

8/2/23

FRANCHISE DISCLOSURE DOCUMENT

(Single-Unit Franchise and Area Development Rights)

STRETCH ZONE[®]

STRETCH. WORK. PLAY. REPEAT.



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



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a Florida limited liability company
6700 North Andrews Avenue, # 210
Fort Lauderdale, FL 33309
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The Franchise Business you will own and operate is a business that offers advanced certified practitioner-assisted stretching to individuals, which business operates under the trade name “Stretch Zone®.”

The total investment necessary to begin operation of a Stretch Zone Franchise ranges from \$123,930 to \$226,949. This includes \$55,475 to \$74,000 that must be paid to us or our affiliate.

We also offer to certain qualified persons rights to develop 2 or more Stretch Zone Franchises (the “Franchise Businesses”) within a Development Area under a Stretch Zone Area Development Agreement. In consideration of the Area Development Rights we grant to you, you will pay to us a Development Fee based on the number of Franchise Businesses you intend to develop. To develop 2 Franchise Businesses the Development Fee is \$119,000 representing the Initial Franchise Fees for both Franchise Businesses. To develop 3 Franchise Businesses the Development Fee is \$148,750 representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fee for the 3rd Franchise Business. When you are ready to begin work towards your 3rd location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 4 Franchise Businesses the Development Fee is \$178,500 representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fees for the 3rd and 4th Franchise Business. When you are ready to begin work towards your 3rd and 4th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 5 Franchise Businesses the Development Fee is \$238,000 representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fee for the 4th and 5th Franchise Business. When you are ready to begin work towards your 4th and 5th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 6 Franchise Businesses the Development Fee is \$267,750 representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fee for the 4th, 5th and 6th Franchise Businesses. When you are ready to begin work towards your 4th, 5th and 6th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. The Development Fee is nonrefundable, and we fully earn it upon signing the Area Development Agreement.

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

You may wish to receive this Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of this Franchise Disclosure Document in different

formats, contact Tony Zaccario, President and Chief Executive Officer at 6700 North Andrews Avenue, # 210, Fort Lauderdale, FL 33309 and (954) 799-6419.

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

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

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

The date of issuance of this Franchise Disclosure Document is May 1, 2023.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much will I earn?	ITEM 19 may give you information about unit sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in ITEM 20 and Exhibit L.
How much will I need to invest?	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.
Does the franchisor have the financial ability to support my business?	ITEM 21 and Exhibit M include financial statements. Review these statements carefully.
Is the franchise system stable and growing or shrinking?	ITEM 20 summarizes the 3-year history of the number of Company-Owned and Franchised Units.
Will my business be the only Stretch Zone Business in my market?	ITEM 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	ITEMS 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings
What's it like to be a Stretch Zone franchisee?	ITEM 20 and Exhibit L list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 ITEMS and all Exhibits in this Franchise Disclosure Document to better understand this franchise opportunity. See the Table of Contents.

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

Certain states require that the following risk be highlighted:

1. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
2. **Out-of-State Dispute Resolution.** The Franchise Agreement and Area Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration and litigation only in Florida. Out-of-state mediation and arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in Florida than in your own state.
3. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see ITEM 21), calls into question the Franchisor's financial ability to provide services and support to you.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
6. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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

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

THE FRANCHISOR, PARENTS AND AFFILIATES

The Franchisor is Stretch Zone Franchising LLC and is referred to in this FDD as “we,” “us” and “our.” The Franchisee is the person, persons or Business Entity to whom we grant the right to purchase and operate a Franchise Business and is referred to as “you” and “your.” If the Franchisee is a Business Entity, each of the equity owners owning 20% or more of the equity interests (the “Franchise Owners”) must sign the Guaranty of Developer’s/Franchisee’s Obligations included in Exhibit G. Unless otherwise defined in this FDD, all capitalized terms are defined in ARTICLE 18 of the Franchise Agreement attached as Exhibit C.

