be developed under this Agreement and the Development Area will be reduced by the protected area granted in the franchise agreement for the ROFR Location. The Development Schedule will be adjusted so that the ROFR Location counts towards the location you are most in arrears on. The right to locate potential locations for development of Crunch health clubs in the Development Area if you are in default under this Agreement is our right, but not our obligation. If at any time during the term of this Agreement you fail to satisfy the Area Development Schedule, we will have the right, but not the obligation, to exercise our termination rights or modification of your rights pursuant to Section 11.3 hereof.

#### 4. Term

4.1 **Term.** Unless terminated earlier pursuant to Section 11, the term of this Agreement shall expire on the date of our acceptance and execution of a Franchise Agreement for the last of the Franchised Businesses to be established pursuant to the Development Schedule, or on the date described in the Development Schedule, whichever first occurs.

4.2 **No Renewal Rights.** There is no renewal right.

## 5. Development Fee

5.1 **Payment of Development Fee.** In consideration of the development rights we have granted to you, you will pay to us on or before the date of this Agreement a development fee equal to Twenty-Five Thousand Dollars (\$25,000) for each Franchised Business required to be established pursuant to the Development Schedule (the “**Development Fee**”). For example, if the Development Schedule requires you to establish ten (10) Franchised Businesses during the term of this Agreement, you must pay to us, on or before the date of this Agreement, a Development Fee in the amount of Two Hundred Fifty Thousand Dollars (\$250,000).

5.2 **Development Fee is Non-Refundable.** The Development Fee will be fully earned when received by us and will be non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. Receipt by us of the Development Fee is a condition to the effectiveness of this Agreement.

5.3 **No Performance Fee.** You will not have to pay a Performance Fee Under the Franchise Agreement when you open each of the Franchised Businesses required to be established pursuant to the Development Schedule.

## 6. Your Area Development Obligations

6.1 **Franchise Agreements.** You must execute a separate Franchise Agreement for each Franchised Business. Each Franchised Business must be located at a site approved by us, within the Development Area, as provided below (the “**Approved Location**”). The Franchise Agreement for each Franchised Business developed hereunder shall be the form of Franchise Agreement being offered generally by us at the time each such Franchise Agreement is executed. The current form of our Franchise Agreement is attached hereto as **Exhibit 5**. If you pay the Development Fee, you will not pay the Initial Franchise Fee required under the Franchise Agreement.

6.2 **Area Development Obligations.** You have the following area development obligations:

6.2.1 Recognizing that time is of the essence, you agree to develop by the end of each Development Year the number of Franchised Businesses set forth in **Exhibit 1** (the “**Area Development Schedule**”) and to have each Franchised Business open within the time period provided in Section 3.1.1. Notwithstanding the foregoing, if you are unable to develop the number of Franchised Businesses required by the end of any Development Year we may, in our sole discretion, grant you a 90-day extension to complete the development obligation for such Development Year. Any such extension is subject to you paying us a development extension fee (“**Development Extension Fee**”) of \$10,000 per Franchised Business that you are required to develop during the Development Year but will not be able to develop. The extension of the development term for any Development Year by payment of a Development Extension Fee does not affect the Area Development Schedule for any Franchised Businesses to be developed in any future Development Year. If a Franchised Business closes for any reason during the term of this Agreement that Franchised Business will no longer be counted towards the total number of Franchised Businesses opened, unless the Franchised Business is re-opened within six (6) months of the closure.

6.2.2 Any failure by you to develop and open the Franchised Businesses in the numbers and within the times specified in the Development Schedule and Section 3.1.1 will constitute a material default under this Agreement allowing us to terminate or reduce your rights under this Agreement under Section 11.3, as determined by us in our sole business judgment.

6.2.3 In order for you to develop a Franchised Business in the Development Area, you must submit to us for our written approval a site proposal for the proposed site and such other information or materials as we may reasonably require, including, but not limited to, a copy of a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have twenty business (20) days after receipt of the site proposal and all other such information and materials required by us to approve or disapprove in writing the site proposal, which approval shall not be unreasonably withheld. Any disapproval will set forth our reasons for disapproving a site proposal.

6.2.4 Provided you are in full compliance with the terms and conditions contained in this Agreement, and with all of your obligations under each existing Franchise Agreement, franchises will be granted to you upon your obtaining our written approval of a site for the proposed Franchised Business. The granting of any such franchise is expressly conditioned on you and us entering into a Franchise Agreement for the approved site.

6.2.5 You acknowledge that our approval of a site proposal submitted by you does not in any way guarantee that the site will become a profitable Franchised Business. You expressly acknowledge that our approval of a site proposal submitted by you will not be deemed to be or construed as a warranty or guarantee, express or implied, as to the potential volume, profits or success of the health club to be located on the site.

## 7. Other Responsibilities of the Parties

7.1 **Our Other Obligations.** Our only initial obligation to you is to help you define your Development Area and assign it to you. Any other obligations we have to you are included in the individual Franchise Agreements that you will sign for each Franchised Business.

7.2 **Other Investors in Individual Franchised Businesses.** You may have other investors involved in the ownership of an individual Franchised Business as long as you advise us of those investors as provided in Section 7.3 and maintain majority ownership and voting control throughout the term of the Franchise Agreement. Each such investor must execute the Owner's Guaranty attached to the Franchise Agreement as an exhibit and the Owners Acknowledgment. If we determine, in our sole discretion, that one or more of your majority owners has sufficient means to satisfy the requirements of the Guaranty, we may waive the requirement that all Owners (as such term is defined below) sign the Guaranty. In that case only the Owner or Owners who alone satisfy the Guaranty requirements must sign the Guaranty, as long as that Owner or Owners maintain majority ownership. You may create a special purpose Franchisee entity for each Franchised Business and its related Franchise Agreement provided that (i) you retain fifty one percent (51%) or more of the equity in the Franchisee entity, (ii) the Owners of the Franchisee entity are approved by us pursuant this Section 7.2, and (iii) the Owners of the Franchisee entity each execute the Owner's Guaranty and Owner's Acknowledgment.

7.3 **Your Owners. Exhibit 3** to this Agreement will at all times completely and accurately describe all of your owners and their beneficial ownership interests ("**Owner(s)**"). You and your Owners must sign and deliver to us such revised **Exhibit 3** as may be necessary to reflect any permitted changes in the information contained therein within five (5) business days following the occurrence thereof and to furnish such other information about your organization or formation as we may request.

## 8. Confidentiality

8.1 **Confidential Information.** You acknowledge that certain information relating to the development and operation of the Franchised Business including, without limitation, the standards,

methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information disclosed to you by us and that all such information is of a proprietary and confidential nature and our trade secret (“**Confidential Information**”). You and each of your Owners, officers, directors, members, partners, managers, employees and agents, must maintain the absolute confidentiality of all such Confidential Information both during the Term of this Agreement and after the termination or expiration of this Agreement and can use such Confidential Information only to the extent necessary to allow you to operate the Franchised Businesses, and may not disclose any such Confidential Information for any reason whatsoever, except as provided herein. You may disclose the Confidential Information to your Owners, officers, directors, members, partners, managers, employees and agents only to the extent necessary for the development of the Franchised Business in accordance with this Agreement. You must sign, and shall cause those persons receiving the Confidential Information to sign, a Confidentiality Agreement that we prescribe. You cannot use any such Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit therefrom not specifically approved in writing by us during the Term of this Agreement or afterwards.

8.2 **Use of Confidential Information.** You will not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with the development of the Franchised Business during the Term of this Agreement, and acknowledges that its use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with us, our Affiliates and our other area developers, multi-unit developers and franchises.

You acknowledge that we are disclosing the Confidential Information to you solely on the condition that you agree, and you hereby agree, that any Confidential Information received from us (a) shall only be used by you for purposes of performing its obligations under this Agreement, (b) will not be used by you in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by you both during and after the Term of this Agreement and any renewal term, (d) will not be copied by you without our written authorization, and (e) will not be disclosed by you to any third party without our prior written consent. You must use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further shall limit the dissemination of the Confidential Information within your own organization to those individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. You must cause each person receiving the Confidential Information to sign a copy of a confidentiality agreement if requested by us.

You acknowledge that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to you is completely within our discretion.

## 9. Non-Competition

9.1 **Non-Competition During the Term.** You (if you are an individual) or your Owners (if you are an entity) cannot, directly or indirectly, own or be involved with a Competitive Business during the Term of this Agreement without our prior written approval. A “**Competitive Business**” means a company or other business that offers health club services competitive with those we offer, franchise or license. You (if you are an individual) and your Owners (if an entity) may own and/or operate other commercial businesses as long as they do not provide health club services in the Development Area or an adjacent development area, unless previously approved by us in writing.

9.2 **Post-Term Non-Competition.** For a period of one (1) year after termination or expiration of this Agreement or the maximum time permitted under applicable law, you (if an individual) and your

Owners (if an entity) agree that you (or they) will not, directly or indirectly, own or be involved with a Competitive Business within the Development Area or within five (5) miles of any Crunch health club then in existence. You agree and acknowledge that the one (1) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

9.3 ***Severability of Restrictive Covenants.*** You acknowledge that the invalidity or unenforceability of any portion of Sections 9.1, or 9.2 shall not affect the validity or enforceability of any other portion of Sections 9.1, or 9.2 or any other section of this Agreement and any invalid or unenforceable portion of Sections 9.1, or 9.2 shall be deemed to be severable.

9.4 ***Amendment of Restrictive Covenants.*** You acknowledge that the provisions of this Article 9 have been inserted for our sole benefit and that we have the right, in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 9 or any portion of this Agreement without your consent effective upon our giving Notice to you.

## **10. Transfer**

10.1 ***Transfer by Us.*** We have the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of or deal with this Agreement, or any or all of our rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity as we may in our sole discretion deem appropriate. In the event of any such transfer, we shall be released from any liability under this Agreement for the obligations transferred.

10.2 ***Transfer by You.*** You acknowledge that the granting of the rights hereunder is based upon our investigation of your qualifications, such as business skill, financial capacity and personal character, and that such rights are personal to you. Except as hereinafter provided, neither you, nor any of your Owners may directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted hereunder, or any part of this Agreement, or any rights or privileges incidental to this Agreement, or any Franchised Business or any interest therein, or your rights or interest in this Agreement, or any Owner's direct or indirect ownership interest in you (herein collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party without our prior written consent. Because of the personal nature of the grant in this Agreement we may approve or reject any request for a Transfer in our sole discretion. Under no circumstances will a Transfer be approved to one of our competitors or to a person operating a health club under a license or franchise from one of our competitors. Any actual, attempted or purported Transfer occurring without our prior written consent shall constitute a default of this Agreement and shall be null and void. Also, in no event will we be willing to provide our consent to any Transfer, unless:

10.2.1 The proposed transferee is acceptable to us based upon standards for new area developers we use at such time, which may include, but not be limited to, standards relating to the transferee's financial strength, general business acumen, experience developing health clubs, other business commitments, and such other standards and factors as we, in our sole judgment, deem important;

10.2.2 You are not in default in the performance or observance of any of your obligations under this Agreement (including, without limitation, making all payments in full when due), and any other agreement between you and us or between you or one of our Affiliates, relating to the

development or operation of Franchised Businesses or any other agreement between you and us or one of our Affiliates;

10.2.3 You have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us and all your trade creditors;

10.2.4 You have delivered to us a general release, in form satisfactory to us, of all claims you may have against us and our members, officers, directors, owners, managers, employees, Affiliates, successors and assigns;

10.2.5 Except in the case of a Transfer pursuant to Section 10.3 or a Transfer to us pursuant to Section 10.4, you have paid our transfer fee of \$5,000, or our total cost and expenses we incur in connection with the transfer, if they exceed the transfer fee; and

10.2.6 The proposed transferee assumes all of your rights and obligations under this Agreement or, at our option, enters into a new area development agreement which includes the development rights being transferred for the remainder of the Term of this Agreement. The new area development agreement may be on different terms than this Agreement, including then current royalty percentages (for franchise agreements to be entered thereunder) and/or territory definitions. Even if we do not require the transferee to enter into a new area development agreement we may require that the royalty rate for franchise agreements to be entered into pursuant to this Agreement be adjusted to the then current royalty rate for new franchise agreements and the territory definition be adjusted to the then current definition for all new franchise agreements.

In addition to the transfer fee set forth in Section 10.2.5, we have the right to charge a document review fee in connection with any proposed transfer, other than a transfer pursuant to Section 10.3. The document review fee will be the greater of \$1,500 or our legal fees incurred in connection with the review of the proposed transferee.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts which are owed by you, you will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of Transfer.

10.3 ***Transfer to a Corporation, Limited Liability Company or Other Entity.*** If you are an individual, you may, coincident with or at any time after execution of this Agreement, after obtaining our written consent and provided all of your obligations to us have been satisfied, transfer and assign all of your rights and obligations hereunder to a corporation, limited liability company or other entity, provided you are and throughout the Term of this Agreement remain a principal executive officer of the corporation, limited liability company or other entity and the beneficial and registered owner of greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in such corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests), and further provided that you:

10.3.1 Cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement; execute and cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to execute any agreement as may be specified by us relating to the assumption by the corporation, limited liability company or other entity, of any rights and obligations under this Agreement; cause the corporation in its articles of incorporation or, if a limited liability company or other entity in its operating agreement, to provide in effect that its object or business is confined exclusively to the

development and operation of Franchised Businesses as provided in this Agreement; cause the corporation, limited liability company or other entity, to restrict the issue of, and its directors and shareholders to restrict the transfer of, shares of the corporation or ownership or membership interests in a limited liability company or other entity, so that you continuously own greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in the corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests) and to have such restrictions noted on all share certificates of the corporation or the owner's or members' ownership certificates; and cause the corporation, limited liability company or other entity to inform us and to keep us informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation, limited liability company or other entity from time to time;

10.3.2 Execute such documents in respect of the transfer and assignment as we may direct, including the attached Owner's Guaranty; and

10.3.3 Pay to us all of our reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by us in connection with the Transfer.

10.4 ***Right of First Refusal.*** If you or one or more of your Owners proposes to make a Transfer to any individual or entity (other than a corporation, partnership or other entity wholly owned by you or your Owners) that has provided a bona fide written offer, we will have the right for a period of thirty (30) days after you or such Owners have submitted all information requested by us, including a copy of the bona fide written offer, to exercise a right of first refusal and substitute ourselves for the proposed transferee in the transaction. If we decline to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, you must promptly notify us, and we will have the further right to exercise our right of first refusal over the revised transaction for a period of fifteen (15) days. If we exercise our right of first refusal, we will have not less than ninety (90) days to close the transaction, and we will have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. You and your Owners agree to make all customary representations and warranties that we may require in connection with the proposed transaction. If we do not exercise our right of first refusal, or we revoke our right of first refusal, you or your transferring Owners may make a transfer on the terms and conditions of the offer considered by us if you and your Owners have complied with all of the provisions of Section 8.

10.5 ***Death or Incapacity.*** If you die or become incapacitated, or if you are a corporation, limited liability company, partnership or other entity, a principal Owner dies or becomes incapacitated, so that you or, in the case of your Incapacity, a qualified manager appointed or employed by you, is not able to devote full time and attention to the operation of the Area Development business, then your heirs or personal representatives must transfer the rights granted hereunder to a third party acceptable to us within a reasonable time, not to exceed nine (9) months from the date of death or Incapacity. In no event will we be willing to provide our consent to such transfer unless all of the conditions set out in Section 10.2 of this Agreement are satisfied. In the event that any of the conditions set forth in Section 10.2 of this Agreement are not satisfied, we will have the right in our sole discretion to terminate this Agreement by Notice, in the case of death, sent to your estate and, in the case of your Incapacity or your Principal Owner's Incapacity, to you. For purposes of this Section 10.4, "**Incapacity**" means in our reasonable opinion, your inability or your principal Owner, by reason of physical or mental illness or disability, to operate the area development business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period.

## 11. Termination and Expiration

11.1 **Termination by You.** If you have fully complied with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within one hundred twenty (120) days after receipt of Notice thereof, you may terminate this Agreement effective one hundred twenty (120) days after giving Notice of such termination to us. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

11.2 **Termination by Us Without Opportunity to Cure.** You will be deemed to be in default under this Agreement, and we may, at our option, terminate this Agreement and all rights granted herein effective immediately, without giving you Notice of, or the opportunity to cure, the default, if you either:

11.2.1 Make or are deemed to have made a general assignment for the benefit of creditors, or if a petition is filed against you under the Bankruptcy Code and not dismissed within sixty (60) days of filing, or if a petition is filed by you under the Bankruptcy Code, or if you are declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed for you, or if you commit any act of bankruptcy or institute proceedings to be adjudged bankrupt or insolvent or consent to the institution of such appointment or proceedings, or if you admit in writing your inability to pay debts generally as they become due;

11.2.2 At any time have any of the assets of your business seized or taken in execution or in attachment by one of your creditors, or a writ of execution issues against such assets, or if you without our prior written consent give any security interest in any of such assets or sell any of such assets except in the normal course of business, such that the foregoing materially impairs the operation of the business or any security interest which we may have in respect of this Agreement;

11.2.3 Willfully or fraudulently misrepresented any fact or condition made in any application or report provided to us or required to be made by this Agreement;

11.2.4 Die or become incapacitated (or if you are an entity, your principal Owner dies or becomes incapacitated) and a Transfer is not consummated as described in Section 10.5; or

11.2.5 By your actions, or your failure to take an action that it is required to take, you adversely affect the goodwill associated with the Licensed Marks or Crunch health clubs.

11.3 **Termination for Failure to Meet Area Development Schedule.** If you fail to meet your development obligations under the Area Development Schedule, such action shall constitute a default under this Agreement, upon which we, in our discretion, may by written notice to you therein (i) terminate this Agreement and all rights granted hereunder without affording you any opportunity to cure the default; (ii) reduce the number of Franchised Businesses to be developed; (iii) reduce the size of the Development Area; or (iv) terminate the Development Area exclusivity and make such rights non-exclusive. If we elect to terminate this Agreement, we can resell your Development Area, but you can maintain any Franchised Business established pursuant to a Franchise Agreement as long as you continue to comply with the terms of that Franchise Agreement.

11.4 **Termination by Us After Opportunity to Cure.** Except as otherwise provided in Sections 11.2 and 11.3, above, if you fail to comply with any material term and condition of this Agreement, or fail to comply with the terms and conditions of any Franchise Agreement or other multi-unit development or area development agreement between you (or a person or entity affiliated with or controlled by you) and us, such action shall constitute a default under this Agreement. Upon the occurrence of any such default,



we may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination, except that for payment defaults you will receive notice at least ten (10) days prior to the effective date of termination; provided, however, that you can avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty notice period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Franchised Businesses) will terminate without further notice to you, effective immediately upon the expiration of the notice period (or such longer period as applicable law may require).

11.5 **Modification of Rights Not Waiver of Termination Rights.** In lieu of termination, we have the right to modify your rights under this Agreement as provided in Section 11.3; and if we exercise that right, we will not have waived our right, in the case of future defaults, to exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

11.6 **Your Obligations on Termination or Expiration.** Upon termination or expiration of this Agreement, you will have no right to establish or operate any Franchised Business for which a Franchise Agreement has not been executed by us at the time of termination or expiration, except that with respect to expiration at the end of the last development year, if you have signed a lease by the expiration date, you may continue to open a Franchised Business within four (4) months of the lease signing as provided in Section 3.1.1. Thereafter, we will be entitled to establish, and to franchise others to establish, Franchised Businesses in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between you and us).

11.7 **Effect of Default on Franchise Agreements.** No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

11.8 **Remedy Is Not Exclusive.** No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

## 12. Relationship and Indemnification

12.1 **Independent Parties.** You are and will at all times remain an independent contractor, and you may not and will not represent yourself to be our agent, joint venturer, partner or employee, or to be related to us other than as our independent developer. You may not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with us, and we will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by you to any other person nor with respect to any other action of you. You may not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in our name or on our credit. No acts of assistance given by us to you shall be construed so as to alter this relationship. You will be solely responsible for paying all the operating costs of your development business, including all taxes.

12.2 **Your Liability.** If two (2) or more individuals execute this Agreement as the Area Developer, the liability of each such individual hereunder shall be joint and several.

12.3 **Non-Liability.** We will not be obligated or liable for any injury or death of any person or damage to any property caused by your action, failure to act, negligence or willful conduct, nor for any other liability you incur.

12.4 ***Your Indemnity Obligations.*** You agree to indemnify, hold harmless and, upon request, defend us, our Affiliates, and their respective officers, directors, owners, shareholders, managers, employees and agents (hereinafter each an “**Indemnified Party**” and jointly the “**Indemnified Parties**”), from and against all losses, suits, proceedings, arbitrations, claims, damages (direct, consequential, or otherwise), demands, causes of action, liabilities, fines, penalties, costs or expenses (including reasonable attorney’s fees, expenses, or costs, including, but not limited to, any expert fees, costs, and/or expenses) of whatever kind and nature, directly or indirectly arising in whole or in part out of: (a) any default or breach by you of any obligation contained in any agreement with any Indemnified Party; (b) any act, failure to act, negligence, or willful conduct at or in connection with your area development business; (c) your operation of your area development business; (d) any allegation of agency or other alleged legal relationship by which any Indemnified Party is being held or might be held responsible for your acts or omissions; (e) your use of the Licensed Marks; (f) the violation of any federal, state, municipal or local law, rule, regulation, court order, ordinances, government directive or the like by you; (g) all taxes, levies, or assessments incurred and owed by you of whatever kind and nature; (h) the revocation of any prior approval to use or display, or the loss of any right to use or display, any or all of the Licensed Marks; (i) the investigation by any Indemnified Party of any claim, suit, proceeding, demand, and/or cause of action, (j) or any other act or omission of you, your customers, or any of your agents, employees, contractors, invitees, licensees, or business associates, except such as may be due to the negligence of the Indemnified Parties.

You agree that the defense obligation in this Section will be immediate and ongoing, regardless of any ultimate allocation of negligence or other form of liability.

To the extent to which you are required hereunder to provide any Indemnified Party with a defense as set forth in this Agreement, the Indemnified Parties shall have the sole and absolute right to select counsel to represent the Indemnified Party(ies) at your sole expense, and the Indemnified Parties shall have the sole and absolute right to direct the defense of the Indemnified Parties and/or the settlement of any such claim or suit on behalf of the Indemnified Parties.

In the event that the Indemnified Parties, in their sole and absolute discretion, allow you to select counsel to represent both you and the Indemnified Parties pursuant to this Agreement and the representation of you and the Indemnified Parties by the same counsel would be or becomes a conflict of interest for such counsel, the Indemnified Parties may select independent counsel to represent it or them without relieving you of your obligations of indemnification and defense as set forth in this Agreement.

You shall provide prompt, written notice to Indemnified Parties of any claim, suit, or proceeding, including, but not limited to, any arbitration, lawsuit, or any action taken by any local, municipal, state, or federal government or any local, municipal, state, or federal governmental agency, that names any Indemnified Party as a party and/or that could actually or potentially involve any Indemnified Party in any way.

The provisions in this Section survive the expiration, transfer and termination of this Agreement.

### **13. Dispute Resolution**

13.1 ***Resolution of Disputes.*** Any dispute between you and us arising out of the relationship created by this Agreement shall be subject to the dispute resolution provisions set forth below.

13.2 ***Mediation.*** In the event of any dispute, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to

its procedures, or any other mediation service mutually agreed to by the parties according to the procedures of such other mediation service.