Franchisor. The name of the Franchisor is Stretch Zone Franchising LLC. Our principal business address is 6700 North Andrews Avenue, # 210, Fort Lauderdale, FL 33309.

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

Affiliates. Our affiliate, Princeton Equity Group, LLC, a Delaware limited liability company, is a private equity firm with its principal address at 47 Hulfish Street, Suite 305, Princeton, New Jersey 08542. Princeton Equity Group, LLC does not offer franchises in any line of business and does not supply products or services to you; however, through common ownership under Princeton Equity Group, LLC, we have other affiliates that offer franchises for the following businesses:

SB Oil Change Franchising, LLC, is a Delaware limited liability company, with a business address at 301 North Main Street, Suite 2605, Winston Salem, North Carolina 27101. SB Oil Change Franchising, LLC grants to franchisees the right to own and operate Strickland Brothers franchise businesses providing oil changes and related automotive services. SB Oil Change Franchising, LLC began offering franchises in 2019 and had 139 franchises open and operating as of December 31, 2022. SB Oil Change Franchising, LLC has not offered franchises in any other lines of business or provides any services to you.

CMY Franchising, LLC, is a Delaware limited liability company, with a business address at 2009 Ranch Road 620 N., Suite 420, Austin, Texas 78734. CMY Franchising, LLC grants to franchisees the right to own and operate Card My Yard franchise businesses providing celebratory yard greeting products and services. CMY Franchising, LLC began offering franchises in 2017 and had 512 franchises open and operating as of December 31, 2022. CMY Franchising, LLC has not offered franchises in any other lines of business or provides any services to you.

Five Star Bath, LLC, is a Utah limited liability company, with a business address at 761 W. Spring Creek Place, Springville, Utah 84663. Five Star Bath, LLC grants to franchisees the right to own and operate Five Star Bath Solutions franchise businesses offering bathroom renovation services. Five Star Bath, LLC began offering franchises in 2014 and had 75 franchises open and operating as of December 31, 2022. Five Star Bath, LLC has not offered franchises in any other lines of business or provides any services to you.

Gotcha Covered Franchising, LLC is a Colorado limited liability company, with a business address at 6251 Greenwood Plaza Boulevard, Suite 170, Greenwood Village, Colorado 80111. Gotcha Covered Franchising, LLC grants franchises the right to operate Gotcha Covered

franchise business offering window covering and treatment services. Gotcha Covered Franchising, LLC began offering franchises in 2009 and had 144 franchises open and operating as of December 31, 2022. Gotcha Covered Franchising, LLC has not offered franchises in any other lines of business or provides any services to you.

Ringside Development Company d/b/a BioOne Colorado, Inc., is a Colorado corporation, with a business address at 6251 Greenwood Plaza Boulevard, Suite 170, Greenwood Village, Colorado 80111. Ringside Development Company grants to franchisees the right to own and operate Bio-One franchise businesses offering restoration services removing regulated and non-regulated bio-medical waste. Ringside Development Company began offering franchises in 2010 and had 127 franchises open and operating as of December 31, 2022. Ringside Development Company has not offered franchises in any other lines of business or provides any services to you.

1-800 Packouts Franchise, LLC, is a Georgia limited liability company, with a business address at 110 Bruner Way, Ball Ground, Georgia 30107. 1-800-Packouts Franchise, LLC grants to franchisees the right to own and operate 1-800-Packouts franchise businesses providing packing, storage, and restoration of residential, commercial, and industrial contents. 1-800-Packouts Franchise, LLC began offering franchises in 2015 and had 60 franchises open and operating as of December 31, 2022. 1 800 Packouts Franchise,, LLC has not offered franchises in any other lines of business or provides any services to you.