The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation.

All mediation proceedings shall take place in the county and state where we have our principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

The commencement of any dispute resolution procedure shall not act to prevent us from instituting or proceeding with any action which may be the subject of the dispute.

13.3 **Venue.** You agree that we may institute any action against you arising out of or relating to this Agreement in any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which we have our principal place of business, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

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

13.5 **Limitations Period.** Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the parties hereto, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim.

13.6 **No Punitive, Exemplary or Consequential Damages.** EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO SECTION 12.4 AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, YOU AND WE AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND/OR TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

13.7 **No Jury Trial.** YOU, WE AND YOUR OWNERS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

13.8 **Attorneys' Fees.** The prevailing party in any litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court

costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

13.9 **No Class Actions.** Any disagreement between you and us (and our Affiliates and owners) will be considered unique as to its facts and must not be brought as a class action, and you waive any right to proceed against us (and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff consolidated or collective action.

## 14. General

14.1 **Compliance with Laws.** You and your Owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. You represent and warrant that neither you nor any of your direct or indirect Owners, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("**Anti-Terrorism Laws**"). You and your Owners shall not engage in any activity that would expose us to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

14.2 **Severability of Provisions.** Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

14.3 **Counterparts.** This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original.

14.4 **Force Majeure.** Neither party will be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds one hundred twenty (120) days, we will have the right to terminate this Agreement.

14.5 **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon us, you, your Owners and their respective heirs, legal representatives, successors and permitted assigns.

14.6 **Delegation of Performance.** We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third parties, who may or may not be our Affiliates. Such third parties will be obligated to perform all functions for you in compliance with this Agreement.

14.7 **Survival.** All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

14.8 **Notices.** All notices, consents and approvals (a “**Notice**”) permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if set forth in writing and delivered either (i) personally; (ii) by certified or registered mail; or (iii) by overnight courier service, if to us addressed as follows:

Crunch Franchising, LLC  
1 Harbour Place  
Suite 230  
Portsmouth, NH 03801  
Attention: CEO

and if to you addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Any Notice so given or made shall be deemed to have been given and delivered or made and received at the earlier of actual receipt or one (1) business day after sending by overnight courier service, or at the earlier of actual receipt or three (3) business day after sending certified or registered mail. Any party from time to time by Notice in writing given pursuant to the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

14.9 **Right of Set-off.** Notwithstanding any other provision of this Agreement, upon your failure to pay us as and when due any sums of money under this Agreement or any other amounts owing to us, we may, at our election, deduct any and all such sums remaining unpaid from any monies or credit held by us for your account.

14.10 **Not Withhold Payment.** You agree that you will not on the grounds of the alleged non-performance by us of any of our obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to us whether on account of equipment or goods purchased by you or otherwise.

14.11 **Non-Waiver.** The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. Our acceptance of payments due under this Agreement shall not constitute a waiver of any preceding breaches by you.

14.12 **Applicable Law.** This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles. Notwithstanding the foregoing, if the covenants in Section 9 of this Agreement would not be enforceable under the laws of New Hampshire, and the Franchised Business is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 14.11 is intended by the parties to subject this Agreement to any franchise or similar law, rule or regulation of the State of New Hampshire to which this Agreement would not otherwise be subject. If applicable law provides you with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, we will comply with the requirements of such laws to the extent they exceed our obligations under this Agreement.

14.13 **Our Rights are Cumulative.** Our rights under this Agreement are cumulative and no exercise or enforcement by us of any right or remedy under this Agreement shall preclude the exercise or enforcement by us of any other right or remedy under this Agreement or which we are otherwise entitled by law to enforce. At our option, a default by you under this Agreement shall constitute a default by you under any other agreement between the parties, including franchise agreements entered into pursuant to this Agreement between us and you or your affiliated entities, and the default by you under any other such agreement shall constitute a default by you under this Agreement.

14.14 **No Third Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

14.15 **Approvals or Consents.** Requests by you for approvals or consents shall be in writing and shall be timely made. Approvals and consents by us shall not be effective unless in writing and duly executed by us. Except as expressly provided to the contrary herein, we may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and shall not be required to show “reasonableness” or to comply with any other standard in connection herewith.

14.16 **Effect of Standards.** Our specifications of the System shall not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. We will not be liable to you or others on account of the specifications of the System, including the operation of the Franchised Business pursuant to the System.

14.17 **Construction.** You acknowledge that you had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement will be construed according to its plain meaning and neither for nor against either party hereof regardless of which party’s counsel drafted the provision.

14.18 **Further Assurances.** The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

14.19 **Entire Agreement.** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of this business relationship defined in this Agreement. Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties

contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that they have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise or development rights or offer of franchise or development rights have been promised to you and no such franchise or development rights or offer of franchise or development rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise or development rights and specifically identified as a modification of this Agreement.

14.20 **Amendments.** No change, modification, amendment or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first written above.

Area Developer:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Franchisor:

**CRUNCH FRANCHISING, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

### Owners' Acknowledgment

Each following party is mentioned in this Agreement as having certain rights and/or duties as an Owner of Area Developer. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an Owner mentioned in this Agreement.

Owner:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_

Owner:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_



**Exhibit 1**

**DEVELOPMENT SCHEDULE**

<b><u>Development Year</u></b>	<b><u>Period</u></b>	<b><u>Types of Crunch Clubs</u></b>	<b><u>Number of Newly Signed Leases</u></b>	<b><u>Total Number of Operating Locations At End of Period*</u></b>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

**Note:**

\*Under Section 3.1.1, each Franchised Business must be open within six (4) months after a lease is signed.

**Royalty Percentage:**

The Royalty percentage for each Franchise Agreement to be signed will be five percent (5%) of Gross Sales.

**Expiration Date:**

This Agreement shall expire on the date of our acceptance and execution of a Franchise Agreement for the last of the Franchise Businesses to be established pursuant to the above Development Schedule, or on \_\_\_\_\_, which first occurs.

Area Developer:

\_\_\_\_\_

Franchisor:

**CRUNCH FRANCHISING, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**Exhibit 2**  
**BUSINESS TERMS**

Area Developer's business name,  
address, phone number,  
facsimile and e-mail address:

Development Fee:

Development Area:

**Exhibit 3**

**OWNERS OF AREA DEVELOPER**

Name of Owner	Nature of Interest	Beneficial Interest in Area Developer
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
<b>Totals</b>		<b>100%</b>

## Exhibit 4

### OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Area Development Agreement**") by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company ("**Franchisor**"), and \_\_\_\_\_ ("**Area Developer**"), the undersigned hereby personally and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the term of the Area Development Agreement and thereafter, as provided in the Area Development Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Area Development Agreement (collectively, the "**Area Development Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development Documents applicable to owners of Area Developer.

The undersigned waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

- (1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Area Developer's obligations;
- (2) the undersigned shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses punctually to do so;
- (3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Area Developer as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
- (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and

- (5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time to time grant to Area 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, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Area Development Documents, as the same may be amended or renewed, until Area Developer's duties and obligations to Franchisor are fully discharged and satisfied; and
- (6) shall pay Franchisor's court costs and reasonable attorney's fees in enforcing or collecting on this Guaranty.

All capitalized terms when used herein shall have the meaning ascribed to them in the Area Development Agreement.

This Owner's Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

WITNESS(ES):

GUARANTOR(S):

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**EXHIBIT 5**

**FRANCHISE AGREEMENT**

**[The form of Franchise Agreement included in Exhibit C of the Franchise Disclosures Document will be attached here.]**

**EXHIBIT 6**

**STATE AMENDMENT TO  
AREA DEVELOPMENT AGREEMENT**

[Use for the following states: Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia, Washington]

[delete if not applicable]



**EXHIBIT F**

**STATE SPECIFIC AMENDMENTS TO  
AREA DEVELOPMENT AGREEMENT**

**ILLINOIS AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the “Act”) and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Illinois law shall supersede any provisions of the Area Development Agreement or New Hampshire law which are in conflict with the law.

2. Nothing in Section 14.11 of the Area Development Agreement waives any rights Area Developer may have under Section 41 of the Illinois Franchise Disclosure Act of 1987, which provides:

“Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

3. Section 13.3 of the Area Development Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

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

Franchisor:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Area Developer:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**MARYLAND AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the “Act”) and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Area Developer hereby agree that the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_, will be amended as follows:

1. The following language is added to Section 10.2.4 of the Area Development Agreement dealing with “Transfer by You”:

“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. The following language is added to the end of Section 13.3 of the Area Development Agreement dealing with “Venue”:

“You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.”

3. The following language is added to the end of Section 13.5 of the Area Development Agreement dealing with “Limitations Periods”:

“All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.”

4. Sections 1.3, dealing with “The Area Developer”, and 14.18, dealing with “Entire Agreement”, of the Area Development Agreement and the Franchisee Disclosure Questionnaire are amended to state:

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

5. Section 5.1 of the Area Development Agreement is amended by adding the following sentence:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the area development agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**MINNESOTA AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Area Development Agreement as of the day and year set forth above.

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NEW YORK AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the “Act”) and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Franchisor and Area Developer are parties to that certain Area Development Agreement 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 a resident of the State of New York and your Franchise will operate in New York; and/or (b) the offer or sale of the area development rights occurred in New York.

2. The following is added as a new Section 11.1 of the Area Development Agreement:

“You may terminate this Agreement upon any grounds available at law.”

3. The following is added to Section 14.11 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 and the regulations issued thereunder.”

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

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## NORTH DAKOTA AMENDMENT TO AREA DEVELOPMENT AGREEMENT

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Section 11.6 of the Area Development Agreement is amended as follows:

“Remedies Upon Termination. If the Agreement is terminated, and in addition to your obligations as otherwise provided herein, we will retain the full amount of any fees heretofore paid to us and you will continue to remain liable to us for any and all damages which we have sustained or may sustain by reason of such default or defaults and the breach of the Agreement on you part for the unexpired Term of the Agreement.”

2. Section 13.3 of the Area Development Agreement is deleted.

3. Section 13.6 of the Area Development Agreement is deleted.

4. Section 13.7 of the Area Development Agreement is deleted.

5. Section 13.8 of the Area Development Agreement is amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

6. The laws of the State of North Dakota supersede any provisions of the Area Development Agreement, the other agreements or New Hampshire law if such provisions are in conflict with North Dakota law.



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

Franchisor:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Area Developer:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the "Act") and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, 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."

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**VIRGINIA AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the “Act”) and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Area Development Agreement will be amended as follows:

1. Sections 11.2, 11.3 and 11.4 of the Area Development Agreement are amended by adding the following language:

“§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause.”

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**WASHINGTON AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the “Act”) and is for the purpose of complying with Washington statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Area Development Agreement will be amended as follows:

1. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

2. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with 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 Franchisor including the areas of termination and renewal of your franchise.

3. A release or waiver of rights executed by an Area Developer shall 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

5. 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.

6. 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.

7. 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.

8. The undersigned hereby acknowledges receipt of this amendment.

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Area Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT G**

**MULTI-UNIT DEVELOPMENT AGREEMENT,  
INCLUDING OWNER'S GUARANTY**

**MULTI-UNIT DEVELOPMENT AGREEMENT  
for  
CRUNCH<sup>®</sup> HEALTH CLUBS**

Multi-Unit Developer: \_\_\_\_\_

Date: \_\_\_\_\_

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## MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT, dated \_\_\_\_\_, \_\_\_\_\_ (“**Effective Date**”), is made by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company (“**we**”, “**us**” or “**our**”), located at 1 Harbour Place, Suite 230, Portsmouth, NH 03801, and \_\_\_\_\_, a \_\_\_\_\_ (“**you**” or “**your**”), located at \_\_\_\_\_, who in consideration of the mutual promises set forth below agree as follows:

### 1. Nature and Scope of Agreement

1.1 **The Franchisor.** We have developed and own a distinctive System designed to operate health clubs under the service mark CRUNCH® and associated marks, logos and designs (the “**Licensed Marks**”) which offer members basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, tanning and online nutritional programs. We offer franchises to operate Crunch health clubs using the Licensed Marks and the System under three different formats: Crunch Fitness, Crunch Select, and Crunch Signature. The Licensed Marks may vary depending on the format of Franchised Business this Agreement is for, and there are other variations to the System (as defined below) depending on the format of your Franchised Business.

1.2 **The System.** The “**System**” is used by health clubs that offer members basic health club services and operate under the Licensed Marks under the Crunch Fitness, Crunch Select, and Crunch Signature formats, with some variations depending on the format. The System presently includes, but is not limited to: the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; the methods, design, know how, business standards and other requirements as stated or referred to in this Agreement and from time to time in our Operations Manual, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may vary the System and its application between the Crunch Fitness, Crunch Select, and Crunch Signature formats, and may make exceptions based on local conditions, special circumstances or different contractual provisions applicable to one or more Franchised Businesses. We may change or modify the System standards, from time to time, in our sole discretion, and you agree to comply with the System as they may exist from time to time and as they apply to the format of your Franchised Business (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3 **The Multi-Unit Developer.** You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. Aware of the relevant facts, you desire to enter into this Agreement to obtain rights to develop multiple units of Crunch health clubs in the format set forth on **Exhibit 1**, under the System and the Licensed Marks in accordance with the attached development schedule.

### 2. Definitions, Representations and Owner’s Guaranty

2.1 **Definitions.** The capitalized terms used in this Agreement shall have the following meanings:

2.1.1 “**Affiliate**” means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

2.1.2 “**Anti-Terrorism Laws**” is defined in Section 14.1.

2.1.3 “**Approved Location**” is defined in Section 6.1.

2.1.4 “**Claims**” is defined in Section 12.4.

2.1.5 “**Competitive Business**” is defined in Section 9.1.

2.1.6 “**Confidential Information**” is defined in Section 8.1.

2.1.7 “**Confidentiality Agreement**” means the confidentiality agreement that we will prescribe from time to time to be signed by each of your Owners, officers, directors, members or partners, and your managers and employees, who receive Confidential Information as required by Section 8.1.

2.1.8 “**Develop**” is defined in Section 3.1.1.

2.1.9 “**Development Schedule**” means that schedule of health clubs to be opened set forth in **Exhibit 1**.

2.1.10 “**Franchise Agreement**” is defined in Section 3.1.2.

2.1.11 “**Franchised Business**” is defined in Section 3.1. Any reference to “Franchised Business” in this Agreement is to the format or formats of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.

2.1.12 “**Franchisor**” means Crunch Franchising, LLC.

2.1.13 “**Indemnified Parties**” is defined in Section 12.4.

2.1.14 “**Licensed Marks**” is defined in Section 1.1.

2.1.15 “**Multi-Unit Area**” consists of those Trade Areas listed in **Exhibit 1**.

2.1.16 “**Multi-Unit Developer**” means the person or business entity referred to in the opening paragraph of this Agreement as “you” or “your”.

2.1.17 “**Multi-Unit Fee**” is defined in Section 5.1.

2.1.18 “**Notice**” is defined in Section 14.7.

2.1.19 “**Owner(s)**” is defined in Section 7.3.

2.1.20 “**Owner’s Guaranty**” means the Owner’s Guaranty attached to this Agreement as **Exhibit 3**.

2.1.21 “**System**” means the specified business format and system and related standards, specifications and procedures prescribed by us for operating a Franchised Business, including but not limited to the Operations Manual, and is more fully described in Section 1.2. As used in this Agreement, “System” refers to the System as applied by us to the format or formats of Franchised Business (Crunch Fitness, Crunch Select, or Crunch Signature) to which rights are granted in this Agreement, and not to any other health club format we offer currently, or may offer in the future.

2.1.22 “**Term**” is defined in Section 4.1.

2.1.22 “**Territory**” is defined in Section 3.2.

2.1.23 “**Trade Area**” or “**Trade Areas**” are described in **Exhibit 1**.

2.1.24 “**Transfer**” is defined in Section 10.2.

2.2 ***Representations and Warranties.*** You hereby represent and warrant to us as follows:

2.2.1 You are acquiring these multi-unit development rights for your own account to develop and operate Franchised Businesses, and not for the purpose of resale or redistribution or other speculative matter;

2.2.2 All information provided to us in your application and other documents to induce us to grant these multi-unit development rights was true, correct, complete and accurate as of the date made, and, as of the Effective Date, no material change has occurred in such information;

2.2.3 Your execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment you have;

2.2.4 If you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement; and

2.2.5 This Agreement represents a valid, binding obligation of you and each of your Owners. Each Owner has fully read this Agreement and our Franchise Disclosure Document, and each Owner represents that he/she is capable of complying with all of the terms of this Agreement and the Owner’s Guaranty.

2.3 ***Owner’s Guaranty/Owner’s Acknowledgment.*** If you are an entity, each of your Owners must execute an Owner’s Guaranty in our favor and deliver the executed Owner’s Guaranty to us concurrently with execution of this Agreement, or if such ownership interest is acquired later, within ten (10) days after obtaining the interest as an Owner. All Owners must also sign the Owner’s Acknowledgment which follows the signature block of this Agreement.

### 3. Scope of License

3.1 **Grant of Multi-Unit Development Rights.** Subject to the terms of this Agreement, we hereby grant to you the non-exclusive right, and you hereby accept the obligation, to develop a total of \_\_\_\_\_ ( ) Crunch health clubs which will use the System and the Licensed Marks (each a “**Franchised Business**”) in each of the specific Trade Areas described in **Exhibit 1** attached hereto (the “**Multi-Unit Development Schedule**”) For each specific Trade Area **Exhibit 1** will identify the format of Crunch health club to be developed (Crunch Fitness, Crunch Select, or Crunch Signature). During the term of this Agreement, for as long as you are in full compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any of your Affiliates) and us, neither we nor our Affiliate Crunch, LLC nor its subsidiaries will operate any health clubs in the Multi-Unit Area, except as otherwise provided under Section 3.3. In this regard, the parties further agree that:

3.1.1 You must develop one Franchised Business in each Trade Area within the time period specified in the Multi-Unit Development Schedule at the rate set forth therein. Each Trade Area will have not less than 75,000 persons residing or working in the Trade Area. You may develop a Franchised Business in the Trade Areas listed in the Multi-Unit Development Schedule in any order you choose. “**Develop**” a Franchised Business means that you either (i) sign a lease for a newly developed Franchised Business at an Approved Location and, once a lease is signed, you open the Franchised Business within four (4) months for a Crunch Select or Crunch Fitness Franchised Business, or within six (6) months for a Crunch Signature Franchised Business, or (ii) convert an existing health club to a Franchised Business at an Approved Location within four (4) months after the Franchise Agreement for that Approved Location is signed for a Crunch Select or Crunch Fitness Franchised Business, or within six (6) months after the Franchise Agreement for that Approved Location is signed for a Crunch Signature Franchised Business. If at any time during the term of this Agreement you fail to satisfy the Area Development Schedule, we will have the right, but not the obligation, to exercise our termination rights or modification of your rights pursuant to Section 11.3 hereof.

3.1.2 Each Franchised Business developed under this Agreement will be established and operated pursuant to a separate Crunch health club Franchise Agreement as provided in Section 6.1 below.

3.1.3 Each Franchised Business developed under this Agreement must be located within one of the Trade Areas specified in **Exhibit 1** attached hereto and only one Franchised Business may be developed within each Trade Area.

3.1.4 If, during the term of this Agreement, any one of the Franchised Businesses permanently closes for any reason after having been opened, and as a result of such closure you fall below the development quota applicable at the time of closure pursuant to this Agreement, you will have six (6) months from the closing date in which to open a substitute Franchised Business within that same Trade Area in which the closed Franchised Business was located. Such substitute Franchised Business shall not decrease the number of Franchised Businesses to be opened pursuant to this Agreement.

3.1.5 If, during the term of this Agreement, you wish to relocate any one of the Franchised Businesses, the new site for the Franchised Business must be approved by us pursuant to Section 6.1 of this Agreement. A relocated Franchised Business will

not decrease the number of Franchised Businesses to be opened pursuant to this Agreement.

3.1.6 This Agreement does not give you any right to license others to operate any Franchised Businesses. Except as provided in Section 7.2, only you may open and operate Franchised Businesses pursuant to this Agreement and only under Franchise Agreements with us.

3.2 **Multi-Unit Development Area.** During the term of this Agreement, for as long as you are in full compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any of your Affiliates) and us, neither we nor any of our Affiliates will physically locate Crunch health clubs in the Multi-Unit Area. Once a Franchised Business has been established in a Trade Area, your territorial exclusivity rights with respect to that particular Franchised Business will be limited to the defined Territory in the applicable Franchise Agreement and we will have the right to develop additional Crunch health clubs outside your exclusive Territory (as defined in the Franchise Agreement for such Franchised Business) in the applicable Trade Area. The parties acknowledge and agree that the territorial grant in this Section does not restrict us, our Affiliates, or any franchisees or other third parties from advertising, marketing or otherwise promoting the System, or any other Crunch health club, wherever located, in your Trade Area.

3.3 **Reserved Rights.** We reserve all rights not specifically granted to you in this Agreement. Among other things, this Agreement does not limit our right or the right of any of our Affiliates to use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of health clubs under the Licensed Marks at any location outside the Multi-Unit Development Area, or once a Franchise Agreement is signed, outside your exclusive Territory in a Trade Area in which a Franchised Business has been developed, and/or under any other trade name, trademark or service mark now or hereafter owned by or licensed to us or our Affiliates at any location inside or outside the Multi-Unit Development Area, or the sale, distribution or marketing of products identified by the Licensed Marks inside or outside of the Multi-Unit Development Area. Notwithstanding the foregoing, neither we nor our Affiliate Crunch, LLC, nor its subsidiaries will operate health clubs in the Multi-Unit Development Area under a low price model substantially similar to the Crunch franchising model. You acknowledge that our rights to use and/or license the System pre-date this Agreement and are not limited or changed by the terms of this Agreement. You agree that by acknowledging those rights, the parties do not intend to make our exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement

3.4 **Right of First Refusal.** If at any time during the term you have not developed and opened the number of Franchised Businesses in the format(s) as required by the Development Schedule attached hereto as Exhibit 1, then we will have the right to locate potential locations in the yet to be developed Trade Areas for development and operation of Franchised Businesses. For any location we may locate (each, a “**ROFR Location**”), we will provide you with at least the same information as we at the time require from you to evaluate a new location for a Franchised Business, and you will have the right for a period of thirty (30) days after we have submitted all such information to exercise a right of first refusal for the ROFR Location, by providing us Notice in writing of your election. If you decline to exercise your right of first refusal, or do not acquire the ROFR Location (whether by lease or purchase) within thirty (30) days of your exercise of the right of first refusal for the ROFR Location, we will have the right to acquire the ROFR Location for operation of a Crunch health club, or franchise the ROFR Location to a third party for operation of the same. If you do not exercise your right to first refusal for the ROFR Location and the site is developed by us or a third party, your Development Schedule will be adjusted to reduce the number of Franchised Businesses to be developed under this Agreement and the Trade Area that the ROFR Location is located in will be deleted from Exhibit 1. The Development

Schedule will be adjusted so that the ROFR Location counts towards the location you are most in arrears on. The right to locate potential locations for development of Crunch health clubs in the Trade Areas if you are in default under this Agreement is our right, but not our obligation. If at any time during the term of this Agreement you fail to satisfy the Development Schedule, we will have the right, but not the obligation, to exercise our termination rights or modification of your rights pursuant to Section 11.3 hereof.