1-800-Textiles Franchise, LLC, is a Georgia limited liability company, with a business address at 110 Bruner Way, Ball Ground, Georgia 30107. 1-800-Textiles Franchise, LLC grants to franchisees the right to own and operate 1-800-Textiles franchise businesses providing textile restoration services. 1-800- Textiles Franchise, LLC began offering franchises in 2022 and had 53 franchises open and operating as of December 31, 2022. 1-800-Textiles Franchise, LLC has not offered franchises in any other lines of business or provides any services to you.

Mosquito Shield Franchise, LLC, is a Delaware limited liability company, with a business address at 500 E. Washington Street, # 24, North Attleboro, Massachusetts 02760. Mosquito Shield Franchise, LLC grants to franchisees the right to own and operate Mosquito Shield Franchise businesses providing mosquito treatment services. Mosquito Shield Franchise, LLC began offering franchises in 2013 and had 345 franchises open and operating as of December 31, 2022. Mosquito Shield Franchise, LLC has not offered franchises in any other lines of business or provides any services to you.

D1 Sports Franchise, LLC, is a Tennessee limited liability company, with a business address at 7115 S. Springs Drive, Franklin, TN 37067. D1 Sports Franchise, LLC grants to franchisees the right to own and operate D1 franchise businesses the right to own and operate training facilities offering athletic-based scholastic and adult group training, coaching and personal training, and related products and services under the “D1” name and marks. D1 Sports Franchise, LLC began offering franchises in 2015 and had 83 franchises open and operating as of December 31, 2022. D1 Sports Franchise, LLC has not offered franchises in any other lines of business or provides any services to you.

Ellie Fam LLC, is a Minnesota limited liability company, with a business address at 1370 Mendota Heights Road, Mendota Heights, Minnesota 55120. Ellie Fam LLC grants to franchisees the right to own and operate Ellie Fam franchise businesses offering outpatient counseling and therapy clinics. Ellie Fam LLC began offering franchises in 2021 and had 38

franchises open and operating as of December 31, 2022. Ellie Fam LLC has not offered franchises in any other lines of business or provides any services to you.

OUR PREDECESSORS

We have no predecessors.

TRADE NAME

We conduct business under the trade name "Stretch Zone®."

OUR AGENTS FOR SERVICE OF PROCESS

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

TYPE OF BUSINESS ORGANIZATION

We are a Florida limited liability company organized on November 25, 2015.

OUR BUSINESS AND THE FRANCHISE OFFERED

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

Other Business Activities. We have no other business activities except we have granted licenses of the Stretch Zone trademark. We have not conducted business in any other line of business and have not offered franchises in any other line of business.

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

Each stretcher must complete the Stretch Zone Stretch Training Program before he or she can become a Certified Practitioner. We will provide the Stretch Zone Stretch Training Program to your initial practitioners before you open your Studio. You must pay to us our then-current training fee associated with this Program as consideration for providing this Program and corresponding testing, and to cover the costs associated with attending this Program at our corporate training locations.

If you are a Business Entity or the Franchise Agreement is signed by more than 1 person, you must appoint a Designated Representative with whom we communicate regarding the operation of the Studio. You or your Designated Representative must complete the Franchisee Training (the “Franchisee Training”) of our proprietary initial training program (the “Initial Training Program”) before you open the Franchise Business. The Initial Training Program focuses on the operation and management of a Studio from an owner perspective.