#### 4. Term

4.1 **Term.** Unless terminated earlier pursuant to Section 11, the term of this Agreement shall expire on the date of our acceptance and execution of a Franchise Agreement for the last of the Franchised Businesses to be established pursuant to the Multi-Unit Development Schedule, or on such date that, pursuant to the Multi-Unit Development Schedule, the last of the last Franchise Agreements to be executed pursuant to this Agreement was supposed to be signed.

4.2 **No Renewal Rights.** There is no renewal right.

#### 5. Development Fee

5.1 **Payment of Multi-Unit Fee.** In consideration of the multi-unit development rights we have granted to you, you will pay to us on or before the Effective Date a multi-unit fee equal to Twenty-five Thousand Dollars (\$25,000) for each Franchised Business you are required to establish pursuant to the Multi-Unit Development Schedule, as provided on **Exhibit 1** (the “**Multi-Unit Fee**”).

5.2 **Multi-Unit Fee is Non-Refundable.** The Multi-Unit Fee will be fully earned when received by us and will be non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. Receipt by us of the Multi-Unit Fee is a condition to the effectiveness of this Agreement.

5.3 **No Performance Fees.** You will not have to pay a Performance Fee under the Franchise Agreement when you open each of the Franchised Businesses required to be established under the Multi-Unit Development Schedule.

#### 6. Your Multi-Unit Development Obligations

6.1 **Franchise Agreements.** You must execute a Franchise Agreement for each Franchised Business. Each Franchised Business must be located at a site approved by us, within one of the Trade Area specified in the Multi-Unit Area, provided that only one Franchised Business may be located in each Trade Area (the “**Approved Location**”). The Franchise Agreement for each Franchised Business developed hereunder shall be the form of Franchise Agreement being offered generally by us at the time each such Franchise Agreement is executed. The current form of our Franchise Agreement is attached hereto as **Exhibit 4**. If you pay the Multi-Unit Fee, you will not pay the Initial Franchise Fee required under the Franchise Agreement.

6.2 **Multi-Unit Development Obligations.** You have the following multi-unit development obligations:

6.2.1 Recognizing that time is of the essence, you agree to develop the number of Franchised Businesses during each Development Year as set forth in **Exhibit 1** (“**Development Schedule**”) and to have each Franchised Business opened within the time period provided in Section 3.1.1. Notwithstanding the foregoing, if you are unable

to develop the number of Franchised Businesses required by the end of any Development Year we may, in our sole discretion, grant you a 90-day extension to complete the development obligation for such Development Year. Any such extension is subject to you paying us a development extension fee (“**Development Extension Fee**”) of \$10,000 per Franchised Business that you are required to develop during the Development Year but will not be able to develop. The extension of the development term for any Development Year by payment of a Development Extension Fee does not affect the Development Schedule for any Franchised Businesses to be developed in any future Development Year. If a Franchised Business closes for any reason during the term of this Agreement, that Franchised Business will no longer be counted towards the total number of Franchised Businesses opened, unless the Franchised Business is re-opened within six (6) months of the closure.

6.2.2 Any failure by you to develop and open the Franchised Businesses in the numbers and within the times specified in the Development Schedule and Section 3.1.1 will constitute a material default under this Agreement allowing us to terminate or reduce your rights under this Agreement under Section 11.3, as determined by us in our sole business judgment.

6.2.3 In order for you to develop a Franchised Business in a Trade Area specified in the Multi-Unit Development Area, you must submit to us for our written approval a site proposal for the proposed site and such other information or materials as we may reasonably require, including, but not limited to, a copy of a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have twenty (20) business days after receipt of the site proposal and all other such information and materials required by us to approve or disapprove in writing the site proposal, which approval shall not be unreasonably withheld. Any disapproval will set forth our reasons for disapproving a site proposal.

6.2.4 Provided you are in full compliance with the terms and conditions contained in this Agreement, and with all of your obligations under each existing Franchise Agreement, franchises will be granted to you upon your obtaining our written approval of a site for the proposed Franchised Business. The granting of any such franchise is expressly conditioned on you and us entering into a Franchise Agreement for the approved site.

6.2.5 You acknowledge that our approval of a site proposal submitted by you does not in any way guarantee that the site will become a profitable Franchised Business. You expressly acknowledge that our approval of a site proposal submitted by you will not be deemed to be or construed as a warranty or guarantee, express or implied, as to the potential volume, profits or success of the health club to be located on the site.

## 7. **Other Responsibilities of the Parties**

7.1 ***Our Other Obligations.*** Our only initial obligation is to help you define your Multi-Unit Area and each Trade Area and assign it to you. Any other obligations we have to you are included in the individual Franchise Agreements that you will sign for each Franchised Business.

7.2 ***Other Investors in Individual Franchised Businesses.*** You may have other investors involved in the ownership of an individual Franchised Business as long as you advise us of those

investors as provided in Section 7.3 and maintain majority ownership and voting control throughout the term of the Franchise Agreement. Each such investor must execute the Owner's Guaranty attached to the Franchise Agreement as an exhibit and the Owner's Acknowledgment. If we determine, in our sole discretion, that one or more of your majority owners has sufficient means to satisfy the requirements of the Guaranty, we may waive the requirement that all Owners (as such term is defined below) sign the Guaranty. In that case only the Owner or Owners who alone satisfy the Guaranty requirements must sign the Guaranty, as long as that Owner or Owners maintain majority ownership. You may create a special purpose Franchisee entity for each Franchised Business and its related Franchise Agreement provided that (i) you retain fiftyone percent (51%) or more of the equity in the Franchisee entity, (ii) the Owners of the Franchisee entity are approved by us pursuant this Section 7.2, and (iii) the Owners of the Franchisee entity each execute the Owner's Guaranty and Owner's Acknowledgement.

7.3 **Your Owners. Exhibit 2** to this Agreement will at all times completely and accurately describe all of your owners and their beneficial ownership interests ("**Owner(s)**"). You and your Owners must sign and deliver to us such revised **Exhibit 2** as may be necessary to reflect any permitted changes in the information contained therein within five (5) business days following the occurrence thereof and to furnish such other information about your organization or formation as we may request.

## 8. Confidentiality

8.1 **Confidential Information.** You acknowledge that certain information relating to the development and operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information disclosed to you by us and that all such information is of a proprietary and confidential nature and our trade secret of ("**Confidential Information**"). You and each of your Owners, officers, directors, members, partners, managers, employees and agents, must maintain the absolute confidentiality of all such Confidential Information both during the Term of this Agreement and after the termination or expiration of this Agreement and can use such Confidential Information only to the extent necessary to allow you to operate the Franchised Businesses, and you may not disclose any such Confidential Information for any reason whatsoever, except as provided herein. You may disclose the Confidential Information to your Owners, officers, directors, members, partners, managers, employees and agents only to the extent necessary for the development of the Franchised Business in accordance with this Agreement. You must sign, and shall cause those persons receiving the Confidential Information to sign, a Confidentiality Agreement that we prescribe. You cannot use any such Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit therefrom not specifically approved in writing by us during the Term of this Agreement or afterwards.

8.2 **Use of Confidential Information.** You will not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with the development of the Franchised Business during the Term of this Agreement, and you acknowledge that your use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with us, our Affiliates and our other multi-unit franchises, developers and franchisees.

You acknowledge that we are disclosing the Confidential Information to you solely on the condition that you agree, and you hereby agree, that any Confidential Information received from us (a) shall only be used by you for purposes of performing your obligations under this Agreement, (b) will not be used by you in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by you both during and after the Term of this Agreement and any renewal term, (d) will not be copied by you without our written authorization, and (e) will not be disclosed by you to any third party



without our prior written consent. You will use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further shall limit the dissemination of the Confidential Information within your own organization to individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. You will cause each person receiving the Confidential Information to sign a copy of a confidentiality agreement if requested by us.

You acknowledge that no other right or license to use the Confidential Information is granted by this Agreement, and agree that the amount of the Confidential Information to be disclosed to you is completely within our discretion.

## **9. Non-Competition**

9.1 ***Non-Competition During the Term.*** You (if you are an individual) or your Owners (if you are an entity) cannot, directly or indirectly, own or be involved with a Competitive Business during the Term of this Agreement without our prior written approval. A “**Competitive Business**” means a company or other business that offers health club services competitive with those we offer, franchise or license. You (if you are an individual) and your Owners (if an entity) may own and/or operate other commercial businesses as long as they do not provide health club services in the Multi-Unit Area or an adjacent multi-unit area, unless previously approved by us in writing.

9.2 ***Post-Term Non-Competition.*** For a period of one (1) year after termination or expiration of this Agreement or the maximum time permitted under applicable law, you (if an individual) and your Owners (if an entity) agree that you (or they) will not, directly or indirectly, own or be involved with a Competitive Business within the Multi-Unit Area or within five (5) miles of any Crunch health club then in existence. You agree and acknowledge that the one (1) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

9.3 ***Severability of Restrictive Covenants.*** You acknowledge that the invalidity or unenforceability of any portion of Sections 9.1, or 9.2 shall not affect the validity or enforceability of any other portion of Sections 9.1, or 9.2 or any other section of this Agreement and any invalid or unenforceable portion of Sections 9.1, or 9.2 shall be deemed to be severable.

9.4 ***Amendment of Restrictive Covenants.*** You acknowledge that the provisions of this Article 9 have been inserted for our sole benefit and that we have the right, in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 9 or any portion of this Agreement without your consent, effective upon our giving Notice to you.

## **10. Transfer**

10.1 ***Transfer by Us.*** We have the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of or deal with this Agreement, or any or all of our rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity as we may in our sole discretion deem appropriate. In the event of any such transfer, we will be released from any liability under this Agreement for the obligations transferred.

10.2 ***Transfer by You.*** You acknowledge that the granting of the rights hereunder is based upon our investigation of your qualifications, such as business skill, financial capacity and personal character, and that such rights are personal to you. Except as hereinafter provided, neither you, nor any of

your Owners may directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sublicense, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted hereunder, or any part of this Agreement, or any rights or privileges incidental to this Agreement, or any Franchised Business or any interest therein, or your rights or interest in this Agreement, or any Owner's direct or indirect ownership interest in you (herein collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party without our prior written consent. Because of the personal nature of the grant in this Agreement we may approve or reject any request for a Transfer in our sole discretion. Under no circumstances will a Transfer be approved to one of our competitors or to a person operating a health club under a license or franchise from one of our competitors. Any actual, attempted or purported Transfer occurring without our prior written consent shall constitute a default of this Agreement and shall be null and void. Also, in no event will we be willing to provide our consent to any Transfer, unless:

10.2.1 The proposed transferee is acceptable to us based upon standards for new multi-unit developers we use at such time, which may include, but not be limited to, standards relating to the transferee's financial strength, general business acumen, experience developing health clubs, other business commitments, and such other standards and factors as we, in our sole judgment, deem important;

10.2.2 You are not in default in the performance or observance of any of your obligations under this Agreement (including, without limitation, making all payments in full when due), and any other agreement between you and us or between you or one of our Affiliates, relating to the development or operation of Franchised Businesses or any other agreement between you and us or one of our Affiliates;

10.2.3 You have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us and all your trade creditors;

10.2.4 You have delivered to us a general release, in form satisfactory to us, of all claims you may have against us and our members, officers, directors, owners, managers, employees, Affiliates, successors and assigns;

10.2.5 Except in the case of a Transfer pursuant to Section 10.3 or a Transfer to us pursuant to Section 10.4, you have paid our transfer fee of \$5,000, or our total cost and expenses we incur in connection with the Transfer, if they exceed the transfer fee; and

10.2.6 The proposed transferee assumes all of your rights and the obligations under this Agreement or, at our option, enters into a new area development agreement which includes the development rights being transferred for the remainder of the Term of this Agreement. The new area development agreement may be on different terms than this Agreement, including then current royalty percentages (for franchise agreements to be entered thereunder) and/or territory definitions. Even if we do not require the transferee to enter into a new area development agreement we may require that the royalty rate for franchise agreements to be entered into pursuant to this Agreement be adjusted to the then current royalty rate for new franchise agreements and the territory definition be adjusted to the then current definition for all new franchise agreements.

In addition to the transfer fee set forth in Section 10.2.5, we have the right to charge a document review fee in connection with any proposed transfer, other than a transfer pursuant to Section 10.3. The document review fee will be the greater of \$1,500 or our legal fees incurred in connection with the review of the proposed transferee.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts which are owed by you, you will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of Transfer.

10.3 ***Transfer to a Corporation, Limited Liability Company or Other Entity.*** If you are an individual, you may, coincident with or at any time after execution of this Agreement, after obtaining our written consent and provided all of your obligations to us have been satisfied, transfer and assign all of your rights and obligations hereunder to a corporation, limited liability company or other entity, provided you are and throughout the Term of this Agreement remain a principal executive officer of the corporation, limited liability company or other entity and the beneficial and registered owner of greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in such corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests), and further provided that you:

10.3.1 Cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement; execute and cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to execute any agreement as may be specified by us relating to the assumption by the corporation, limited liability company or other entity, of any rights and obligations under this Agreement; cause the corporation in its articles of incorporation or, if a limited liability company or other entity in its operating agreement, to provide in effect that its object or business is confined exclusively to the development and operation of Franchised Businesses as provided in this Agreement; cause the corporation, limited liability company or other entity, to restrict the issue of, and its directors and shareholders to restrict the transfer of, shares of the corporation or ownership or membership interests in a limited liability company or other entity, so that you continuously own greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in the corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests) and to have such restrictions noted on all share certificates of the corporation or the owner's or members' ownership certificates; and cause the corporation, limited liability company or other entity to inform us and to keep us informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation, limited liability company or other entity from time to time;

10.3.2 Execute such documents in respect of the transfer and assignment as we may direct, including the attached Owner's Guaranty; and

10.3.3 Pay to us all of our reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by us in connection with the Transfer.

10.4 ***Right of First Refusal.*** If you or one or more of your Owners proposes to make a Transfer to any individual or entity (other than a corporation, partnership or other entity wholly owned by you or your Owners) that has provided a bona fide written offer, we will have the right for a period of thirty (30) days after you or such Owners have submitted all information requested by us, including a copy of the bona fide written offer, to exercise a right of first refusal and substitute ourselves for the proposed transferee in the transaction. If we decline to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, you must promptly notify us, and we will have the further right to exercise our right of first refusal over the revised transaction for a period of fifteen (15) days. If we exercise our right of first refusal, we will have not less than ninety (90) days to close the transaction, and we will have the right to substitute cash for any alternative form of

consideration contemplated by the proposed transaction. You and your Owners agree to make all customary representations and warranties that we may require in connection with the proposed transaction. If we do not exercise our right of first refusal, or we revoke our right of first refusal, you or the transferring Owners may make a transfer on the terms and conditions of the offer considered by us if you and your Owners have complied with all of the provisions of Section 8.

10.5 ***Death or Incapacity.*** If you die or become incapacitated, or if you are a corporation, limited liability company, partnership or other entity, a principal Owner dies or becomes incapacitated, so that you or, in the case of your Incapacity, a qualified manager appointed or employed by you, is not able to devote full time and attention to the operation of the Multi-Unit Development business, then your heirs or personal representatives must transfer the rights granted hereunder to a third party acceptable to us within a reasonable time, not to exceed nine (9) months from the date of death or Incapacity. In no event will we be willing to provide our consent to such transfer unless all of the conditions set out in Section 10.2 of this Agreement are satisfied. In the event that any of the conditions set forth in Section 10.2 of this Agreement are not satisfied, we will have the right in our sole discretion to terminate this Agreement by Notice, in the case of death, sent to your estate and, in the case of your or a principal Owner's Incapacity, to you. For purposes of this Section 10.4, "**Incapacity**" means in our reasonable opinion your inability or the inability of your principal Owner, by reason of physical or mental illness or disability, to operate the multi-unit development business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period.

## 11. Termination and Expiration

11.1 ***Termination by You.*** If you have fully complied with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within one hundred twenty (120) days after receipt of Notice thereof, you may terminate this Agreement effective one hundred twenty (120) days after giving Notice of such termination to us. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

11.2 ***Termination by Us Without Opportunity to Cure.*** You will be deemed to be in default under this Agreement, and we may, at our option, terminate this Agreement and all rights granted herein effective immediately, without giving you Notice of, or the opportunity to cure, the default, if you either:

11.2.1 Make or are deemed to have made a general assignment for the benefit of creditors, or if a petition is filed against you under the Bankruptcy Code and not dismissed within sixty (60) days of filing, or if a petition is filed by you under the Bankruptcy Code, or if you are declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed for you, or if you commit any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings, or if you admit in writing an inability to pay debts generally as they become due;

11.2.2 At any time have any of the assets of your business seized or taken in execution or in attachment by one of your creditors, or a writ of execution issues against such assets, or if you without our prior written consent give any security interest in any of such assets or sell any of such assets except in the normal course of business, such that the foregoing materially impairs the operation of the business or any security interest which we may have in respect of this Agreement;

11.2.3 Willfully or fraudulently misrepresented any fact or condition made in any application or report provided to us or required to be made by this Agreement;

11.2.4 Die or become incapacitated (or if you are an entity, your principal Owner dies or becomes incapacitated) and a Transfer is not consummated as described in Section 10.5; or

11.2.5 By your actions, or your failure to take an action that it is required to take, you adversely affect the goodwill associated with the Licensed Marks or Crunch health clubs.

11.3 **Termination for Failure to Meet Multi-Unit Development Schedule.** If you fail to meet your development obligations under this Multi-Area Development Schedule, such action shall constitute a default under this Agreement, upon which we, in our discretion, may by written notice to you either (i) terminate this Agreement and all rights granted hereunder without affording you any opportunity to cure the default; (ii) reduce the number of Franchised Businesses to be developed; (iii) reduce the number of Trade Areas; (iv) reduce the size of the Multi-Unit Development Area; or (v) terminate the Multi-Unit Development Area exclusivity and make such rights non-exclusive. If we elect to terminate this Agreement, we can resell your Multi-Unit Development Area, but you can maintain any Franchised Business established pursuant to a Franchise Agreement as long as you continue to comply with the terms of that Franchise Agreement.

11.4 **Termination by Us After Opportunity to Cure.** Except as otherwise provided in Sections 11.2 and 11.3, above, if you fail to comply with any material term and condition of this Agreement, or fail to comply with the terms and conditions of any Franchise Agreement or other multi-unit development agreement or area development agreement between you (or a person or entity Affiliated with or controlled by you) and us, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, we may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination, except that for payment defaults you will receive notice at least ten (10) days prior to the effective date of termination; provided, however, that you can avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty notice period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Franchised Businesses) will terminate without further notice to you, effective immediately upon the expiration of the notice period (or such longer period as applicable law may require).

11.5 **Modification of Rights Not Waiver of Termination Rights.** In lieu of termination, we will have the right to modify your rights under this Agreement as provided in Section 11.3; and if we exercise that right, we will not have waived our right, in the case of future defaults, to exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

11.6 **Your Obligations on Termination or Expiration.** Upon termination or expiration of this Agreement, you will have no right to establish or operate any Franchised Business for which a Franchise Agreement has not been executed by us at the time of termination or expiration, except that with respect to expiration of the end of the last development year, if you have signed a lease by the expiration date, you may continue to open a Franchised Business within four (4) months of the lease signing as provided in Section 3.1.1. Thereafter, we are entitled to establish, and to franchise others to establish, Franchised Businesses in the Multi-Unit Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between you and us).

11.7 **Effect of Default on Franchise Agreements.** No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

11.8 **Remedy Is Not Exclusive.** No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

## 12. Relationship and Indemnification

12.1 **Independent Parties.** You are and will at all times remain an independent contractor, and you may not and will not represent yourself to be our agent, joint venturer, partner or employee, or to be related to us other than as our independent multi-unit developer. You may not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with us, and we will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by you to any other person nor with respect to any other action you take. You may not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in our name or on our credit. No acts of assistance given by us to you shall be construed so as to alter this relationship. You will be solely responsible for paying all the operating costs of your development business, including all taxes.

12.2 **Your Liability.** If two (2) or more individuals execute this Agreement as the Multi-Unit Developer, the liability of each such individual hereunder shall be joint and several.

12.3 **Non-Liability.** We will not be obligated or liable for any injury or death of any person or damage to any property caused by your action, failure to act, negligence or willful conduct, nor for any other liability you incur.

12.4 **Your Indemnity Obligation.** You agree to indemnify, hold harmless and, upon request, defend us, our Affiliates, and their respective officers, directors, owners, shareholders, managers, employees and agents (hereinafter each an “**Indemnified Party**” and jointly the “**Indemnified Parties**”), from and against all losses, suits, proceedings, arbitrations, claims, damages (direct, consequential, or otherwise), demands, causes of action, liabilities, fines, penalties, costs or expenses (including reasonable attorney’s fees, expenses, or costs, including, but not limited to, any expert fees, costs, and/or expenses) of whatever kind and nature, directly or indirectly arising in whole or in part out of: (a) any default or breach by you of any obligation contained in any agreement with any Indemnified Party; (b) any act, failure to act, negligence, or willful conduct at or in connection with your multi-unit development business; (c) your operation of your multi-unit development business; (d) any allegation of agency or other alleged legal relationship by which any Indemnified Party is being held or might be held responsible for your acts or omissions; (e) your use of the Licensed Marks; (f) the violation of any federal, state, municipal or local law, rule, regulation, court order, ordinances, government directive or the like by you; (g) all taxes, levies, or assessments incurred and owed by you of whatever kind and nature; (h) the revocation of any prior approval to use or display, or the loss of any right to use or display, any or all of the Licensed Marks; (i) the investigation by any Indemnified Party of any claim, suit, proceeding, demand, and/or cause of action, (j) or any other act or omission of you, your customers, or any of your agents, employees, contractors, invitees, licensees, or business associates, except such as may be due to the negligence of the Indemnified Parties.

You agree that the defense obligation in this Section will be immediate and ongoing, regardless of any ultimate allocation of negligence or other form of liability.

To the extent to which you are required hereunder to provide any Indemnified Party with a defense as set forth in this Agreement, the Indemnified Parties shall have the sole and absolute right to

select counsel to represent the Indemnified Party(ies) at your sole expense, and the Indemnified Parties shall have the sole and absolute right to direct the defense of the Indemnified Parties and/or the settlement of any such claim or suit on behalf of the Indemnified Parties.

In the event that the Indemnified Parties, in their sole and absolute discretion, allow you to select counsel to represent both you and the Indemnified Parties pursuant to this Agreement and the representation of you and the Indemnified Parties by the same counsel would be or becomes a conflict of interest for such counsel, the Indemnified Parties may select independent counsel to represent it or them without relieving you of your obligations of indemnification and defense as set forth in this Agreement.

You shall provide prompt, written notice to Indemnified Parties of any claim, suit, or proceeding, including, but not limited to, any arbitration, lawsuit, or any action taken by any local, municipal, state, or federal government or any local, municipal, state, or federal governmental agency, that names any Indemnified Party as a party and/or that could actually or potentially involve any Indemnified Party in any way.

The provisions in this Section survive the expiration, transfer and termination of this Agreement.

### **13. Dispute Resolution**

13.1 ***Resolution of Disputes.*** Any dispute between you and us arising out of the relationship created by this Agreement shall be subject to the dispute resolution provisions set forth below.

13.2 ***Mediation.*** In the event of any dispute, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to its procedures, or any other mediation service mutually agreed to by the parties according to the procedures of such other mediation service.

The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation.

All mediation proceedings shall take place in the county and state where we have our principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

The commencement of any dispute resolution procedure shall not act to prevent us from instituting or proceeding with any action which may be the subject of the dispute.

13.3 ***Venue.*** You agree that we may institute any action against you arising out of or relating to this Agreement in any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which we have our principal place of business, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

13.4 ***Business Judgment.*** The parties hereto recognize, and any mediator, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe our right to take (or refrain from taking) certain actions in the exercise of our business judgment based on our assessment of the

overall best interests of the System and/or franchise network. Where such discretion has been exercised, and is supported by our business judgment, neither a mediator nor an arbitrator nor a judge shall substitute his or her judgment for the judgment so exercised by us.

13.5 **Limitations Period.** Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the parties hereto, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim.

13.6 **No Punitive, Exemplary or Consequential Damages.** EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO SECTION 12.4 AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, YOU AND WE AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND/OR TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

13.7 **No Jury Trial.** YOU, WE AND YOUR OWNERS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

13.8 **Attorneys' Fees.** The prevailing party in any litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

13.9 **No Class Actions.** Any disagreement between you and us (and our Affiliates and owners) will be considered unique as to its facts and must not be brought as a class action, and you waive any right to proceed against us (and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff consolidated or collective action.

## 14. General

14.1 **Compliance with Laws.** You and your Owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. You represent and warrant that neither you nor any of your direct or indirect Owners, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("**Anti-Terrorism Laws**"). You and your Owners may not engage in any activity that would expose us to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of you or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.



14.2 **Severability of Provisions.** Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

14.3 **Counterparts.** This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original.

14.4 **Force Majeure.** Neither party will be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds one hundred twenty (120) days, we have the right to terminate this Agreement.

14.5 **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon us, you, your Owners and their respective heirs, legal representatives, successors and permitted assigns.

14.6 **Delegation of Performance.** We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third parties, who may or may not be our Affiliates. Such third parties will be obligated to perform all functions for you in compliance with this Agreement.

14.7 **Survival.** All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

14.8 **Notices.** All notices, consents and approvals (a “Notice”) permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if set forth in writing and delivered either (i) personally; (ii) by certified or registered mail; or (iii) by overnight courier service, if to us addressed as follows:

Crunch Franchising, LLC  
1 Harbour Place  
Suite 230  
Portsmouth, NH 03801  
Attention: CEO

and if to you addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Any Notice so given or made shall be deemed to have been given and delivered or made and received at the earlier of actual receipt or one (1) business day after sending by overnight courier service, or at the earlier of actual receipt or three (3) business day after sending certified or registered mail. Any party from time to time by Notice in writing given pursuant to the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

14.9 **Right of Set-off.** Notwithstanding any other provision of this Agreement, upon your failure to pay us as and when due any sums of money under this Agreement or any other amounts owing to us, we may, at our election, deduct any and all such sums remaining unpaid from any monies or credit held by us for your account.

14.10 **Not Withhold Payment.** You agree that you will not on the grounds of the alleged non-performance by us of any of our obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to us whether on account of equipment or goods purchased by you or otherwise.

14.11 **Non-Waiver.** The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. Our acceptance of payments due under this Agreement shall not constitute a waiver of any preceding breaches by you.

14.12 **Applicable Law.** This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles. Notwithstanding the foregoing, if the covenants in Section 9 of this Agreement would not be enforceable under the laws of New Hampshire, and the Franchised Business is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 14.11 is intended by the parties to subject this Agreement to any franchise or similar law, rule or regulation of the State of New Hampshire to which this Agreement would not otherwise be subject. If applicable law provides you with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, we will comply with the requirements of such laws to the extent they exceed our obligations under this Agreement.

14.13 **Our Rights are Cumulative.** Our rights under this Agreement are cumulative and no exercise or enforcement by us of any right or remedy under this Agreement shall preclude the exercise or enforcement by us of any other right or remedy under this Agreement or which we are otherwise entitled by law to enforce. At our option, a default by you under this Agreement shall constitute a default by you under any other agreement between the parties, including franchise agreements entered into pursuant to this Agreement between us and you or your affiliated entities, and the default by you under any other agreement shall constitute a default by you under this Agreement.

14.14 **No Third Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

14.15 **Approvals or Consents.** Requests by you for approvals or consents shall be in writing and shall be timely made. Approvals and consents by us shall not be effective unless in writing and duly executed by us. Except as expressly provided to the contrary herein, we may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and shall not be required to show “reasonableness” or to comply with any other standard in connection herewith.

14.16 **Effect of Standards.** Our specifications of the System shall not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. We will not be liable to you or others on account of the specifications of the System, including the operation of the Franchised Business pursuant to the System.

14.17 **Construction.** You acknowledge that you had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement will be construed according to its plain meaning and neither for nor against either party hereof regardless of which party’s counsel drafted the provision.

14.18 **Further Assurances.** The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

14.19 **Entire Agreement.** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of this business relationship defined in this Agreement. Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that they have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise or development rights or offer of franchise or development rights have been promised to you and no such franchise or development rights or offer of franchise or development rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise or development rights and specifically identified as a modification of this Agreement.

14.20 **Amendments.** No change, modification, amendment or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first written above.

Multi-Unit Developer:

Franchisor:

\_\_\_\_\_

**CRUNCH FRANCHISING, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

### Owners' Acknowledgment

Each following party is mentioned in this Agreement as having certain rights and/or duties as an Owner of Multi-Unit Developer. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an Owner mentioned in this Agreement.

Owner:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_

Owner:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_

**Exhibit 1**

**MULTI-UNIT DEVELOPMENT SCHEDULE**

You must develop \_\_\_\_ ( ) Franchised Business(es) within \_\_\_\_ ( ) years, at a rate of signing \_\_\_\_ health club lease(s) per 12-month period starting on the Effective Date and the anniversary thereof (each, a “**Development Year**”), with one health club in each of the following Trade Areas (collectively, the “**Multi-Unit Area**”)\*:

- Trade Area 1 \_\_\_\_\_ . Type of Crunch club: \_\_\_\_\_
- Trade Area 2 \_\_\_\_\_ . Type of Crunch club: \_\_\_\_\_
- Trade Area 3 \_\_\_\_\_ . Type of Crunch club: \_\_\_\_\_
- Trade Area 4 \_\_\_\_\_ . Type of Crunch club: \_\_\_\_\_
- Trade Area 5 \_\_\_\_\_ . Type of Crunch club: \_\_\_\_\_

**[Add or subtract Trade Areas as necessary]**

**Note:**

\*Under Section 3.1.1, each Franchised Business must be open within four (4) months after a lease is signed.

**Multi-Unit Fee:**

\$ \_\_\_\_\_

**Royalty Percentage:**

The Royalty percentage for each Franchise Agreement to be signed will be five percent (5%) of Gross Sales.

Multi-Unit Developer:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Franchisor:

**CRUNCH FRANCHISING, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**Exhibit 2**

**OWNERS OF MULTI-UNIT DEVELOPER**

<b>Name of Owner</b>	<b>Nature of Interest</b>	<b>Beneficial Interest in Multi-Unit Developer</b>
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
<b>Totals</b>		<b>100%</b>

### Exhibit 3

#### OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of the Multi Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Multi-Unit Development Agreement**") by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company ("**Franchisor**"), and \_\_\_\_\_ ("**Multi-Unit Developer**"), the undersigned hereby personally and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the term of the Multi-Unit Development Agreement and thereafter, as provided in the Multi-Unit Development Agreement, that Multi-Unit Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Multi-Unit Development Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Multi-Unit Development Agreement (collectively, the "**Multi-Unit Development Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Multi-Unit Development Documents applicable to Owners of Multi-Unit Developer.

The undersigned waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Multi-Unit Developer or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

- (1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Multi-Unit Developer's obligations;
- (2) the undersigned shall render any payment or performance required under the Agreement upon demand if Multi-Unit Developer fails or refuses punctually to do so;
- (3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Multi-Unit Developer as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
- (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Multi-Unit Developer or any other person; and



- (5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time to time grant to Multi-Unit 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, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Multi-Unit Development Documents, as the same may be amended or renewed, until Multi-Unit Developer's duties and obligations to Franchisor are fully discharged and satisfied; and
- (6) shall pay Franchisor's court costs and reasonable attorney's fees in enforcing or collecting on this Guaranty.

All capitalized terms when used herein shall have the meaning ascribed to them in the Multi-Unit Development Agreement.

This Owner's Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

WITNESS(ES):

GUARANTOR(S):

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**Exhibit 4**

**FRANCHISE AGREEMENT**

**[The form of Franchise Agreement included in Exhibit C of the Franchise Disclosure Document will be attached here.]**

**EXHIBIT 5**

**STATE AMENDMENT TO  
MULTI-UNIT DEVELOPMENT AGREEMENT**

[Use for the following states: Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia, Washington]

[delete if not applicable]

**EXHIBIT H**

**STATE SPECIFIC AMENDMENTS TO  
MULTI-UNIT DEVELOPMENT AGREEMENT**

**ILLINOIS AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the “Act”) and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. Illinois law shall supersede any provisions of the Multi-Unit Development Agreement or New Hampshire law which are in conflict with the law.

2. Nothing in Section 14.11 of the Multi-Unit Development Agreement waives any rights Multi-Unit Developer may have under Section 41 of the Illinois Franchise Disclosure Act of 1987, which provides:

“Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

3. Section 13.3 of the Multi-Unit Development Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

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

Franchisor:

CRUNCH FRANCHISING, LLC

Multi-Unit Developer:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**MARYLAND AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the “Act”) and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Multi-Unit Developer hereby agree that the Multi-Unit Development Agreement dated \_\_\_\_\_, 20\_\_\_, will be amended as follows:

1. The following language is added to Section 10.2.4 of the Multi-Unit Development Agreement dealing with “Transfer by You”:

“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. The following language is added to the end of Section 13.3 of the Multi-Unit Development Agreement dealing with “Venue”:

“You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.”

3. The following language is added to the end of Section 13.5 of the Multi-Unit Development Agreement dealing with “Limitations Period”:

“All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.”

4. Sections 1.3, dealing with the Multi-Unit Developer”, and 14.18, dealing with the “Entire Agreement”, of the Multi-Unit Development Agreement and the Franchisee Disclosure Document are amended to state:

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

5. Section 5.1 of the Multi-Unit Development Agreement is amended by adding the following sentence:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement. In addition, all development fees and initial payments by multi-unit developers shall be deferred until the first franchise under the multi-unit development agreement opens.”

IN WITNESS WHEREOF, Franchisor and Multi-Unit Developer have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**MINNESOTA AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Multi-Unit Development Agreement as of the day and year set forth above.

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_



By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NEW YORK AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the “Act”) and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. Franchisor and Multi-Unit Developer are parties to that certain Multi-Unit Development Agreement that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Multi-Unit Development Agreement. This Rider is being signed because: (a) you are a resident of the State of New York and your franchise will operate in New York; and/or (b) the offer or sale of the franchise occurred in New York.

2. The following is added as a new Section 11.1 of the Multi-Unit Development Agreement:

“You may terminate this Agreement upon any grounds available at law.”

3. The following is added to Section 14.11 of the Multi-Unit 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 and the regulations issued thereunder.”

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

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NORTH DAKOTA AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. Section 11.6 of the Multi-Unit Development Agreement is amended as follows:

“Remedies Upon Termination. If the Agreement is terminated, and in addition to your obligations as otherwise provided herein, we will retain the full amount of any fees heretofore paid to us and you will continue to remain liable to us for any and all damages which we have sustained or may sustain by reason of such default or defaults and the breach of the Agreement on your part for the unexpired Term of the Agreement.”

2. Section 13.3 of the Multi-Unit Development Agreement is deleted.

3. Section 13.6 of the Multi-Unit Development Agreement is deleted.

4. Section 13.7 of the Multi-Unit Development Agreement is deleted.

5. Section 13.8 of the Multi-Unit Development Agreement is amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

6. The laws of the State of North Dakota supersede any provisions of the Multi-Unit Development Agreement, the other agreements or New York law if such provisions are in conflict with North Dakota law.

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

Franchisor:

CRUNCH FRANCHISING, LLC

Multi-Unit Developer:

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the “Act”) and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, 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.”

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**VIRGINIA AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the “Act”) and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Sections 11.2, 11.3. and 11.4 of the Multi-Unit Development Agreement are amended by adding the following language:

“§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause.”

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**WASHINGTON AMENDMENT  
TO MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the “Act”) and is for the purpose of complying with Washington statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Multi-Unit Development Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Multi-Unit Development Agreement will be amended as follows:

1. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

2. The State of Washington has a statute, RCW 19.100.180, which may supersede the Multi-Unit Development Agreement in your relationship with 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 Franchisor including the areas of termination and renewal of your franchise.

3. A release or waiver of rights executed by a Multi-Unit Developer shall 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

5. 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.

6. 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.

7. 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.

8. The undersigned hereby acknowledges receipt of this amendment.

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Multi-Unit Developer:

CRUNCH FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**EXHIBIT I**  
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**OF OPERATIONS MANUAL**

# **OPERATIONS MANUAL**

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<b>Total</b>	<b>204</b>

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<b>Total</b>	<b>158</b>

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<b>Total</b>	<b>62</b>

**EXHIBIT J**  
**CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (“Agreement”), dated \_\_\_\_\_, \_\_\_\_\_, is made by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company, with its principal office at 1 Harbour Place, Suite 230, Portsmouth, NH 03801 (Franchisor”), and \_\_\_\_\_, located at \_\_\_\_\_ (“Recipient”).

### Recitals

On \_\_\_\_\_, \_\_\_\_\_, Franchisor and \_\_\_\_\_ (“Franchisee”) entered into a Franchise Agreement to operate a Crunch health club (the “Franchised Business”) at \_\_\_\_\_ (“Franchise Agreement”). Recipient is either an Owner of Franchisee, or one of Franchisee’s shareholders, partners, members, officers, directors, managers, employees or agents.

Under the Franchise Agreement, Franchisor has agreed to provide Confidential Information, as that term is defined in the Franchise Agreement and below, to Franchisee solely on the condition that Franchisee and the Owners of Franchisee agree that Franchisee (if an individual), its Owners (if an entity), officers, directors, members, partners, managers, employees and agents who have access to such Confidential Information sign a Confidentiality Agreement. Recipient agrees that the Confidential Information is being disclosed to him or her under the terms and conditions of this Agreement.

The Franchise Agreement also requires each of Franchisee’s shareholders, partners, members, officers, directors, managers, employees and agents to sign a covenant not to compete.

### Terms and Conditions

NOW, THEREFORE, in consideration of the covenants and the promises herein contained, the parties agree as follows:

1. Recipient acknowledges and agrees that all Confidential Information he or she receives from Franchisor is confidential and proprietary information and trade secrets in which Franchisor has a proprietary interest. “Confidential Information” includes, by way of example, but not limitation, certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including the System Standards and the contents of the Operations Manual. Recipient will not acquire any interest in the Confidential Information learned by Recipient other than the right for Recipient to utilize the same in connection with ownership and/or operation of the its Franchised Business during the Initial Term of the Franchise Agreement and any Renewal Term, and the use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with Franchisor, its affiliates, and Franchisor’s other franchisees.

2. Franchisor is disclosing the Confidential Information to Recipient solely on the condition that Recipient agree, and Recipient hereby agrees, that any Confidential Information received from Franchisor (a) shall only be used by Recipient for purposes of performing the Franchise Agreement, (b) will not be used by Recipient in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by Recipient both during and after the Initial Term of the Franchise Agreement and any Renewal Term, (d) will not be copied by Recipient without written authorization, and (e) will not be disclosed by Recipient to any third party without the prior written consent of Franchisor. Recipient agrees to use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further agrees to limit the dissemination of the Confidential Information within its own organization to individuals

whose duties justify the need to know such Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Each other person receiving the Confidential Information must also sign a copy of this Agreement.

3. Recipient acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Recipient is completely within the discretion of Franchisor.

4. Recipient hereby agrees that any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of the System or any Licensed Mark (collectively, a **“Business Improvement”**) made by Franchisee or its employees or Owners shall be the sole and exclusive property of Franchisor, regardless of Franchisee’s, its employee’s or the Owners’ participation or sole participation in its development, and shall be deemed assigned to Franchisor. Upon Franchisor’s request, Recipient shall, and shall cause his/her employees and all owners to, execute any instruments and documents that Franchisor requests and shall assist Franchisor to perfect or protect all intellectual property rights in such Business Improvement. Recipient shall not be entitled to any compensation for the use or licensing of any Business Improvement.

5. Upon termination or expiration of the Franchise Agreement, or earlier if requested by Franchisor, Recipient will return all Confidential Information and the Operations Manual (including any copies thereof that Franchisor may have permitted Recipient to make) to Franchisor.

6. Recipient shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt.

7. Recipient acknowledges and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in monetary damages if Recipient discloses or misuses any Confidential Information. Accordingly, in the event of a breach of this Agreement by Recipient, Recipient consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. Recipient agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

8. Recipient hereby agrees to indemnify, hold harmless and, upon request, defend Franchisor and its affiliates, and their respective members, owners, shareholders, directors, officers, managers, employees and agents (the **“Indemnified Parties”**), from and against all suits, proceedings, assessments, losses, claims, demands or actions of any nature or kind whatsoever (**“Claims”**), directly or indirectly arising out of, or in any manner whatsoever associated or connected with the failure of Recipient to observe and perform his or her duties and obligations under this Agreement, and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

9. All terms not otherwise defined in this Agreement shall have the same meanings as the defined terms in the Franchise Agreement.

10. This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of California, without giving effect to its conflicts of law principles.

11. This Agreement together with the Franchise Agreement constitutes the entire agreement and understanding among the parties hereto with respect to the disclosure of Confidential Information to Recipient and Recipient's non-competition obligations, and shall not be amended except under a written agreement executed by each of the parties hereto. This Agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day, month, and year first above written.

Recipient:

\_\_\_\_\_

Print Name: \_\_\_\_\_

Position with Franchisee: \_\_\_\_\_

Franchisor:

CRUNCH FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_



**EXHIBIT K**  
**GENERAL RELEASE**

[If only the Franchisee is signing the Release, the language in bold and brackets referring to the Owner(s) should be deleted. If both Franchisee and its Owner(s) are signing the Release, the above referenced language should be left in the release, but should be taken out of the brackets and the bold type should be replaced by normal type.]

## GENERAL RELEASE

This GENERAL RELEASE (“Release”) is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_ **[Name of franchisee]** (“Franchisee”), **[and \_\_\_\_\_ [Name of owner(s), (“Owner(s)”)]**, with reference to the following facts:

The undersigned Franchisee is a signatory to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (“Franchise Agreement”) by and between CRUNCH FRANCHISING, LLC (“Franchisor”) and Franchisee granting Franchisee the right to use the Franchisor’s System and trademarks to operate the Franchised Business at a specific location.

**[The undersigned Owner is an owner of the Franchisee.]**

Franchisee **[and Owner each]** agrees that all capitalized terms in this Release shall have the meaning that is ascribed to them in the Franchise Agreement. This Release is being executed by the Franchisee **[and the Owner]** pursuant to the requirements of the Franchise Agreement. Franchisee **[and Owner each]** understands and agrees that execution of this Release is a condition of Franchisee’s rights under the Franchise Agreement **[to renew the Franchise Agreement] [to transfer the Franchise Agreement]** and that Franchisee’s **[or Owner’s]** failure or refusal to execute this Release would result in Franchisee’s breach of the Franchise Agreement. In consideration of the rights granted by the Franchise Agreement, Franchisee **[and Owner each]** executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, FRANCHISEE **[AND OWNER EACH]** AGREES AS FOLLOWS:

1. General Release. Franchisee **[and Owner each]** hereby releases and forever discharges Franchisor and its members, managers, officers, directors, owners, principals, managers, employees, affiliates, successors and assigns (collectively the “Released Parties”), from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which Franchisee **[or Owner]** ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as “Claims”). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with the Franchise Agreement, any other agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, **[neither]** Franchisee **[nor Owner]** shall have any Claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release.

2. Waiver of Rights. This Release is intended by Franchisee **[and Owner]** to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee **[or Owner]** against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein.

Franchisee **[and Owner each]**, for itself, himself or herself, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee **[or Owner, as the case may be]** would be entitled, now or at any time hereafter under the statutory or common law of the state where the Franchised Business is located, whether now or hereinafter existing under the laws of the state where the Franchised Business is located, or any other applicable federal and state law with jurisdiction over the parties relationship.

**[ALTERNATE PROVISION FOR CALIFORNIA FRANCHISEES ONLY]**

3. Waiver of Civil Code Section 1542. This Release is intended by Franchisee **[and Owner]** to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee **[and Owner]** against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee **[and Owner each]** hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee **[or Owner, as the case may be]** would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to Section 1542, whether now or hereinafter existing under the laws of California, or any other applicable federal and state law with jurisdiction over the parties' relationship. Franchisee **[and Owner each]** acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor.”

In making this voluntary express waiver, Franchisee **[and Owner each]** acknowledges that Claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is the intention of Franchisee **[and Owner, respectively]** to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered Claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Franchisee **[and Owner each]** acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

4. Release Not Admission. Franchisee **[and Owner each]** understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any Claims made by or against Franchisor.

5. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

6. No Prior Assignments. Franchisee **[and Owner each]** represents and warrants that Franchisee **[and Owner]** has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

7. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

8. Controlling Law. This Release shall be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.

IN WITNESS WHEREOF, Franchisee **[and Owner each]** has executed this Release on the date first shown above.