Area Development Rights. In addition to the single-Unit Stretch Zone Franchise, we offer to certain qualified persons rights to develop at least 2 Stretch Zone Franchises within a specified Development Area in accordance with a Development Schedule to be negotiated by the parties under a Stretch Zone Area Development Agreement, a copy of which is included as Exhibit E. For the perimeter of the Development Area, you agree that you will not select a site that is within the limited protected territory of a Company-Owned Unit or Franchise Unit that is operating or under construction. We agree not to open a Company-Owned Unit or a Franchise Unit within the Limited Protected Territory of any of your Franchise Units even if the Limited Protected Territory extends outside the Development Area. Non-Traditional Franchise Units and locations are excluded from your Area Development Agreement and the Development Area. For each Stretch Zone Franchise you develop, you must sign our then-current form of Stretch Zone Franchise Agreement, which may differ from the Franchise Agreement included as Exhibit C and pay the balance of the Initial Franchise Fee when you are ready to begin work towards your next location. A request must be submitted through the Franchise Development Department. If you fail to timely achieve the Development Schedule, you may lose all future Area Development Rights if we elect to terminate the Area Development Agreement. We will then have the right to reassign these Area Development Rights to another party or we may retain these rights. You may keep your Franchise Units then developed or under construction, provided you are not in default under the Franchise Agreements. The material terms of the then-current form of Stretch Zone Franchise Agreement may vary substantially from the Stretch Zone Franchise Agreement contained in Exhibit C. You must purchase your first Franchise Business when you sign the Area Development Agreement and the Franchise Agreement. If you are not purchasing Area Development Rights, you can ignore Exhibit E and the provisions of this Franchise Disclosure Document involving Area Development Rights.

GENERAL MARKET

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

INDUSTRY-SPECIFIC LAWS OR REGULATIONS

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

COMPETITION

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

PRIOR BUSINESS EXPERIENCE

Our Prior Business Experience. We have not conducted a business of the type you will operate. We began selling Stretch Zone Franchises and Area Development Rights in June 2016. We have not offered any licenses except for a license to L.A. Fitness for Southern California that is no longer in effect. We are not in any other line of business.

Our Parent’s Business Experience. Our Parent owns all or a controlling interest in 3 Company-Owned Units of the type you will operate listed below. It has not offered franchises in this type of business or any other line of business. It does not sell any products or services to you.

5538 Cooper City SZ LLC	5538 S Flamingo Rd Unit 52 Cooper City, FL 3330	(954) 306-3365
Naples Stretch LLC	2359 Vanderbilt Beach Road, Suite 412 Naples, FL 34109	(239) 260-1061
Sunny Stretch LLC	3149 Northeast 163rd Street North Miami Beach, FL 33160	(305) 760-2551

ITEM 2 - BUSINESS EXPERIENCE

DIRECTORS, OFFICERS AND OTHER EXECUTIVES

JORDEN GOLD, FOUNDER AND MEMBER

Mr. Gold has been involved in our organization in November 2015. From 2004 to the present he was the founder of the Stretch Zone Methodology in Aventura, Florida. He is located at our corporate office in Fort Lauderdale, Florida.

TONY ZACCARIO, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Tony Zaccario has been our President and Chief Executive Officer since December 2020. From October 2019 to December 2020 Mr. Zaccario acted as our President and Chief Operating Officer. From July 2017 to October 2019 Mr. Zaccario acted as our Vice President of Operations. He is located at our corporate office in Fort Lauderdale, Florida.

DANIEL COLLINS, VICE PRESIDENT OF FRANCHISE DEVELOPMENT

Mr. Collins has been our Vice President of Franchise Development since September 2021. From May 2021 to December 31, 2021, Mr. Collins was the Franchise Development Manager for Rhino 7, a franchise sales and development & management consulting company in Cary, North Carolina. Mr. Collins is also the owner of Francis Daniel Collins, P.A., a Franchise Consulting and Development practice located in Lake Worth, Florida since July 2009 to present. He is located at our corporate office in Fort Lauderdale, Florida.

KEITH TRAWICK, CHIEF INFORMATION OFFICER

Mr. Keith Trawick has been our CIO since February 2017. He is located in Columbus, Georgia. He is also the founder of KnetK LLC, a Georgia limited liability company, since September 1, 2021.