Franchisee:

\_\_\_\_\_

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Its:

\_\_\_\_\_

**[Owner:**

\_\_\_\_\_  
**(Signature)**

\_\_\_\_\_  
**(Print Name)]**

**EXHIBIT L**  
**LIST OF FRANCHISEES**

**Franchisees as of December 31, 2022**

**Crunch Fitness Locations**

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Premier Fitness LLC*	509 Highway 119 South	Alabaster	AL	35007	205-876-6163
Fitness Ventures Auburn LLC**	1716 Opelika Road	Auburn	AL	36830	334-787-9400
Fitness Ventures, Inc.**	1419 Glenn St Sw	Decatur	AL	35603	256-445-4625
UFI-Dothan LLC**	3850 W Main St	Dothan	AL	36305	334-219-0189
HD Family Enterprise LLC**	1832 Darby Drive	Florence	AL	35630	256-284-2224
UFI-Mobile Springdale LLC**	3250 Airport Blvd	Mobile	AL	36606	251-298-7435
UFI Montgomery LLC**	1580 Eastern Blvd	Montgomery	AL	36117	334-593-9711
Fitness Ventures** Tuscaloosa LLC	3325 Mcfarland Blvd E	Tuscaloosa	AL	35405	205-737-0738
Premier Fitness LLC*	1694 Montgomery Hwy	Vestavia Hills	AL	35216	205-876-6669
Fitness Ventures Fayetteville, LLC.**	4201 N. Shiloh Dr.	Fayetteville	AR	72703	479.309.0399
CF AZ 2 LLC**	10050 W McDowell Rd Suite 120	Avondale	AZ	85392	352-321-7789
Pivotal Fitness 1 LLC *	855 North Gilbert Rd	Gilbert	AZ	85234	430-935-6825
CF AZ 1 LLC**	1818 W Bell Rd	Phoenix	AZ	85023	602-346-0463
SIR Fitness Garden Grove LLC**	9822 Katella Ave	Anaheim	CA	92804	714-462-3611
Bakersfield Fitness LLC	2401 N Chester Ave	Bakersfield	CA	93308	661-246-1611
SIR Fitness Holdings, LLC	6025 Village Way	San Diego	CA	92130	858-925-2010
Cerritos Fitness and Health LLC**	11881 Del Amo Blvd	Cerritos	CA	90703	562-741-5321
Chatsworth Health and Fitness LLC**	20914 Nordhoff St	Chatsworth	CA	91311	818-775-0300
Chino Fitness LLC**	5420 Philadelphia St	Chino	CA	91710	909-287-3808
Jeff Clark and Hector Troncoso**	851 Showroom Pl Ste 104	Chula Vista	CA	91914	619-754-6812
Jem CF Citrus Heights, LLC**	6124 San Juan Ave	Citrus Heights	CA	95610	916-936-6500
Jeff Clark, Ray Chung, David Lawver**	284 W Shaw Ave	Clovis	CA	93612	559-322-0700
Corona Health & Fitness LLC**	1292 Border Ave	Corona	CA	92882	951-420-0570

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Diamond Bar Fitness LLC**	1132 S Diamond Bar Blvd	Diamond Bar	CA	91765	909-444-0142
CFG Jamacha LP**	522 Jamacha Rd	El Cajon	CA	92019	619-579-1818
JEM CF Elk Grove, LLC**	9661 E Stockton Blvd	Elk Grove	CA	95624	916-236-3474
Bay Area Crunchers*	649 Beck Ave	Fairfield	CA	94533	707-348-4488
JEM CF Folsom, LLC**	1010 E Bidwell St	Folsom	CA	95630	916-527-1190
SIR Fitness Fountain Valley LLC**	18081 Magnolia St	Fountain Valley	CA	92708	714-963-2050
Figarden Venture Fit LLC**	6350 W Figarden Dr	Fresno	CA	93722	559-422-7222
JEM CF Granite Bay, LLC**	4130 Douglas Blvd, Sierra Oaks Plaza Center	Granite Bay	CA	95746	916-677-6860
SIR Fitness Huntington Beach LLC**	5894 Edinger Ave	Huntington Beach	CA	92649	714-316-0110
La Mirada Health & Fitness LLC*	12805 Valley View Ave	La Mirada	CA	90638	562-315-7007
Worldwide Fitness Solutions Inc.**	1473 Foothill Blvd	La Verne	CA	91750	909-256-7001
Lakewood Fitness LLC**	5815 Bellflower Blvd	Lakewood	CA	90713	562-262-0404
Lancaster Fitness LLC*	1020 Commerce Center Dr	Lancaster	CA	93534	661-522-9587
Worldwide Fitness Solutions Inc.**	4280 Long Beach Blvd Ste Tbd	Long Beach	CA	90807	562-472-1780
Oceangate Fitness LLC**	100 Oceangate	Long Beach	CA	90802	562-453-1030
Moreno Valley Fitness**	22500 Town Cir	Moreno Valley	CA	92553	951-616-1002
Murrieta Fitness LLC**	40545 California Oaks Rd Ste C-2	Murrieta	CA	92562	951-834-1767
Northridge Fitness LLC**	10155 Reseda Blvd	Northridge	CA	91324	818-435-7545
Universal Fitness Club Norwalk LLC**	11029 Alondra Blvd	Norwalk	CA	90650	562-741-5331
SIR Fitness Holdings, LLC*	1767 Oceanside Blvd	Oceanside	CA	92054	760-206-7870
X1 Enterprises Inc **	2210 E Palmdale Blvd	Palmdale	CA	93550	661-266-3200
SIR Fitness Holdings, LLC*	1882 N Placentia Ave	Placentia	CA	92870	714-996-800
Rancho Cucamonga Fitness LLC**	12739 Foothill Blvd	Rancho Cucamonga	CA	91739	909-689-8150
Worldwide Fitness Solutions Inc**	7960 Limonite Ave	Riverside	CA	92509	951-934-7007
JEM CF Rocklin, LLC**	6680 Lonetree Blvd	Rocklin	CA	95765	916-259-1599
JEM CF Arden Fair, LLC**	1250 Howe Ave	Sacramento	CA	95825	916-333-3209

Franchisee	Street Address	City	State	Zip Code	Telephone Number
SIR Fitness San Clemente, LLC*	638 Camino De Los Mares	San Clemente	CA	92673	949-661-6060
SIR Fitness Holdings, LLC*	5871 University Ave	San Diego	CA	92115	619-762-3773
CFG 1 LP**	3270 Greyling Dr	San Diego	CA	92123	858-429-4010
San Dimas Fitness LLC**	186 Village Ct Ste A	San Dimas	CA	91773	909-895-3180
Bay Area Crunchers*	375a N Capitol Ave	San Jose	CA	95133	707-348-4488
Bay Area Crunchers LLC*	177 Lewelling Blvd	San Lorenzo	CA	94580	510-924-4200
ML Fitness Solutions LLC**	18655 Soledad Canyon Rd	Santa Clarita	CA	91351	661-425-4576
Santa Maria Fitness LLC**	286 Town Ctr E Ste K69	Santa Maria	CA	93454	805-621-7470
Bay Area Crunchers LLC*	Setup-03838	Santa Rosa	CA	95401	707-271-7187
Chatsworth Fitness LLC**	2655 Erringer Rd	Simi Valley	CA	93065	805-522-5454
Mojo Fitness Inc**	1155 E March Ln	Stockton	CA	95210	209-213-3333
Bay Area Crunchers LLC*	1651 Hollenbeck Ave	Sunnyvale	CA	94087	669-263-9343
SIR Fitness LLC**	502 E 1st St Ste B	Tustin	CA	92780	714-734-2350
Van Nuys Fitness LLC**	6723 Van Nuys Blvd	Van Nuys	CA	91405	818-742-6044
SIR Fitness Vista LLC**	225 Vista Village Dr Ste 310-B	Vista	CA	92083	760-477-4000
Temecula Valley Fitness LLC**	36580 Penfield Ln	Winchester	CA	92596	951-926-8886
Fitness Ventures Boulder LLC**	1850 30th St	Boulder	CO	80301	720-927-2400
North Colorado Springs Health and Fitness LLC**	5620 N Academy Blvd	Colorado Springs	CO	80918	719-265-6565
Colorado Fitness Holdings LLC**	1801 S Academy Blvd	Colorado Springs	CO	80916	719-310-1760
Fitness Ventures Fort Collins, LLC **	2201 S College Ave	Fort Collins	CO	80525	970-795-0300
Arapahoe Fitness LLC**	8527 East Arapahoe Rdarapahoe Shopping Center	Greenwood Village	CO	80112	720-399-6184
Fitness Holdings Norwalk LLC*	770 Connecticut Ave	Norwalk	CT	06854	646-722-9455
Waterbury Fitness Club LLC*	921 Wolcott Street	Waterbury	CT	06705	203-437-8906
PEA Fitness LLC*	1380 Berlin Tpke	Wethersfield	CT	06109	860-246-3600



<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Brian & Kimberly McNett	3306 Bonita Beach Rd	Bonita Springs	FL	34134	239-908-9768
TVJ Lakewood Ranch, LLC**	8265 Heritage Green Way	Bradenton	FL	34212	321-326-8977
Crunch Bradenton, LLC**	4836 14th St W	Bradenton	FL	34207	941-232-7129
CR Fitness Brandon LLC**	1602 W Brandon Blvd	Brandon	FL	33511	813-461-6459
CR Fitness Cape Coral, LLC**	58 Nicholas Parkway	Cape Coral	FL	33991	321-326-8977
CR Fitness Casselbury LLC**	1040 Sr 46	Casselberry	FL	32707	321-316-3931
TVJ Countryside LLC**	2591 State Road 580 Fl 580	Clearwater	FL	33761	727-509-3033
CR Fitness Cutler Bay, LLC**	20505 South Dixie Highway	Cutler Bay	FL	33189	321-326-8977
JG Fitness Daytona, LLC*	290 N Nova Road,	Daytona Beach	FL	32117	501-291-1808
RJDJ Enterprises LLC*	1200 Deltona Blvd Ste 40b	Deltona	FL	32725	386-259-5551
Brian & Kimberly McNett	16230 Summerlin Rd Ste 212	Fort Myers	FL	33908	239-208-4253
Fitness Ventures – Gainesville, LLC**	2002 Sw 34th St	Gainesville	FL	32608	352-415-3900
CR Fitness Greenacres, LLC**	6846 Forest Hills Blvd	Green Acres	FL	33413	321-326-8977
Jacksonville Gym Holdings, LLC*	13475 Atlantic Blvd	Jacksonville	FL	32225	904-328-3439
CR Fitness Kissimmee LLC**	850 W Osceola Parkway	Kissimmee	FL	34741	407-214-6607
CR Fitness Lakeland LLC**	5218 S Florida Ave	Lakeland	FL	33813	863-677-9200
CR Fitness Land O' Lakes LLC**	2126 Collier Pkwy	Land O Lakes	FL	34639	813-499-0151
CR Fitness Melbourne LLC**	4850 North Wickham Rd	Melbourne	FL	32940	321-326-8977
CR Fitness Melbourne LLC**	1257 W New Haven Avenue	Melbourne	FL	32904	321-326-8977
Naples Fitness LLC	6013 Pine Ridge Rd	Naples	FL	34119	813-927-6928
CR Fitness Trinity LLC**	7423 State Road 54	New Port Richey	FL	34653	727-232-4198
De Liu LLC**	3400 N Andrews Ave	Oakland Park	FL	33309	954-652-1221
JG Fitness Orange Park LLC*	1919 Wells Rd	Orange Park	FL	32073	904-274-0288
TVJ Oviedo LLC**	4400 Hoffner Ave	Orlando	FL	32812	813-381-4106

Franchisee	Street Address	City	State	Zip Code	Telephone Number
CR Fitness Colonial LLC**	3222 E Colonial Dr	Orlando	FL	32803	321-231-7436
TVJ SE Orlando, LLC**	11926 Narcoossee Rd Ste 100	Orlando	FL	32832	407-313-2239
CR Fitness Palm Beach, LLC**	4200 Northlake Blvd	Palm Beach Gardens	FL	33410	321-326-8977
Ayala Management LLC**	10121 Pines Blvd	Pembroke Pines	FL	33026	954-374-8604
TVJ Riverview, LLC**	10615 Big Bend Rd	Riverview	FL	33579	813-488-1118
CR Fitness St. Petersburg Northeast, LLC**	200 37th Avenue North	Saint Petersburg	FL	33704	321-326-8977
Crunch Sarasota, LLC**	8440 Lockwood Ridge Rd	Sarasota	FL	34243	941-355-1908
Crunch Sarasota, LLC**	3762 Bee Ridge Rd	Sarasota	FL	34233	941-923-4653
TVJ Seminole, LLC**	10781 Park Blvd	Seminole	FL	33772	813-284-7777
CR Fitness Holdings LLC**	2508 Se Federal Hwy	Stuart	FL	33510	321-326-8977
Fitness Ventures Tallahassee, LLC**	1525 W Tharpe St	Tallahassee	FL	32303	407-862-5743
CR Fitness Tamarac LLC**	4017 W Commercial Blvd	Tamarac	FL	33319	321-326-8977
TVJ Hillsborough, LLC**	4340 W Hillsborough Ave Ste 600hillsborough	Tampa	FL	33614	813-563-6568
TVJ South Dale, LLC*	4055 S Dale Mabry Hwy	Tampa	FL	33611	813-284-7777
VRJ Carrollwood, LLC**	15798 N Dale Mabry Hwy	Tampa	FL	33618	813-304-2491
TVJ Tampa Palms, LLC**	15313 Amberly Dr	Tampa	FL	33647	813-579-3692
TVJ Downtown Tampa, LLC**	1120 E Kennedy Blvd Unit 123	Tampa	FL	33602	813-443-9102
VRJ Brandon, LLC**	3236 Lithia Pinecrest Rd	Valrico	FL	33596	813-381-4106
CR Fitness Wellington, LLC*	12765 Forest Hill Blvd	Wellington	FL	33414	561-461-8477
CR Fitness Pembroke Pines, LLC*	16024 Pines Blvd	West Pembroke Pine	FL	33027	754-663-0110
CR Fitness Winter Springs, LLC*	170 Tuskawilla Rd	Winter Springs	FL	32708	407-214-3105
CR Fitness Acworth*	3335 Cobb Parkway Nw	Acworth	GA	30101	770-376-4880
Fitness Ventures 1 LLC**	196 Alps Rd Unit 142b	Athens	GA	30606	706-850-9900
JVT Perimeter, LLC*	4540 Olde Perimeter Way	Atlanta	GA	30346	770-623-0304

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Fitness Ventures Warner Robins, LLC**	2930 Watson Blvd	Centerville	GA	31028	478-273-0320
JVT Chamblee, LLC*	5508 Peachtree Blvd, Suite 19	Chamblee	GA	30341	470-359-4499
CR Fitness Hiram, LLC*	4484 Jimmy Lee Smith Parkway #101	Hiram	GA	30141	470-672-7800
JVT Johns Creek LLC*	6000 Medlock Bridge Pkwy	Johns Creek	GA	30022	678-999-6702
JVT Snellville, LLC*	1175 Scenic Hwy	Lawrenceville	GA	30045	678-273-3610
CR Fitness West Cobb, LLC*	3805 Dallas Highway Sw Unit 44	Marietta	GA	30064	770-746-4675
CR Fitness East Lake, LLC*	3605 Sandy Plains Rd Suite 300	Marietta	GA	30066	770-215-2280
JVT Roswell LLC*	653 Holcomb Bridge Rd Full 625	Roswell	GA	30076	470-300-2400
Fitness Ventures Savannah, LLC**	7804 Abercorn St # 55	Savannah	GA	31406	912.421.4899
UFI Valdosta LLC**	1700 Normas Dr Suite A-1	Valdosta	GA	31601	229-437-0521
Idaho Health and Fitness LLC*	2999 N Lakeharbor Ln	Boise	ID	83703	208-853-4224
Idaho Health and Fitness LLC*	1435 S Maple Grove Rd	Boise	ID	83709	208-376-6558
Idaho Health and Fitness LLC*	4623 Enterprise Way	Caldwell	ID	83605	208-459-0729
Idaho Health and Fitness LLC*	875 E Plaza Dr	Eagle	ID	83616	208-938-8410
Idaho Health and Fitness LLC*	1450 E Fairview Ave	Meridian	ID	83642	208-888-0060
Idaho Health and Fitness LLC*	5251 E Exchange Way	Nampa	ID	83687	208-442-6378
Chicago Fit Ventures LLC**	2380 S Eola Rd	Aurora	IL	60503	630-401-8515
Fitness Ventures Champaign LLC**	40 E Anthony Dr	Champaign	IL	61820	217-560-3170
Chicago Fit Ventures LLC**	201 W Rand Rd	Mount Prospect	IL	60056	847-637-5952
Fitness Ventures Normal LLC**	301 Veterans Pkwy	Normal	IL	61761	309-807-3388
Fitness Ventures Palatine LLC**	722 W. Euclid Avenue	Palatine	IL	60067	847-686-2750
Chicago Fit Ventures LLC**	616 E Golf Rd	Schaumburg	IL	60173	847-233-1232
Fitness Ventures Lawrence LLC**	1900 W 23rd St	Lawrence	KS	66046	785-371-4044

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Fitness Ventures Topeka LLC**	2905 Sw Topeka Blvd	Topeka	KS	66611	785-289-9100
Fitness Gurus LLC*	77 Spiral Dr	Florence	KY	41042	859-371-2348
Fitness Ventures – Dixie, LLC**	6801 Dixie Hwy	Louisville	KY	40258	502-890-1FIT
Fitness Ventures – Middletown, LLC**	10480 Shelbyville Rd	Louisville	KY	40223	502-298-4360
Fitness Gurus LLC*	1751 Monmouth St # 2	Newport	KY	41071	859-360-5438
Fitness Ventures--Baton Rouge, LLC**	9618 Airline Hwy	Baton Rouge	LA	70809	225-453-0100
Fitness Holdings Northeast LLC*	294 Grove Street	Braintree	MA	02184	781-818-4171
Brockton PT LLC**	85 Torrey St	Brockton	MA	02301	508-203-1884
Fitness Holdings Massachusetts LLC *	450 William S Canning Blvdsouth Coast Marketplace	Fall River	MA	02721	508-281-1264
Fitness Holdings Massachusetts LLC *	130 Water St	Fitchburg	MA	01420	978-345-0000
Fitness Holdings Massachusetts LLC *	185-221 Washington Street/Route 85	Hudson	MA	01749	978-293-3633
Fitness Holdings Northeast, LLC*	43 State Street	Lynn	MA	01901	508-380-2960
Fitness Holdings Northeast, LLC*	56 Broadway	Malden	MA	02148	718-874-9904
Fitness Holdings Roslindale LLC*	950 American Legion Hwy	Roslindale	MA	02131	617-327-1212
RB Fitness Swansea, LLC*	262 Swansea Mall Drive	Swansea	MA	02777	774-955-5361
Fitness Holdings Northeast LLC*	867 Grafton St	Worcester	MA	01604	774-312-6228
Fitness Holdings Massachusetts LLC*	40 Millbrook St	Worcester	MA	01606	508-757-3900
Fitness Partners of Canton LLC*	3991 Boston St.	Baltimore	MD	21224	443-505-7270
Fitness Partners of Timonium LLC	1920 York Rd.	Timonium	MD	21093	410-914-1001
Bill Saad Fitness Group LLC**	2723 Oak Valley Dr	Ann Arbor	MI	48103	734-214-6426
GLI Garfield LLC**	41941 Garfield Rd	Clinton Township	MI	48038	586-701-2650
GLI Dearborn LLC **	5601 Mercury Dr	Dearborn	MI	48126	313-982-9711
GLI East Lansing LLC**	2655 E Grand River Ave	East Lansing	MI	48823	517-741-0200
GLI Farmington LLC**	24800 Haggerty Rd	Farmington Hills	MI	48335	248-412-3322

Franchisee	Street Address	City	State	Zip Code	Telephone Number
GLI Southgate, LLC**	14255 Eureka Rd	Southgate	MI	48195	517-420-3528
GLI Taylor LLC**	21592 Ecorse Rd	Taylor	MI	48180	734-234-6670
GLI Warren LLC**	30740 Schoenherr Rd	Warren	MI	48088	586-636-6200
GLI Waterford LLC**	4998 Dixie Hwy Ste 100	Waterford	MI	48329	248-742-7270
GLI Westridge LLC**	35705 Warren Rd	Westland	MI	48185	734-589-8622
Bill Saad Fitness Group LLC**	3020 Washtenaw Rd	Ypsilanti	MI	48197	734-219-5006
Affordable Fitness Group LLC**	12420 Aberdeen St Ne	Blaine	MN	55449	763-373-3773
Idaho Health & Fitness, LLC**	9645 Grove Circle North	Maple Grove	MN	55369	612-308-8382
Fitness Ventures Columbia, LLC**	101 South Providence Rd	Columbia	MO	65203	407-862-5743
D'Iberville Fitness Inc	10598 Diberville Blvd Ste J	Diberville	MS	39540	228-232-0800
One80 Fitness Inc	4501 Hardy St Ste 50	Hattiesburg	MS	39402	601-336-5322
Long Beach Fitness Inc	200 W Railroad St Ste 103	Long Beach	MS	39560	562-472-1780
Petal Fitness Inc	922 Hwy 42	Petal	MS	39465	601-475-1803
CRU Fitness County Line LLC*	2000 E County Line Rd	Ridgeland	MS	39157	601-360-8080
CR Fitness Ballantyne, LLC*	16045 Johnston Rd	Charlotte	NC	28277	704-385-7827
Fitness Partners of Cameron Village LLC*	1900 Cameron St.	Raleigh	NC	27605	919-948-6445
Fitness Partners of Creedmoor LLC*	6300 Creedmoor Rd	Raleigh	NC	27612	919-948-6541
CW Fitness Inc*	5208 S 136th St	Omaha	NE	68137	402-671-7811
RC Fitness LLC*	895 Paulison Avenue	Clifton	NJ	07011	973-553-9470
Fitness Holdings Deptford LLC*	1784 Deptford Center Rd	Deptford	NJ	08096	908-782-3537
Fitness Holdings Northeast LLC*	645 State Route 18 (NJ State Highway)	East Brunswick	NJ	08816	973-671-1798
Christian & Mitchell Pacifico**	761 NJ-33	East Windsor	NJ	08520	609-371-7111
Garwood Health and Fitness**	300 South Ave	Garwood	NJ	07027	908-794-0425
Green Brook Sports and Fitness LLC**	17 King George Rd.	Green Brook	NJ	08812	732-356-6900
Blitz and the Hoff LLC**	2465 S Broad St	Hamilton	NJ	08610	609-888-2400
Midland Park Health and Fitness, LLC	85 Godwin Ave.	Midland Park	NJ	07432	201-444-4041

Franchisee	Street Address	City	State	Zip Code	Telephone Number
Moorestown Fitness Club LLC**	1301-1349 Nixon Drive	Moorestown	NJ	08057	856-581-0823
F3 Morris Plains LLC**	118 Headquarters Plaza	Morristown	NJ	07960	973-644-9590
Fitness Holdings North Bergen LLC*	2819 Kennedy Blvd	North Bergen	NJ	07047	201-863-7000
Fitness Holdings North Brunswick LLC*	2421 Us Highway 1 Ste C2	North Brunswick	NJ	08902	732-839-0606
Rams Fitness Consultants Inc.	3857 Us-9	Old Bridge Township	NJ	08857	732-970-1007
Paramus Health Club LLC**	600 Winters Ave	Paramus	NJ	07652	201-634-0400
F3 Parsippany LLC**	790 Us - 46	Parsippany	NJ	07054	973-794-3652
Somerset Fitness Club LLC**	960 Easton Ave	Somerset	NJ	08873	732-325-0203
F3 Stanhope LLC**	110 State Route 183 Ste 100	Stanhope	NJ	07874	973-691-6900
F3 Toms River LLC**	1001 Fischer Blvd	Toms River	NJ	08753	732-831-4617
Fitness Holdings Northeast LLC*	309 Pompton Ave	Verona	NJ	07044	973-857-2500
Fitness Holdings Woodbridge LLC*	789 Saint George Ave Ste 1	Woodbridge	NJ	07095	732-510-1400
ALB1 Fitness LLC*	840 Juan Tabo Blvd Ne	Albuquerque	NM	87123	505-395-9090
LC Fitness LLC*	1160 El Paseo Rd Las Cruces Nm	Las Cruces	NM	88001	505-387-8030
New Ventures Fitness Inc**	5353 Meadowood Mall Cir Ste D150	Reno	NV	89502	775-470-5421
New Ventures Fitness Inc**	1335 Scheels Dr	Sparks	NV	89434	775-470-5421
Fit 716 LC	3366 Sheridan Dr	Amherst	NY	14226	716-836-3200
Valerew Fitness Group LLC**	104 Merrick Rd	Amityville	NY	11701	631-608-9015
Valerew Fitness Holdings LLC**	2212 Centre Ave	Bellmore	NY	11710	516-221-4000
CF Norwood LLC**	3170 Webster Ave	Bronx	NY	10467	718-515-0110
CF Flatbush LLC**	1038 Flatbush Ave	Brooklyn	NY	11226	347-857-9373
Cary Ave Development LLC**	1736 Shore Parkway	Brooklyn	NY	11214	888-903-7940
Valerew Fitness Center, LLC**	2501 Hempstead Turnpike	East Meadow	NY	11554	516-503-2233
Valerew Fitness Company**	1225 Veterans Memorial Hwy	Hauppauge	NY	11788	631-406-6159
CF Rochdale LLC**	16540 Baisley Blvd	Jamaica	NY	11434	718-413-4758
Team Rock Fitness LLC*	3174 Middle Country Rd	Lake Grove	NY	11755	631-246-4592

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Fitness Holdings Northeast, LLC	109 Dunning Road	Middletown	NY	10940	845-243-6969
Fitness Holdings Northeast LLC*	9173 Roosevelt Blvd	Philadelphia	NY	19114	215-693-5671
Fitness Holdings Port Chester LLC*	Waterfront Mall24 Water Front Place	Port Chester	NY	10573	914-708-1600
Fitness Holdings Northeast, LLC*	2 Neptune Rd	Poughkeepsie	NY	12601	845-462-2200
Fitness Holdings Northeast, LLC*	1400 Altamont Avenue, Suite 1	Rotterdam	NY	12306	518-250-9993
Staten Island Fitness, LLC**	364 Bay St	Staten Island	NY	10301	718-816-7800
Christian & Mitchell Pacifico**	300 West Service Rd.	Staten Island	NY	10314	347-861-7333
Fitness Holdings Syracuse LLC*	3179 Erie Blvd E	Syracuse	NY	13214	315-449-0626
Valerew Enterprises LLC**	369 Little East Neck Rd	West Babylon	NY	11704	631-620-3990
Fitness Gurus LLC*	7520 Beechmont Ave	Cincinnati	OH	45255	513-233-0348
Fitness Gurus LLC*	5901 E Galbraith Rd Ste 100	Cincinnati	OH	45236	513-984-0348
Fitness Gurus LLC*	3401 Ibsen Ave	Cincinnati	OH	45209	513-984-0348
Fitness Gurus LLC*	5929 E Main St	Columbus	OH	43213	614-755-4400
Fitness Gurus LLC*	3644 Fishinger Blvd	Hilliard	OH	43026	614-771-1600
Fitness Gurus LLC*	5105 Deerfield Blvd	Mason	OH	45040	513-770-3488
Fit Addition LLC	4925 Jackman Rd Ste 16	Toledo	OH	43613	419-262-0722
Fitness Ventures Norman LLC *	2300 W Main St	Norman	OK	73069	405-322-5859
Fitness Holdings Northeast LLC*	1336 Bristol Pike	Bensalem	PA	19020	267-545-8259
Fitness Holdings East Norriton*	2700 Dekalb Pike Unit 1700-B	East Norriton	PA	19401	484-704-7445
Fitness Holdings Northeast Fairless Hills LLC*	The Court At Oxford Valley110 Commerce Blvd, Ste S-3	Fairless Hills	PA	19030	215-809-1600
Fitness Holdings Northeast, LLC*	3880b Union Deposit Rd	Harrisburg	PA	17109	717-793-3656
Cornerstone Fitness Waterfront LLC	340 E Waterfront Dr	Homestead	PA	15120	412-461-2759
Fitness Holdings Huntingdon Valley LLC*	755 Huntingdon Pikehuntingdon	Huntingdon Valley	PA	19006	800-303-3040

Franchisee	Street Address	City	State	Zip Code	Telephone Number
	Valley Shopping Center				
Fitness Holdings Northeast, LLC*	870 Plaza Blvd	Lancaster	PA	17601	717-824-4092
Box Holdings Mechanicsburg, LLC*	5850 Carlisle Pike	Mechanicsburg	PA	17050	717-850-9393
Fitness Ventures Mcknight, LLC**	8050 Mcknight Road Suite 1-B	Pittsburgh	PA	15237	412-939-7100
Scranton Health Club LLC**	300 Lackawanna Ave	Scranton	PA	18503	855-470-1550
Fitness Growth Capital, LLC**	101 Wyoming Valley Mall #900	Wilkes-Barre	PA	18702	570-931-8800
Fitness Holdings Northeast, LLC*	905 Loucks Rd	York	PA	17404	717-850-9393
Box Holdings York LLC*	2435 E Market St	York	PA	17402	717-430-8094
Smart Fitness Caguas Inc.**	Metro Plaza Parque Industrial Villa Blancaave José Garrido, Bo Pueblo	Caguas	PR	00725	787-963-0160
Pablo Acosta and Marcelino Acosta**	Bulevar De La Media Luna	Carolina	PR	00985	787-762-3024
Smart Fitness Ponce LLC**	Plaza Del Caribe - 2050 Ponce Bypass: Same Location	Ponce	PR	00717	787-564-9661
United Fitness Holdings LLC**	275 Harbison Blvd	Columbia	SC	29212	803-569-1515
Fitness Partners of Mount Pleasant LLC*	672 Long Point Road	Mount Pleasant	SC	29464	843-444-2260
Fitness Partners of North Charleston LLC*	7800 Rivers Ave Ste 1300	North Charleston	SC	29406	843-800-8350
Fitness Partners of Summerville LLC*	4570 Ladson Rd	Summerville	SC	29485	843-900-2370
Fitness Ventures Clarksville LLC**	1598 Fort Campbell Blvd	Clarksville	TN	37042	931-444-6100
Tennessee Fitness Holdings, LLC**	1050 Glenbrook Way	Hendersonville	TN	37075	615-265-9025
Fitness Ventures White Station, LLC**	827 S White Station Road	Memphis	TN	38117	901-300-7199
Fitness Ventures Murfreesboro, LLC**	1266 Nw Broad Street	Murfreesboro	TN	37129	407-862-5743
Fitness Ventures Abilene LLC**	4709 S 14th St	Abilene	TX	79605	325-899-4242
Fitness Ventures 2 LLC**	2020 S Georgia St	Amarillo	TX	79109	806-358-0706
CR Fitness Arlington, LLC*	5906 S Cooper	Arlington	TX	76017	430-227-8624



<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
North Brownsville Fitness Group LLC**	3220 Galeno Xing	Brownsville	TX	78526	956-621-4040
Brownsville Fitness Group LLC**	3025 Boca Chica Blvd	Brownsville	TX	78526	956-518-7416
Undeclared Tribe Operating Co.**	4108 South Staples Street(Carmel Village Shopping Center)	Corpus Christi	TX	78411	361-271-3099
Cypress Fitness, LLC*	25632 Northwest Freeway	Cypress, TX	TX	77429	281-715-0330
Edinburg Fitness Group LLC **	1201 S Mccoll Road	Edinburg	TX	78539	518-250-9993
Undeclared Tribe El Paso 1, LLC**	9155 Dyer St	El Paso	TX	79924	915-455-0044
CR Fitness Frisco, LLC*	3865 Preston Road	Frisco	TX	75034	228-806-1900
13 Fitness Echo Lane, LLC*	7072 Fm 1960 E	Humble	TX	77346	281-973-4400
13 Fitness Katy, LLC*	1550 S Mason Rd	Katy	TX	77450	281-886-8383
Undeclared Tribe LLC **	1101 S Fort Hood St Ste 100	Killeen	TX	76541	346-704-4967
Fitness Ventures Laredo, LLC**	4601 San Dario Ave	Laredo	TX	78041	956-937-2800
Undeclared Tribe Operating Co LLC**	200 Gulf Fwy S	League City	TX	77573	346-278-5030
Undeclared Tribe Operating Co.**	2505 Judson Rd	Longview	TX	75605	430-201-3636
Fitness Ventures Lubbock LLC**	6205 Slide Road	Lubbock	TX	79414	806-686-0075
Fitness Ventures Midland LLC**	3200 N Loop 250 W	Midland	TX	79707	432-242-6599
Fitness Ventures – Odessa, LLC*	2008 East 42nd Street	Odessa	TX	79762	432-305-4600
STX Gym Pharr LLC**	500 N. Jackson Rd, #H	Pharr	TX	78577	956-616-2931
Urban Fitness Group LLC*	2800 S Interstate 35	Round Rock	TX	78681	512-945-9455
Undeclared Tribe San Angelo, LLC**	4349 Sherwood Way	San Angelo	TX	76901	325-716-4069
Venture Fit Marbach LLC*	8725 Marbach Rd	San Antonio	TX	78227	315-449-0626
Excel Fitness Club – Sugar Land, LLC*	15555 Southwest Freeway	Sugar Land	TX	77478	281-315-9585
Undeclared Tribe Operating Co LLC **	1909 E Southeast Loop 323	Tyler	TX	75701	903-251-9194
Undeclared Tribe Operating Company LLC **	565-575 N Valley Mills Drive	Waco	TX	76710	254-265-8265

Franchisee	Street Address	City	State	Zip Code	Telephone Number
Fitness Ventures Wichita Falls LLC**	3007 Garnett Ave	Wichita Falls	TX	76308	940-276-1400
JF Fitness of Virginia, LLC*	5420 Glenside Dr	Henrico	VA	23228	804-447-5129
JF Fitness of Gleneagles LLC*	10470 Ridgefield Pkwy	Henrico	VA	23233	804-447-5129
Fitness Partners of Midlothian LLC*	11500 Midlothian Tpke	North Chesterfield	VA	23235	804-245-8905
JF Fitness of Richmond, LLC*	5750 Brook Rd	Richmond	VA	23227	804-261-6700
JF Fitness 3600 LLC*	3600 W Broad St	Richmond	VA	23230	804-303-3201
GGR LLC**	3270 Electric Rd	Roanoke	VA	24018	540-527-4653
Lakewood WA Fitness LLC**	6111 Lakewood Towne Center Blvd Sw(Formerly 10111 Gravelly Lake Drive Sw, S	Lakewood	WA	98499	253-240-3240
PNW WA C-O*	3430 Pacific Avenue Se	Olympia	WA	98501	503-227-8624
Silverdale Fitness LLC**	9577 Ridgetop Blvd	Silverdale	WA	98383	360-698-6000
Fratres In Vitan**	7601 Ne Vancouver Plaza Dr	Vancouver	WA	98662	503-527-8624
McGlone Fitness Inc.**	2520 South Kensington Drive	Appleton	WI	54915	920-750-6199

“\*\*” These locations were opened pursuant to Franchise Agreements entered into under an Area Development Agreement.

“\*\*\*” These locations were opened pursuant to Franchise Agreements entered into under an Multi-Unit Development Agreement.

### Crunch Select Locations

None

### Crunch Signature Locations

None

**Clubs That Were Not Open as of 12-31-22**

**Crunch Fitness Locations**

**California**

Alameda, CA

Jim Rowley

**Kentucky**

Louisville, KY

Brian Hibbard

**Maryland**

College Park, MD (Select  
Club)

John Freeland

**North Dakota**

Fargo, ND

Brian Hibbard

**Oklahoma**

Tulsa, OK

Tony Hartl

Yukon, OK

Tony Hartl

**Pennsylvania**

Pottstown, PA  
Mark Federico

**South Carolina**

Anderson, SC  
Jorge Roldan

Greenville, SC  
Jorge Roldan

**Tennessee**

Memphis, TN  
Brian Hibbard

**Texas**

Temple, TX  
Tony Hartl

Beaumont, TX  
Tony Hartl

**Wisconsin**

Madison, WI  
Brian Hibbard

**Affiliated Company Clubs**

**As of December 31, 2022**

**Crunch Fitness Locations**

<b>Affiliate</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Crunch San Diego, LLC	3030 Plaza Bonita Rd	National City	CA	91950	619-434-8909
Crunch LA Riverside	10125 Hole Ave	Riverside	CA	92503	951-259-1599
Crunch LA Upland	380 S Mountain Ave	Upland	CA	91787	909-931-0303
Crunch Greenpoint LLC	825 Manhattan Ave	Brooklyn	NY	11222	718-732-8222
Crunch Lefferts LLC	842 Lefferts Ave	Brooklyn	NY	11203	718-369-1007
Crunch, LLC	540 Dick Road	Depew	NY	14043	716-681-7535
Crunch, LLC	4950 Camp Road	Hamburg	NY	14075	716-646-4141
Crunch, LLC	2429 Military Rd	Niagara Falls	NY	14304	716-297-5107
Crunch Richmond Hill LLC	115-02 Jamaica Ave	Queens	NY	11418	646-780-2050
Crunch, LLC	1000 Young Street	Tonawonda	NY	14150	716-693-4141
Crunch Northwest, LLC	17800 SW Kinnaman Road	Aloha	OR	97078	503-227-8624
Crunch Portland Beaverton, LLC	8585 SW Cascade Ave	Beaverton	OR	97008	503-227-8624
Crunch Northwest, LLC	12112 SE Division St	Portland	OR	97236	503-894-9790

**Crunch Signature Locations**

**Affiliated Signature Clubs**

**As of December 31, 2022**

<b>Affiliate</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Crunch, LLC	761 N. San Fernando Blvd.	Burbank	CA	91502	818-336-9300
Crunch, LLC	60 Serramonte Center	Daly City	CA	94015	650-684-1234
Crunch Sunset, LLC	8000 Sunset Blvd	Los Angeles	CA	90046	323-654-4550
Crunch Operations, LLC	1725 Union St.	San Francisco	CA	94123	415-430-3399
Crunch Chestnut, LLC	2324 Chestnut St.	San Francisco	CA	94123	415-292-8470

<b>Affiliate</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone Number</b>
Crunch Polk Street, LLC	2330 Polk St.	San Francisco	CA	94109	415-292-5444
Crunch, LLC	350 Third St.	San Francisco	CA	94107	415-512-1010
Crunch, LLC	61 New Montgomery St.	San Francisco	CA	94105	415-543-1110
Crunch, LLC	1150 Park Place	San Mateo	CA	94403	650-212-4653
Crunch Holdings, LLC	1830 Ygnacio Valley R.	Walnut Creek	CA	94598	925-266-3200
Crunch Operations, LLC	1259 Washington Ave.	Miami Beach	FL	33139	305674-8222
Crunch Holdings, LLC	110 Sinatra Dr.	Hoboken	NJ	7030	201-656-9989
Crunch Park Slope, LLC	330 Flatbush Ave.	Brooklyn	NY	11238	718-783-5152
Crunch, LLC	555 5th Avenue	Brooklyn	NY	11215	718-707-9400
Crunch Fort Greene, LLC	691 Fulton St.	Brooklyn	NY	11217	718-797-9464
Crunch Operations, LLC	1109 2nd Ave.	New York	NY	10022	212-758-3434
Crunch Union Square, LLC	113 4th Ave.	New York	NY	10003	212-533-0001
Crunch, LLC	1131 Third Ave.	New York	NY	10065	646-747-1810
Crunch 38th Street, LLC	1385 Broadway	New York	NY	10018	212-307-7760
Crunch, LLC	140 Broadway	New York	NY	10005	212-308-5824
Crunch, LLC	1438 3rd Ave.	New York	NY	10028	212-879-6013
Crunch, LLC	162 W. 83rd St.	New York	NY	10024	212-875-1902
Crunch, LLC	2 Cooper Sq.	New York	NY	10003	212-614-0120
Crunch, LLC	220 W. 19th St.	New York	NY	10011	212-370-0998
Crunch, LLC	222 E. 34th St	New York	NY	10016	212-545-9757
Crunch, LLC	250A W. 54th Street	New York	NY	10019	212-307-7760
Crunch, LLC	511 Lexington Ave.	New York	NY	10017	121-448-7330
Crunch, LLC	80 Leonard St.	New York	NY	10013	212-966-5432

## EXHIBIT M

### FRANCHISEES WHO LEFT SYSTEM OR HAVE NOT COMMUNICATED

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

Franchisees who left our system in our last fiscal year:

Fitness Holdings Massachusetts LLC\*\*  
Westborough, MA  
508-366-7006

DFS - Addison Fitness LLC\*\*  
Addison, TX  
972-247-1461

CFG Carlsbad LP\*\*  
Carlsbad, CA  
760-603-9190

Fitness Holdings Medford, LLC\*\*  
Malden, MA  
800-303-3040

Hemet, LLC\*\*  
Hemet, CA  
951-327-0202

J & T Fit North Las Vegas, LLC\*\*  
North Las Vegas, NV  
775-470-5421

Kahana Fitness, LLC\*\*  
Bellevue, WA  
425-641-1000

\*\* These franchisees or their owners still operate other Crunch health clubs.

Franchises who have not communicated with us within 10 weeks of the issuance date of this disclosure document:

**None**



**EXHIBIT N**  
**FINANCIAL STATEMENTS**

**Audited Financial Statements**

# **Crunch Franchising, LLC**

**(A wholly owned subsidiary of Crunch Holdings, LLC)**

## **Financial Statements**

**As of December 31, 2022 and 2021 and for each of the three years  
in the period ended December 31, 2022**

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Index**  
**December 31, 2022, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Management of Crunch Franchising, LLC:

### Opinion

We have audited the accompanying financial statements of Crunch Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, member's equity, and cash flows for each of the three years ended December 31, 2022 and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 8 to the financial statements, effective January 1, 2022, the Company adopted Financial Accounting Standards Board Accounting Standards Codification 842, *Leases*, using the modified retrospective method. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Deloitte + Touche LLP*

April 21, 2023  
New York, New York

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Balance Sheets**  
**December 31, 2022 and 2021**

(in thousands)

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash	\$ 4,018	\$ 1,730
Cash - restricted	1,127	2,199
Accounts receivable, net	19,041	15,339
Prepaid expenses and other current assets	238	157
Restricted assets - brand marketing fund	1,127	866
Total current assets	25,551	20,291
Accounts receivable from related parties	6,761	8,716
Operating lease right of use assets	1,114	-
Property and equipment, net	167	31
Goodwill	35,978	35,978
Tradenname	118,220	118,220
Customer relationships, net	41,161	43,076
Other assets	225	200
Total assets	\$ 229,177	\$ 226,512
<b>Liabilities and Member's Equity</b>		
Current liabilities		
Accounts payable	\$ 181	\$ 290
Accrued expenses and other current liabilities	17,238	11,993
Deferred franchise fees	1,506	1,074
Deferred rent	-	3
Operating lease liabilities-current	121	-
Restricted liabilities - brand marketing fund	729	1,140
Total current liabilities	19,775	14,500
Deferred franchise fees, net of current portion	9,613	6,542
Operating lease liabilities	1,111	-
Total liabilities	30,499	21,042
Commitments and contingencies (Note 9)		
Member's equity		
Member's equity	261,195	238,028
Advances to Parent	(62,517)	(32,558)
Total member's equity	198,678	205,470
Total liabilities and member's equity	\$ 229,177	\$ 226,512

The accompanying notes are an integral part of these financial statements.

# Crunch Franchising, LLC

(A wholly owned subsidiary of Crunch Holdings, LLC)

## Statements of Operations

For the years ended December 31, 2022, 2021 and 2020

(in thousands)

	Year ended December 31,		
	2022	2021	2020
<b>Revenues</b>			
Revenues	\$ 31,804	\$ 23,579	\$ 15,707
Brand marketing fund revenue	12,347	9,772	3,408
Revenues from related parties	4,086	3,285	772
Total revenues	<u>48,237</u>	<u>36,636</u>	<u>19,887</u>
<b>Operating costs and expenses</b>			
Brand marketing fund expense	12,846	8,547	3,680
Salaries, payroll taxes and related benefits	5,797	4,494	3,087
Administrative, professional and consulting fees	1,346	1,303	1,039
Depreciation and amortization	1,966	1,922	1,976
Advertising and promotion	1,816	429	236
Travel and entertainment	801	269	230
Other SG&A expenses	765	221	2,298
Impairment of intangibles	-	-	23,275
Total operating costs and expenses	<u>25,337</u>	<u>17,185</u>	<u>35,821</u>
Income (loss) from operations	<u>22,900</u>	<u>19,451</u>	<u>(15,934)</u>
<b>Other (expense) income</b>			
Interest income	-	1	7
Other, net	<u>(31)</u>	<u>(15)</u>	<u>(4)</u>
Net income (loss)	<u>\$ 22,869</u>	<u>\$ 19,437</u>	<u>\$ (15,931)</u>

The accompanying notes are an integral part of these financial statements.



# Crunch Franchising, LLC

(A wholly owned subsidiary of Crunch Holdings, LLC)

## Statements of Member's Equity

For the years ended December 31, 2022, 2021 and 2020

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<i>(in thousands)</i>	<b>Member's Equity</b>	<b>Advances to Parent</b>	<b>Total</b>
<b>Balances at January 1, 2020</b>	<u>234,079</u>	<u>(4,487)</u>	<u>229,592</u>
Equity-based compensation	192	-	192
Net loss	(15,931)	-	(15,931)
Advances made to Parent	-	(10,505)	(10,505)
<b>Balances at December 31, 2020</b>	<u>218,340</u>	<u>(14,992)</u>	<u>203,348</u>
Equity-based compensation	251	-	251
Net income	19,437	-	19,437
Advances made to Parent	-	(17,566)	(17,566)
<b>Balances at December 31, 2021</b>	<u>\$ 238,028</u>	<u>\$ (32,558)</u>	<u>\$ 205,470</u>
Equity-based compensation	298	-	298
Net income	22,869	-	22,869
Advances made to Parent	-	(29,959)	(29,959)
<b>Balances at December 31, 2022</b>	<u>\$ 261,195</u>	<u>\$ (62,517)</u>	<u>\$ 198,678</u>

The accompanying notes are an integral part of these financial statements.

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Statements of Cash Flows**  
For the years ended December 31, 2022, 2021 and 2020

<i>(in thousands)</i>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 22,869	\$ 19,437	\$ (15,931)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	51	39	78
Amortization	1,915	1,883	1,898
Equity-based compensation	298	251	192
Loss on disposal of property and equipment	-	4	-
Impairment of intangibles	-	-	23,275
Changes in operating assets and liabilities			
Accounts receivable, net	(3,702)	(4,735)	2,249
Accounts receivable from related parties	1,955	(3,879)	(750)
Prepaid expenses and other current assets	(81)	(15)	102
Restricted assets - brand marketing fund	(261)	(293)	(69)
Other assets	(25)	(48)	(42)
Accounts payable	(109)	130	46
Accrued expenses and other current liabilities	5,245	2,711	(1,262)
Restricted liabilities - brand marketing fund	(411)	665	(1,429)
Deferred rent	115	(9)	12
Deferred franchise fees	3,503	1,893	620
Other liabilities, net of current portion	-	(4)	1
Net cash provided by operating activities	<u>31,362</u>	<u>18,030</u>	<u>8,990</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment	<u>(187)</u>	<u>(13)</u>	<u>(11)</u>
Net cash used in investing activities	<u>(187)</u>	<u>(13)</u>	<u>(11)</u>
<b>Cash flows from financing activities</b>			
Advances made to Parent	<u>(29,959)</u>	<u>(17,566)</u>	<u>(10,505)</u>
Net cash used in financing activities	<u>(29,959)</u>	<u>(17,566)</u>	<u>(10,505)</u>
Net increase (decrease) in cash	1,216	451	(1,526)
<b>Cash and restricted cash</b>			
Beginning of year	<u>3,929</u>	<u>3,478</u>	<u>5,004</u>
End of year	<u>\$ 5,145</u>	<u>\$ 3,929</u>	<u>\$ 3,478</u>

The accompanying notes are an integral part of these financial statements.

# Crunch Franchising, LLC

(A wholly owned subsidiary of Crunch Holdings, LLC)

## Notes to Financial Statements

For the years ended December 31, 2022, 2021 and 2020

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### 1. Nature of Business and Basis of Presentation

#### Organization

Crunch Franchising, LLC (the “Company”), a wholly-owned subsidiary of Crunch Holdings, LLC (the “Parent”), was formed in the state of Delaware in August 2009. The Company commenced operations in March 2010. The Company offers and sells franchises which include a complete health club platform operating under the “Crunch” name. The franchises are inclusive of a well-recognized brand, operating systems, personal training programming, group fitness programming, marketing and public relations services, web site, online enrollment, equipment procurement, back office solutions and a complete suite of preferred vendors. As part of the franchise agreements, the Company is required to provide training courses, programs, materials and technical assistance to aid the franchisees in operating the business. The Company is also required to continue sales and marketing efforts to increase brand awareness. The typical term of a franchise agreement is 10 years, with the option to renew for three consecutive periods of ten years. As of December 31, 2022, 393 franchise locations had opened for workouts across 35 states, Washington DC, Canada, Australia, Spain, Costa Rica, Portugal and Puerto Rico. Under signed franchise and area development agreements, franchisees have committed to open approximately 1,517 locations as of December 31, 2022, of which 138 were sold in 2022.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company uses the accrual method of accounting for financial statement purposes.

#### COVID-19

The outbreak of disease caused by the coronavirus pandemic (“COVID-19”), which was declared a pandemic by the World Health Organization in March 2020, had a negative impact on worldwide consumer behavior and economic activity. During 2020, the continued spread of COVID-19, and the measures taken in response to it, have disrupted operations and adversely impacted the Company’s business, financial condition and results of operations for the year ended December 31, 2020. COVID-19 impacted areas in which the Company’s franchisees operate. Certain clubs have had to close or significantly reduce capacity. In addition, clubs may have had to re-close or further reduce capacity in the future, pursuant to local guidelines. As a result of COVID-19, some of the Company’s franchisees experienced a decrease in net membership base in 2020.

During 2021, the number of Americans vaccinated for COVID-19 continued to increase, and conversely restrictions on operating health clubs throughout the country continued to decrease. The Company increased the number of clubs under operation from 336 on December 31, 2020 to 379 on December 31, 2021 and the member base throughout the Franchise network increased 18% in 2021.

During 2022 the number of clubs under operation increased 4%, the member base increased 16% and the Company’s Revenue, Net Income and Cash flows from Operations increased 32%, 18% and 74%, respectively, when compared to 2021.

# Crunch Franchising, LLC

(A wholly owned subsidiary of Crunch Holdings, LLC)

## Notes to Financial Statements

For the years ended December 31, 2022, 2021 and 2020

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### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Revenue Recognition

#### Revenue from Contracts with Customers

The Company recognizes revenue pursuant to the provisions of FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 eliminated industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. To adhere to this principle, the Company applies the five-step model prescribed by ASC 606, which requires the Company to: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation.

The Company's revenues are comprised of franchise fees and brand marketing fund revenues.

#### Franchise revenues

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for as a single performance obligation, which is satisfied by granting certain rights to use such intellectual property over the term of each franchise agreement.

Initial franchise fees, which are payable by the franchisee upon signing of a new franchise or area development agreement, are recognized as revenue on a straight-line basis over the term of the respective agreement. The straight-line amortization commences once the respective franchisee's first club commences operations. Under the Previous Standards, initial franchise fees were deferred by the Company until the Company has performed substantially all of the initial services pursuant to the franchise agreement, which generally coincided with the opening of the club.

The Company's franchise royalties, included to related parties, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur.

The Company receives license fees from vendors used by the franchisees for various purchases or services in connection with the construction and subsequent operation of their fitness clubs. License fees are recognized by the Company when franchisees make purchases or use services from certain approved vendors.

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021 and 2020**

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The Company receives processing fees from franchisees when new club members use the Crunch web site for online enrollment. Online enrollment fees are recognized by the Company based upon the franchisees' reported online sales.

The Company receives renewal fees from its franchisees when the initial franchise agreement term or any subsequent renewed term comes to an end. In addition, the Company receives transfer fees when a franchisee transfers their rights as a franchise to another party. Renewal and transfer fees are recognized as revenue on a straight-line basis over the term of the respective agreement.

The Company coordinates the purchasing of fitness and tanning equipment on behalf of the franchisees. The Company acts as an agent during these transactions and receives payment in advance from the franchisee before paying the supplier, and receives a fee from the franchisee for these services. The revenue for these transactions is recognized at a point in time when the equipment is delivered to and accepted by the franchisee and at the net amount received by the Company because the Company does not take control over the equipment prior to its delivery to the franchisee.

*Brand marketing fund revenues*

In 2018, the Company established the Brand Marketing Fund ("BMF") for the creation and development of marketing, advertising, and related programs and materials for domestically operated Crunch franchise clubs. In accordance with the provisions of the franchise agreements, the Company collects monthly contributions on behalf of the BMF from the franchisees based on their monthly revenues. The use of amounts received by the BMF is generally restricted to advertising, product development, public relations, merchandising, and administrative expenses and programs to increase sales and further enhance the public reputation of the Crunch brand.

BMF contributions from franchisees are reported gross as part of revenue because they are not for distinct goods/services separate from the franchise right. As the contributions from the franchisee are calculated based on monthly sales, revenue will be recognized in the month the underlying sales occur.

Amounts received or receivable by BMF are reported as restricted assets (current). Expenses incurred, but unpaid, are reported as restricted liabilities (current). Amounts spent on advertising for future periods are treated as prepaid expenses until the advertising first takes place.

*Incremental costs to obtain a contract*

ASC 340-40, *Other Assets and Deferred Costs: Contracts with Customers* addresses the accounting for costs incurred as part of obtaining or fulfilling a contract with a customer.

ASC 340-40 requires the Company to recognize incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. Commissions paid to employees when they secure a contract with a customer are examples of incremental costs to obtain a contract.

In accordance with ASC 340-40, the Company capitalizes commissions paid/payable to individual sales employees for executing new franchise agreements. This contract asset is amortized over the average contract term of 10 years. Under the Previous Standards, such commissions were expensed as incurred.

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Notes to Financial Statements**  
For the years ended December 31, 2022, 2021 and 2020

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Sales tax

The Company elected the practical expedient under ASC 606 to present sales taxes collected on behalf of a government authority on a net basis.

Other

The Company's typical payment terms vary based on the customer and the type of services in the contract. The period of time between invoicing and when payment is due is generally not significant. Amounts billed and due from customers are classified as receivables on the balance sheet. As the standard payment terms are less than one year, the Company has elected the practical expedient under ASC paragraph 606-10-32-18 to not assess whether a contract has a significant financing component.

**Cash and Restricted Cash**

The Company maintains cash deposits in excess of the Federal Deposit Insurance Corporation coverage in a financial institution, but does not expect any losses.

Cash held within the BMF is recorded as a restricted asset. Restricted cash has been combined with cash when reconciling the beginning and end of period balances in the statements of cash flows. The following table provides a summary of cash and restricted cash that constitute the total amounts shown in the statements of cash flows:

(in thousands)	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cash	\$ 4,018	\$ 1,730	\$ 2,767
Restricted cash	1,127	2,199	711
Total cash and restricted cash	<u>\$ 5,145</u>	<u>\$ 3,929</u>	<u>\$ 3,478</u>

**Leases**

Through December 31, 2021, the Company accounted for its lease agreements pursuant to the provisions of ASC 840. As such, at their inception leases were classified as either operating or capital leases depending on certain defined criteria. The Company leases its corporate facilities under various operating leases. Pursuant to ASC Topic 840, for purposes of recognizing lease incentives and scheduled rent changes on a straight-line basis over the expected terms of the leases, the Company used the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For those lease agreements which specify scheduled rent increases over the lease terms, the aggregate rent payments due over the term of the leases were recognized as rental expense on a straight-line basis over the expected term of the leases. The difference between rent paid and rent expense recognized was recorded as deferred rent in the balance sheets.

In February 2016, the FASB issued a new standard on accounting for leases, ASU No. 2016-02, *Leases* (ASC 842) with further clarification and improvements included in ASU No. 2018-10, *Codification Improvements to ASC 842, Leases*, issued in July 2018 all of which provide guidance

**Crunch Franchising, LLC**  
(A wholly owned subsidiary of Crunch Holdings, LLC)  
**Notes to Financial Statements**  
**For the years ended December 31, 2022, 2021 and 2020**

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on the recognition, measurement, presentation, and disclosure of leases. The Company adopted ASC 842 on January 1, 2022 (See Note 8).

**Income Taxes**

The Company is a single member limited liability company and is treated as a disregarded entity for income tax purposes. The operating results of the Company are included in the tax return of the Parent. Accordingly, no provision or liability for Federal income tax has been included in the financial statements.

**Accounts Receivable**

Accounts receivable, primarily representing amounts owed by franchisees, are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the franchisees to make required payments. Management considers the following factors when determining collectability of specific items: 1) credit-worthiness of the franchisee, 2) past transaction history with the franchisee, and 3) current economic industry trends. If the financial conditions of the Company's franchisees were to deteriorate, adversely affecting their ability to make payment, an allowance is recorded.

**Web Site Development Costs**

Web site development costs are accounted for in accordance with the authoritative guidance on web site development costs. The guidance segregates web site development costs into three stages that affect the accounting treatment for expenditures incurred. During the initial stage, all planning costs incurred are expensed. In the second stage, all development costs for web application and infrastructure as well as graphic development are capitalized and then amortized once the web site is ready for its intended use. In the third stage of post-implementation after the web site is put into service, any work performed on the site such as security, training and related costs are expensed as incurred.

**Property and Equipment**

Property and equipment are recorded at cost, and depreciated using the straight-line method over the estimated useful lives of 3 to 5 years. Leasehold improvements are amortized over the shorter of the lease term or the life of the asset. The cost of maintenance and repairs is charged to expense as incurred and significant improvements and betterments are capitalized. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss, if any, is recognized in the consolidated statements of operations.

**Impairment of Long-Lived Assets**

The Company evaluates the recoverability of its long-lived assets if circumstances indicate impairment may have occurred. This analysis is performed by comparing the respective carrying values of the asset groups to their associated fair value, determined based upon the current and expected future cash flows, on an undiscounted basis for property and equipment and on a discounted basis for tradenames, to be generated from such asset groups. If such analysis indicates that the carrying value of these asset groups is higher than their fair value, the carrying value of such

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asset groups is reduced to fair value. In 2022 and 2021, the Company completed a quantitative analysis and no indications of impairment were present.

As discussed above, COVID-19 adversely impacted the Company's business, financial condition and results of operations. For the year ended December 2020, the Company evaluated the recoverability of its intangible assets and determined that its Tradename was impaired by a total of \$23.3 million reducing the carrying value from \$141.5 million to \$118.2 million.

**Goodwill**

Goodwill represents the excess of cost over of an acquired entity over the amounts assigned to assets acquired and liabilities assumed of businesses acquired. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment. The Company assesses potential impairments to goodwill on an annual basis or when there is evidence that events or changes in circumstances indicate an impairment condition may exist.

The Company assesses goodwill for impairment on a reporting unit level by first considering qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If so, the Company performs an impairment review by comparing the fair value of the reporting unit to which the goodwill is assigned to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, then the amount of the impairment loss is measured. The impairment loss is calculated by comparing the implied fair value of the goodwill to its carrying amount. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all the other identifiable assets and liabilities within the reporting unit based on fair value. The excess of the fair value of a reporting unit over the amount allocated to its other identifiable assets and liabilities is the implied fair value of goodwill. Impairment losses, if any, are recorded in the statement of operations as an operating expense.

In 2022 and 2020, quantitative assessments for testing goodwill for impairment were performed. In 2021, a qualitative assessment for testing goodwill impairment was performed. The Company did not recognize any impairment losses for goodwill during 2020, 2021 or 2022.

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities include salaries and bonuses, sales tax, and various expenses that were incurred but unpaid as of December 31, 2022 and 2021. In addition, the Company receives funds from franchisees to purchase fitness and tanning equipment on the franchisees' behalf. These funds are recorded as a current liability until the equipment is paid for and delivered.

**Advertising**

Advertising expense was \$1.82 million, \$429 thousand and \$236 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

In addition, brand marketing expense was \$12.8 million, \$8.5 million and \$3.7 million for the years ended December 31, 2022, 2021 and 2020, respectively.



# Crunch Franchising, LLC

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### Equity-Based Compensation

The Company accounts for its equity-based compensation plans under ASC 718, *Compensation - Stock Compensation*, which establishes accounting for equity instruments exchanged for employee services. Under the provisions of ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period over which all of the specified vesting conditions are satisfied. For awards with time vesting portions ("time-based"), the Company recognizes compensation recognized over its respective vesting period. For awards with performance targets ("performance based"), the Company recognizes compensation expense ratably over the required service period based on its estimate of the number of shares will vest upon achieving the measurement criteria. The Company accounts for forfeitures as they occur by reversing compensation cost for unvested awards when the award is forfeited. The fair values of the time-based and performance-based units were estimated using an option pricing method ("OPM") based on the Black-Scholes formula (see Note 11).

### Recently Released Accounting Pronouncements

The FASB issued ASU No. 2017-4, *Simplifying the Test for Goodwill Impairment* in January 2017. Also, in January 2107, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles—Goodwill and Other*, which simplifies the test for goodwill impairment. To simplify the subsequent measurement of goodwill, the ASU eliminated Step 2 from the goodwill impairment test. The ASU also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This guidance will be effective for the Company for annual periods beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this guidance on January 1, 2020, however there was no impact on the financial statements (see Note 4).

The FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: The standard modifies the impairment model for most financial assets, including trade accounts receivables and loans, and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date of the amendments is for fiscal years, and for interim periods within those years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its financial condition and results from operations and plans on implementing in 2023.

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**3. Intangible Assets**

The following table summarizes the activity for goodwill and intangible assets for the periods ended December 31, 2022 and 2021:

<i>(in thousands)</i>	<b>January 1, 2022</b>	<b>Amortization</b>	<b>Impairment Expense</b>	<b>December 31, 2022</b>
Goodwill	\$ 35,978	\$ -	\$ -	\$ 35,978
Tradename	118,220	-	-	118,220
Customer relationships	43,076	(1,915)	-	41,161
	<u>\$ 197,274</u>	<u>\$ (1,915)</u>	<u>\$ -</u>	<u>\$ 195,359</u>

<i>(in thousands)</i>	<b>January 1, 2021</b>	<b>Amortization</b>	<b>Impairment Expense</b>	<b>December 31, 2021</b>
Goodwill	\$ 35,978	\$ -	\$ -	\$ 35,978
Tradename	118,220	-	-	118,220
Customer relationships	44,991	(1,915)	-	43,076
	<u>\$ 199,189</u>	<u>\$ (1,915)</u>	<u>\$ -</u>	<u>\$ 197,274</u>

As discussed in Note 2, COVID-19 adversely impacted the Company's business, financial condition and results of operations. For the year ended December 2020, the Company evaluated the recoverability of its long-lived assets and determined that its Tradename was impaired by a total of \$23.3 million reducing the carrying value from \$141.5 million to \$118.2 million. For the years ended December 31, 2022 and 2021, the Company evaluated the recoverability of its long-lived assets and determined there was no impairment.

The estimated useful lives of the intangible assets are 25 years for acquired franchise relationships and indefinite for trade name. Amortization expense is estimated to be \$1.9 million in 2023, \$1.9 million in 2024, \$1.9 million in 2025, \$1.9 million in 2026, \$1.9 million in 2027 and \$31.6 million thereafter.

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**4. Accounts Receivable, Net**

Accounts receivable consisted of the following at December 31:

<i>(in thousands)</i>	<u>2022</u>	<u>2021</u>
Equipment	\$ 16,315	\$ 12,623
Franchise, royalties, and enrollment fees	1,928	2,168
Other	988	960
Allowance for doubtful accounts	<u>(190)</u>	<u>(412)</u>
Total accounts receivable - net	<u>\$ 19,041</u>	<u>\$ 15,339</u>

**5. Property and Equipment, Net**

Property and equipment consisted of the following at December 31:

<i>(in thousands)</i>	<u>2022</u>	<u>2021</u>
Machinery and equipment	\$ 95	\$ 52
Furniture and fixtures	89	81
Leasehold improvements	135	-
Software and website	<u>32</u>	<u>32</u>
	351	165
Less: Accumulated depreciation	<u>(184)</u>	<u>(134)</u>
Property and equipment, net	<u>\$ 167</u>	<u>\$ 31</u>

Depreciation expense related to property and equipment totaled \$51.4 thousand, \$39.0 thousand and \$77.0 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2021, the Company disposed of property and equipment resulting in a loss of \$4.0 thousand, which is included in general and administrative expenses in Statements of Operations.

**6. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following at December 31:

<i>(in thousands)</i>	<u>2022</u>	<u>2021</u>
Franchisee equipment purchase deposits	\$ 14,999	\$ 10,025
Salaries and bonuses	1,149	1,048
Sales tax	717	848
Other expenses	<u>373</u>	<u>72</u>
Total accrued expenses and other current liabilities	<u>\$ 17,238</u>	<u>\$ 11,993</u>

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**7. Revenues**

The Company's franchise agreements generally provide for payment of initial fees, monthly royalties based upon a percentage of sales, a monthly per transaction processing fee for members who enroll online, and a commitment to purchase all fitness equipment through the Company.

Revenues consisted of the following for the years ended December 31, 2022, December 31, 2021 and December 31, 2020:

<i>(in thousands)</i>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Royalties	\$ 20,287	\$ 15,580	\$ 8,549
Equipment fees	3,798	2,961	3,285
Licenses	3,201	2,830	2,087
Franchise fees	1,001	666	680
Renewal and transfer fees	12	10	-
Online enrollment fees and other	3,505	1,532	1,106
Total revenue	<u>\$ 31,804</u>	<u>\$ 23,579</u>	<u>\$ 15,707</u>

In addition to the above, BMF revenue was \$12.3 million, \$9.8 million and, \$3.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

**Revenue from Contracts with Customers**

The Company complies with ASC 606 for the recognition of revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from franchise fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. The Company classifies these contract liabilities as deferred revenue in the balance sheet. The following table reflects the change in contract liabilities (in thousands):

Balance at January 1, 2021	\$ 5,723
Revenue recognized that was included in deferred revenues in 2020	(588)
Increase, excluding amounts recognized as revenue during the year	<u>2,481</u>
Balance at December 31, 2021	7,616
Revenue recognized that was included in deferred revenues in 2021	(1,074)
Increase, excluding amounts recognized as revenue during the year	<u>4,577</u>
Balance at December 31, 2022	<u>\$ 11,119</u>

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The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2022 (in thousands):

Contract liabilities to be recognized in:

2023	\$ 1,506
2024	1,471
2025	1,225
2026	929
2027	953
Thereafter	5,035
Total	<u>\$ 11,119</u>

The Company capitalized incremental costs to obtain a contract, which consist of commissions earned by employees and has a balance of \$226.6 thousand and \$183.4 thousand as of December 31, 2022 and 2021, respectively, in prepaid expenses and other current assets and other assets in the balance sheet. The amortization of these capitalized incremental costs to obtain a contract was \$24.2 thousand, \$15.6 thousand and \$9.0 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

## **8. Commitments and Contingencies**

### **Legal Matters**

The Company is subject to various legal matters which may arise during the ordinary course of business. At December 31, 2022, the Company is unaware of any such matters which would have a material effect on the Company's financial statements.

### **Loan Guarantor**

The Parent entered into a Credit Agreement on June 27, 2019 (the "New Term Loan"). The principal amount of credit extended was \$175.0 million and with \$15.0 million of revolving commitments (the "Revolving Credit Facility") on the closing date of June 27, 2019, as senior secured credit facilities. As of December 31, 2022 and 2021, \$11.3 million and \$11.1 million was outstanding under the Revolving Credit Facility, respectively. The net proceeds from the New Term Loan after the reduction of the original issue discount of \$3.3 million was \$171.7 million. Debt issuance costs of \$6.2 million related to the credit facilities are recorded as a reduction of the principal amount of the borrowings and are being amortized using the effective interest method as a component of interest expense over the life of the debt. Debt-related activity is recorded in the consolidated financial statements of the Parent.

The Company, along with all subsidiaries of the Parent, is a guarantor of the New Term Loan. The Company, collectively, with all subsidiaries of the Parent, would be obligated to perform under the guarantee if the Parent failed to stay compliant with the terms of the credit facility. The maximum amount of future payments the Company could be required to make under the guarantee at December 31, 2022 is estimated to be approximately \$189.5 million, under the New Term Loan and Revolving Credit Facility.

# Crunch Franchising, LLC

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## Notes to Financial Statements

For the years ended December 31, 2022, 2021 and 2020

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### Operating Leases

The Company has entered into operating leases as the lessee for office space. On January 1, 2022 (“Effective Date”), the Company ASC 842, Leases, which increases transparency and comparability by recognizing a lessee’s rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new guidance requires the recognition of the right-of-use (“ROU”) assets and related operating and finance lease liabilities on the balance sheet. The Company adopted the new guidance using the modified retrospective approach on January 1, 2022. As a result, the balance sheet as of December 31, 2021 was not restated and is not comparative.

The adoption of ASC 842 resulted in the recognition of operating ROU assets of \$1.325 million and operating lease liabilities of \$1.328 million on the Company’s balance sheet as of January 1, 2022, with no adjustments to equity.

For contracts entered into on or after the Effective Date, at the inception of a contract the Company will assess whether the contract is, or contains, a lease. The Company’s assessment is based on: (i) whether the contract involves the use of a distinct identified asset, (ii) whether the Company obtained the right to substantially all the economic benefit from the use of the asset throughout the period, and (iii) whether the Company has the right to direct the use of the asset. Leases entered into prior to January 1, 2022, which were accounted for under ASC 840, were not reassessed for classification.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently presented at amortized cost using the effective interest method. The Company had no finance leases as of January 1, 2022 and December 31, 2022. The Company generally uses its incremental borrowing rate as the discount rate for leases, unless an interest rate is implicitly stated in the lease. The present value of the lease payments is calculated using the incremental borrowing rate for operating and finance leases, which was determined using a portfolio approach based on the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The lease term for all of the Company’s leases includes the noncancelable period of the lease plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. All ROU assets are reviewed periodically for impairment.

Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the asset on a straight-line basis over the shorter of the lease term or its useful life and interest expense determined on an amortized cost basis, with the lease payments allocated between a reduction of the lease liability and interest expense.

The Company leases office space under operating lease agreements that expire between 2027 and 2031. Future minimum lease payments under these agreements with noncancelable lease terms as of December 31, 2022 are as follows:

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(in thousands)

**Year Ending December 31**

2023	\$	239
2024		241
2025		244
2026		248
2027		262
Thereafter		<u>539</u>
Total undiscounted lease payments	\$	1,773
Less imputed interest (between 9.8%-10.4%)	\$	(541)
Present value of operating lease payments	\$	<u><u>1,232</u></u>

Rent expense under these agreements totaled \$351.2 thousand, \$317.4 thousand and \$316.8 for the years ended December 31, 2022, 2021 and 2020, respectively.

The following table sets forth ROU assets and lease liabilities as of December 31, 2022

Assets

ROU assets	\$	<u><u>1,114</u></u>
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Liabilities

Current operating lease liabilities	121
Non-current operating lease liabilities	<u>1,111</u>
Total ROU liabilities	<u><u>\$ 1,232</u></u>

Other information:

Operating cash flows from operating leases (in thousands)	224.1
Weighted-average remaining lease term – operating leases (in years)	6.96
Weighted-average discount rate – operating leases	10.10%

**9. Concentrations**

At December 31, 2022 and 2021, two franchisees accounted for 57% and 22% of the Company's accounts receivable, respectively.

For the years ended December 31, 2022, 2021 and 2020, revenues earned from two franchisees who own multiple clubs was 33%, 30% and 47% of the Company's revenue, respectively.

**10. Related-Party Transactions**

**Revenue and Accounts Receivable**

The Company entered into franchise agreements with entities that are related through common ownership and management. The Company receives royalties, online enrollment fees as well as equipment fees from its related parties and included in Revenue from related parties on the Statement of Operations.

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Revenue recognized from these related entities represented approximately 9%, 9% and 4% of the Company's revenue for the years ended December 31, 2022, 2021 and 2020, respectively.

Accounts receivable from related entities are recorded within Accounts receivable from related parties on the Company's balance sheet.

**Advances to Parent**

The Company advances funds to its Parent to fund debt obligations and other administrative and operating costs. Advances to Parent are classified as a component within the member's equity.

**11. Equity-Based Compensation**

On December 18, 2019, Champion TopCo, L.P. which owns 100% of the shares of the Parent, issued a total of 6.9 million Class B-2 Equity Incentive units to senior management of the Company. These Class B-2 Units vest 50% over time and 50% based on performance. The time vesting portion of the grants vest 25% per year on each of the first, second, third and fourth anniversary of July 1, 2019. The performance-based units vest 50% should Sponsor Proceeds reach or exceed two times the sponsor investment through the Measurement Date and vest 100% when the Sponsor Proceeds are at least two and one-half times through the Measurement Date.

On February 12, 2021, a total of 261,563 Class B-2 fully vested Equity Incentive units were issued to senior management. These fully vested interests are not contingent on future service and have been classified with our time vesting units.

On June 28, 2021 a total of 1,327,000 Class B-2 Equity Incentive units were issued to management of the Company. These Class B-2 Units vest 50% over time and 50% based on performance. The time vesting portion of the grants vest 25% per year on each of the first, second, third and fourth anniversary of June 28, 2021. The performance-based units vest 50% should Sponsor Proceeds reach or exceed two times the sponsor investment through the Measurement Date and vest 100% when the Sponsor Proceeds are at least two and one-half times through the Measurement Date.

On March 31, 2022 a total of 277,500 Class B-2 Equity Incentive units were issued to management of the Company. Of these, 202,500 were fully vested upon grant and are not contingent on future service and have been classified with our time vesting units. The remaining 75,000 units vest 50% over time and 50% based on performance. The time vesting portion of the grants vest 25% per year on each of the first, second, third and fourth anniversary of March 31, 2022. The performance-based units vest 50% should Sponsor Proceeds reach or exceed two times the sponsor investment through the Measurement Date and vest 100% when the Sponsor Proceeds are at least two and one-half times through the Measurement Date.



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The fair value of time and performance equity incentive units granted were determined on the grant date using the Black-Scholes valuation model based on the following assumptions:

<b>Grant date:</b>	<b>March 31, 2022</b>	<b>June 28, 2021</b>	<b>February 12, 2021</b>	<b>December 18, 2019</b>
Expected term (in months) <sup>(1)</sup>	51	60	65	54
Expected volatility <sup>(2)</sup>	52.5%	55.0%	55.0%	37.5%
Risk-free interest rate <sup>(3)</sup>	2.43%	0.90%	0.57%	1.72%
Dividend yield <sup>(4)</sup>	- %	- %	- %	- %
Weighted Avg Grant Date Value	\$ 0.28	\$ 0.25	\$ 0.17	\$ 0.19

(1) Expected term represents the estimated period of time until an award is exercised.

(2) Expected volatility is based on the historical volatility of a selected peer group over a period equivalent to the expected term.

(3) The risk-free rate is an interpolation of yields on U.S. Treasury securities with maturities equivalent to the expected term.

(4) Assumes a dividend yield of zero as the Company has no plans to declare dividends in the foreseeable future.

A summary of time equity incentive units issued to Company for the year ended December 31, 2022 and 2021 is as follows:

	Underlying Units
Outstanding, January 1, 2021	3,459,500
Granted	925,063
Forfeited/expired	<u>(30,250)</u>
Outstanding, December 31, 2021	4,354,313
Granted	240,000
Forfeited/expired	<u>-</u>
Outstanding, December 31, 2022	<u>4,594,313</u>

During the year ended December 31, 2022, 2021 and 2020, the Company incurred compensation expense relating to the equity incentive units of \$298 thousand, \$251 thousand and \$192 thousand, respectively, which is included in Payroll and related expenses on the statement of operations. As of December 31, 2022 and 2021, unrecognized compensation expense related to the unvested portion of time equity incentive units outstanding that were issued to Franchise employees totaled \$212 thousand and \$433 thousand, respectively. The compensation expense on the unvested portion of equity incentive units will be amortized on a straight-line basis over the remaining vesting period through June 30, 2023 for the 2019 grants, through June 28, 2025 for the 2021 grants and through March 31, 2026 for the 2022 grants.

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A summary of vested and unvested time equity incentive unit's activity is presented below:

	Unvested <u>Unit Activity</u>	Weighted- average grant date fair value	Vested <u>Unit Activity</u>	Weighted- average gran date fair value
Units as of January 1, 2021	2,471,071	<u>0.19</u>	988,429	<u>0.19</u>
Granted	925,063			
Forfeited/Expired	(30,250)			
Vested	<u>(1,002,884)</u>		<u>1,002,884</u>	
Units as of December 31, 2021	2,363,000	<u>0.21</u>	1,991,313	<u>0.21</u>
Granted	240,000			
Forfeited/Expired				
Vested	<u>(1,218,125)</u>		<u>1,218,125</u>	
Units as of December 31, 2022	<u>1,384,875</u>	<u>0.21</u>	<u>3,209,438</u>	<u>0.20</u>

As of December 31, 2022 and 2021, there were 4.10 million and 4.06 million of performance stock units outstanding, of which none were vested. As of December 31, 2022 and 2021, total unrecognized compensation expense related to unvested performance stock units was \$583 thousand and \$568 thousand, respectively, which may be recognized over a weighted-average period of 18 months.

**12. Subsequent Events**

The Company has evaluated subsequent events through April 21, 2023, the date on which these financial statements were available to be issued.

In March 2023, a total of 1,500,000 Class B-2 interests were granted.

The Company did not identify any additional material subsequent events that required recognition or additional disclosure in these financial statements, other than as noted herein.

**Unaudited Financial Statements**

**As of March 31, 2023**

# Crunch Franchising, LLC

## Balance Sheets

(in thousands)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets		
Cash	\$ 826	\$ 4,018
Cash - restricted	1,127	1,127
Accounts receivable, net	13,573	19,041
Prepaid expenses and other current assets	301	238
Restricted assets - brand marketing fund	1,127	1,127
Total current assets	<u>16,954</u>	<u>25,551</u>
Accounts receivable from related parties	14,116	6,761
Operating lease right of use assets	1,088	1,114
Property and equipment, net	156	167
Goodwill	35,978	35,978
Tradename	118,220	118,220
Customer relationships, net	40,681	41,161
Other assets	227	225
Total assets	<u>\$ 227,420</u>	<u>\$ 229,177</u>
<b>Liabilities and Member's Equity</b>		
Current liabilities		
Accounts payable	\$ 241	\$ 181
Accrued expenses and other current liabilities	8,185	17,238
Deferred franchise fees	1,577	1,506
Deferred rent	-	-
Operating lease liabilities-current	124	121
Restricted liabilities - brand marketing fund	713	729
Total current liabilities	<u>10,840</u>	<u>19,775</u>
Deferred franchise fees, net of current portion	9,443	9,613
Operating lease liabilities	1,079	1,111
Total liabilities	<u>21,362</u>	<u>30,499</u>
Commitments and contingencies		
Member's equity		
Member's equity	268,575	261,195
Advances to Parent	(62,517)	(62,517)
Total member's equity	<u>206,058</u>	<u>198,678</u>
Total liabilities and member's equity	<u>\$ 227,420</u>	<u>\$ 229,177</u>

# Crunch Franchising, LLC

## Statements of Income

(in thousands)

	For the three months ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
<b>Revenues</b>		
Royalty revenues	\$ 7,239	\$ 5,705
License fees	1,339	854
Online enrollment fees	633	473
Equipment fees	1,058	618
Area development fees	262	262
Other	211	11
Total revenues	<u>10,742</u>	<u>7,923</u>
<b>Operating costs and expenses</b>		
Salaries, payroll taxes and related benefits	1,825	1,133
Administrative, professional and consulting fees	400	326
Depreciation and amortization	496	485
Advertising and promotion	204	75
Travel and entertainment	224	121
Other SG&A expenses	200	61
Total operating costs and expenses	<u>3,349</u>	<u>2,201</u>
Income from operations	<u>7,393</u>	<u>5,722</u>
Other (expense) income	-	-
Interest (expense) income	-	-
Other, net	(11)	(2)
Net income	<u>\$ 7,382</u>	<u>\$ 5,720</u>

**EXHIBIT O**  
**RENEWAL RIDER**

**RENEWAL RIDER**  
**(For Franchisees Renewing Their Agreements)**

If Franchisee is renewing its Franchise Agreement, the parties agree that Section 4.2 shall be amended to provide that Franchisee shall only have \_\_\_\_\_ additional renewal term(s) of \_\_\_\_\_ (\_\_\_\_) years each, and that in lieu of the Initial Franchise Fee in Section 8.1, you will pay a renewal fee of \$12,500.

Franchisor:

Franchisee:

**CRUNCH FRANCHISING, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT P**  
**STATE ADDENDA**



**MULTI-STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)**

This Addendum pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the “SOP”) and is for the purpose of complying with the statutes and regulations of such states. For franchises sold in such states, this franchise disclosure document is amended by adding the following section at the end of Item 9:

“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.”

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE CALIFORNIA FRANCHISE INVESTMENT LAW**

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**

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 contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement, Area Development Agreement and Multi-Unit Development Agreement each provide for termination upon bankruptcy. These provisions may not be enforceable under Federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The Franchise Agreement, Area Development Agreement and Multi-Unit Development Agreement each contain a covenant not to compete which extends beyond the termination of the franchise or development rights. These provisions may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release of claims if you renew or transfer your franchise or if you transfer your area development rights or multi-unit development rights. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Neither the Franchisor nor any person listed in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

Section 18.5 of the Franchise Agreement, Section 13.5 of the Area Development Agreement and Section 13.5 of the multi-Unit Development Agreement each limit the statute of limitations to 2 years from the date the complaining party knew or should have known of facts giving rise to the claim. These provisions are void to the extent it is inconsistent with the provisions of Corporations Code 31303- 31304. 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 this law or any rule or order is void.”

OUR WEBSITE IS WWW.CRUNCHFRANCHISE.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

The Franchise Agreement, Area Development Agreement and Multi-Unit Development Agreement each provide for optional mediation. The mediation will occur in the county and state where we have our principal place of business with the costs of the mediation service being borne equally by both parties and with all other expenses relating to such mediation being borne by the party incurring them.

Item 19 is amended by adding the following disclosure: “The highest performing club represents a seasoned franchisee and new franchisees should not expect the same results.”

The following RISK FACTORS are added to the State Cover page:

4. THERE ARE NO RESTRICTIONS ON US FROM SOLICITING OR ACCEPTING ORDERS FROM MEMBERS INSIDE YOUR EXCLUSIVE TERRITORY.
5. WE AND OUR AFFILIATES ARE NOT PROHIBITED FROM USING OTHER CHANNELS OF DISTRIBUTION INSIDE YOUR EXCLUSIVE TERRITORY.
6. EXCEPT AS EXPLAINED IN ITEM 19, THE FINANCIAL PERFORMANCE REPRESENTATION FIGURES DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES, OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR FRANCHISE BUSINESS. FRANCHISEES OR FORMER FRANCHISEES, LISTED IN THE OFFERING CIRCULAR, MAY BE ONE SOURCE OF THIS INFORMATION.
7. IF YOU ARE A PARTNERSHIP, CORPORATION OR A LIMITED LIABILITY COMPANY, ALL OWNERS WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE HAWAII FRANCHISE INVESTMENT LAW**

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

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

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

No release language included in the Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE  
ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language at the beginning thereof:

“Notice Required By Law

THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE  
TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED  
BY ILLINOIS LAW, 815 ILCS 705/19 - 705/20.”

2. Illinois law shall supersede any provisions of the Franchise Agreement, Area Development Agreement, Multi-Unit Development Agreement or New Hampshire law which are in conflict with Illinois law.

3. The provisions of Section 27 of the Act supersede the provisions of Section 18.5 of the Franchise Agreement, Section 13.5 of the Area Development Agreement and Section 13.5 of the Multi-Unit Development that set a limitation period of 2 years to the extent that claims are brought under Section 26 of the Act.

4. Nothing in Section 19.11 of the Franchise Agreement, Section 14.11 of the Area Development Agreement or Section 14.11 of the Multi-Unit Development Agreement waives any rights you may have under Section 41 of the Illinois Franchise Disclosure Act of 1987.

5. The provisions of Section 4 of the Act supersede Section 18.3 of the Franchise Agreement, Section 13.3 of the Area Development Agreement and Section 13.3 of the Multi-Unit Agreement which provide for venue in a forum outside of Illinois.

6. The Physical Fitness Services Act (815 ILCS 645) requires written contracts, specified cancellation requirements (within 3 days or if consumer moves), that contracts cannot be for more than \$2,500 per person per year, cancellation provision for centers not yet opened it not opened within 12 months, the escrow of all money received prior to the opening, and, that a person trained in CPR must be on the premises at all times that people can be working out.

7. The Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74) requires a medical emergency plan, at least one automated external defibrillator and staff training on CPR and AEDs.

8. We estimate the cost of complying with the Physical Fitness Services Act and Physical Fitness Facility Medical Emergency Preparedness Act not to exceed \$2,000.

9. Item 11 is amended to add the following to the fourth paragraph under the heading “Advertising Program”:

Membership of the cooperative will include all franchised outlets and franchisor-owned outlets in a designated geographic area. A committee of the members of the cooperative, including a representative of any company-owned outlets in the

area, will administer the cooperative. The cooperative will operate from written government documents.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

1. Item 5 Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers and multi-unit developers shall be deferred until the first franchise under the area development agreement or multi-unit development agreement opens.

2. Item 17.c ("Requirements for franchisee to renew or extend") and Item 17.m ("Conditions for franchisor approval of transfer") of the Franchise Disclosure Document are amended to provide that "The requirement that you provide a general release of all claims against us in order to renew or transfer your franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. Item 17.g ("Cause defined – curable defaults") of the Franchise Disclosure Document is amended to provide that "Termination upon filing of a bankruptcy petition against you or any shareholder may not be enforceable under federal bankruptcy law."

4. Item 17.v ("Choice of forum"), of the Franchise Disclosure Document is amended to provide that "Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

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

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MINNESOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the franchise disclosure document and/or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.



**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE NEW YORK FRANCHISE LAW**

1. The cover page of the Franchise Disclosure Document is amended to add the following statement:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT**

2. Item 3 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

“Neither we, our predecessor, nor a person identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. 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. Moreover, there are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten 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, antitrust or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunction 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 injunction 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. Item 4 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

“Neither we, our affiliate, our predecessor nor our officers during the 10 year period immediately before the date of the Franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.”

4. Item 5 of the Franchise Disclosure Document is amended by adding the following to the subsection entitled “Initial Franchise Fee”:

“We will use the Initial Fee to cover our costs associated with fulfilling its obligations under the Franchise Agreement and to cover other overhead costs and expenses.”

5. Item 17 of the Franchise Disclosure Document is amended by deleting the first paragraph and substituting the following:

“THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AGREEMENT AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THESE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.”

6. Item 17 of the Franchise Disclosure Document is amended by adding the following to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

“However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.”

7. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary column (d) entitled “Termination by You”:

“You can terminate upon any grounds available by law.”

8. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary column (w) indicating the choice of law:

NY

Multistate  
CF FDD 5/2023

“The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by the General Business Law of the State of New York.”

NY

Multistate  
CF FDD 5/2023

**FRANCHISOR REPRESENTATION**

**THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.**

NY

Multistate  
CF FDD 5/2023

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE NORTH DAKOTA FRANCHISE LAW**

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Waiver of trial by jury is prohibited by law in the State of North Dakota. Accordingly, Section 18.7 of the Franchise Agreement, Section 13.7 of the Area Development Agreement and Section 13.7 of the Multi-Unit Development Agreement are deleted.

2. Waiver of exemplary and punitive damages is prohibited by law in the State of North Dakota. Accordingly, Section 18.6 of the Franchise Agreement, Section 13.6 of the Area Development Agreement and Section 13.6 of the Multi-Unit Development Agreement are deleted.

3. North Dakota prohibits a provision that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the Franchise Agreement. Accordingly, Section 18.8 of the Franchise Agreement, Section 13.8 of the Area Development Agreement and Section 13.8 of the Multi-Unit Development Agreement are amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

4. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the Area Development Agreement, the Multi-Unit Development Agreement and the other agreements or New York law if those provisions are in conflict with North Dakota law.

5. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement, Area Development Agreement, or Multi-Unit Development Agreement and issued in the State of North Dakota.

6. North Dakota has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee signing a general release upon renewal of the Franchise Agreement in Item 17(c) of the Franchise disclosure document and Section 4.2.3 of the Franchise Agreement are deleted.

7. Summary column (r) in Item 17 of the Franchise Disclosure Document and Section 14.2 of the Franchise Agreement, Section 9.2 of the Area Development Agreement and Section 9.2 of the Multi-Unit Development Agreement, prohibit you from owning or being involved with a company or other business within the Territory, Development Area, or Multi-Unit Area or within 5 miles of any other Crunch health club then in existence, that offers services competitive with those offered, franchised or licensed by us for 1 year after termination or expiration of the Franchise Agreement, Area Development Agreement or

Multi-Unit Development Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE RHODE ISLAND FRANCHISE DISCLOSURE ACT**

Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, 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.”

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE VIRGINIA RETAIL FRANCHISING ACT**

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Virginia.

The following paragraph is added at the end of Item 17:

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 does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.



**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE WASHINGTON FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. If any of the provisions in the Franchise Disclosure Document, Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document, Franchise Agreement, Area Development Agreement or Multi-Unit Development Agreement with regard to any franchises sold in Washington.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. The State of Washington’s policy pursuant to its Administrative Regulations pertaining to releases is as follows:

The requirement of a release by the Franchisee to Franchisor is acceptable so long as it does not include a release of the Franchisee’s claims under the Washington Franchise Investment Protection Act.

4. Item 17 is amended to add the following:

“These states have statutes which limit the franchisor’s ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor’s ability to restrict your activity after the Franchise Agreement has ended.

A provision in the Franchise Agreement which terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: California [Civil Code Section 1671], Indiana [IC 23-2-2.7-1(10)], Minnesota [Rule 2860.4400J], South Dakota [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.”

**EXHIBIT Q**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

(NOT FOR USE IN THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

CRUNCH FRANCHISING, LLC and you are preparing to enter into a Franchise Agreement for the operation of a Crunch health club franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that CRUNCH FRANCHISING, LLC has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Do you understand that the success or failure of your business will depend in large part upon your ability as an independent business person?

Yes \_\_\_ No \_\_\_

2. Has any employee or other person speaking on behalf of Crunch Franchising, LLC made any representation or prediction concerning the revenue, profitability or operating costs of any Crunch health club Franchised Business?

Yes \_\_\_ No \_\_\_

3. If you answered “No” to question (1) or “Yes” to question (2), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “Yes” to question (1) and “No” to question (2), please leave the following lines blank.

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You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
FRANCHISEE/APPLICANT

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_, 20\_\_\_\_

**(NOT FOR USE IN THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD,  
VA, WA, WI)**

## 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:

California	_____, 2023
Hawaii	_____, 2023
Illinois	_____, 2023 (automatically exempt)
Indiana	_____, 2023 (automatically exempt)
Maryland	_____, 2023
Michigan	_____, 2023
Minnesota	April 8, 2010, as amended _____, 2023
New York	_____, 2023 (automatically exempt)
North Dakota	_____, 2023
Rhode Island	_____, 2023
South Dakota	_____, 2023
Virginia	_____, 2023
Washington	_____, 2023
Wisconsin	_____, 2023

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.

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Crunch Franchising, LLC offers you a franchise, it must provide this franchise disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sales.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Crunch Franchising, LLC does not deliver this franchise disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 Crunch Franchising, LLC, located at 1 Harbour Place, Suite 230, Portsmouth, NH 03801. Its telephone number is 1-800-669-7162.

The issuance date is May 17, 2023.

Crunch Franchising, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a Disclosure Document dated May 17, 2023 that included the following Exhibits:

- A. List of State Administrators
- B. Agents for Service of Process
- C. Franchise Agreement, including Owner’s Guaranty
- D. State Specific Amendments to Franchise Agreement
- E. Area Development Agreement, including Owner’s Guaranty
- F. State Specific Amendments to Area Development Agreement
- G. Multi-Unit Development Agreement, including Owner’s Guaranty
- H. State Specific Amendments to Multi-Unit Development Agreement
- I. Table of Contents of Operations Manual
- J. Confidentiality Agreement
- K. General Release
- L. List of Franchisees
- M. Franchisees Who Left System or Have Not Communicated
- N. Financial Statements
- O. Renewal Rider
- P. State Addendum
- Q. Franchisee Disclosure Questionnaire

Date: \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee Signature

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Individually and as \_\_\_\_\_  
of \_\_\_\_\_

(Your copy. Sign, date and retain.)

**Franchise Sellers:**

**Please check the box by each franchise seller listed below with whom you have had significant contacts in connection with the offer or sale of a Crunch franchise to you:**

- John Merrion, 1 Harbour Place, Ste. 230, Portsmouth, NH 03801, 800.669.7162
- Ben Midgley, 1 Harbour Place, Ste. 230, Portsmouth, NH 03801, 603.501.0437
- Craig Pepin-Donat, 13245 Atlantic Blvd., Ste. 4-306, Jacksonville, FL 32225, 904.220.6395
- Michael J. Blouin, 1 Harbour Place, Ste. 230, Portsmouth, NH 03801, 603.501.0437
- Gregory T. McDonough, , 1 Harbour Place, Ste. 230, Portsmouth, NH 03801, 603.501.0437
- Chad C. Waetzig, 22 W. 19<sup>th</sup> Street, 3<sup>rd</sup> Fl., New York, NY 10011, 212.993.0339
- Timothy Welsh, 1 Harbor Place, #230, Portsmouth, NH 03801, 603.501.0437

**(Your copy. Sign, date and retain.)**

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- |   |  |
|---|--|
| A. List of State Administrators                                 | H. State Specific Amendments to Multi-Unit Development Agreement |
| B. Agents for Service of Process                                | I. Table of Contents of Operations Manual                        |
| C. Franchise Agreement, including Owner's Guaranty              | J. Confidentiality Agreement                                     |
| D. State Specific Amendments to Franchise Agreement             | K. General Release   |
| E. Area Development Agreement, including Owner's Guaranty       | L. List of Franchisees   |
| F. State Specific Amendments to Area Development Agreement      | M. Franchisees Who Left System or Have Not Communicated          |
| G. Multi-Unit Development Agreement, including Owner's Guaranty | N. Financial Statements  |
|   | O. Renewal Rider   |
|   | P. State Addendum  |
|   | Q. Franchisee Disclosure Questionnaire                           |

Date: \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee Signature

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Individually and as \_\_\_\_\_

of \_\_\_\_\_

(Our copy. Sign, date and return to us.)



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