LINDSEY MCFADDEN, VICE PRESIDENT OF MARKETING

Mrs. Lindsey McFadden has been our Vice President of Marketing since January 2023. Before joining us, from August 2021 to June 2022, Mrs. McFadden was the Director of Operations at Wild Coffee Marketing. From September 2018 to August 2021, Mrs. McFadden was a Senior Marketing Consultant at Wild Coffee Marketing. Mrs. McFadden was Senior Account Director of Client Engagement for Damn Good Agency located in Delray Beach, Florida from June 2014 to September 2018. She is located at our corporate office in Fort Lauderdale, Florida.

SETH OLSON, DIRECTOR OF OPERATIONS

Mr. Seth Olson has been our Director of Operations since December 2021. From June 2021 to December 2021, Mr. Olson acted as our Manager of Operations. From December 2020 to June 2021, Mr. Olson was our Manager of Brand Performance. From November 2019 to December 2020, Mr. Olson served as our Master Practitioner and from November 2018 to November 2019, Mr. Olson acted as our General Manager. Before joining us, from November 2016 to September 2018, Mr. Olson was a Physical Therapist Assistant at Spine and Orthopedic Center in Deerfield Beach, Florida. He is located at our corporate office in Fort Lauderdale, Florida.

JESSICA BURRAFATO, DIRECTOR OF ACCOUNTING

Ms. Jessica Burrafato has been our Director of Accounting since April 2019. Before joining us, from June 2017 to April 2019, Ms. Burrafato was part of the Assurance Team at PricewaterhouseCoopers in New York City, New York. She is located at our corporate office in Fort Lauderdale, FL.

KELLEY O'CONNOR, DIRECTOR OF TRAINING

Ms. Kelley O'Connor has been our Director of Training since November 2019. From April 2018 to November 2019, Ms. O'Connor acted as our Master Practitioner. From July 2017 to April 2018, Ms. O'Connor was our General Manager. She is located at our corporate office in Fort Lauderdale, Florida

BRADLEY MILLER, DIRECTOR OF STORE OPENINGS

Mr. Bradley Miller has been our Director of Store Openings since December 2021. From December 2020 to December 2021, Mr. Miller acted as our Manager of Store Openings. From March 2020 to December 2020, Mr. Miller was our Project Manager. From January 2018 to February 2020, Mr. Miller was a Licensing and Contracting Specialist for Seeman Holtz Property and Casualty, an intendent insurance carrier located in Boca Raton, Florida. He is located in Portland, Oregon.

ZACK OLSON, MANAGER OF FRANCHISE DEVELOPMENT

Mr. Olson has been our Manager of Franchise Development since April 2021. From July 2019 to April 2021, Mr. Olson was our General Manager in Boca Raton, Florida. From January 2013 to July 2019, Mr. Olson was the Owner/Operator of O2 Athletics, a private athletic training company, located in Boca Raton, Florida. He is located at our corporate office in Fort Lauderdale, Florida.

ITEM 3 - LITIGATION

PRIOR ACTIONS LAST 10 YEARS

Mark Abrams, individually and derivatively on behalf of Stretchzone, Inc. and Stretchzone International, LLC v. Jordan R. Gold, In the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, Case No. 2016-029527-CA-01. Mark Abrams and Jordan R. Gold allegedly had business dealings with each other. On November 16, 2016, Mark Abrams, an alleged shareholder with Jordan R. Gold in Stretchzone, Inc. and an alleged member with Jordan R. Gold in Stretchzone International, LLC, filed suit against Jordan R. Gold alleging: (i) breach a certain Operating Agreement and Agreement of Purchase and Sale of Shares between the parties; (ii) breach of fiduciary duty; (iii) tortious interference; and (iv) constructive fraud. The relief that the Plaintiff seeks are compensatory damages, disgorgement of profits, prejudgment, attorneys' fees and court costs. The Plaintiff also requested a permanent injunction, declaratory judgment, the appointment of a receiver, judicial dissolution, and an accounting. Mr. Gold filed his Answer on January 27, 2017 denying the allegations of the Complaint, asserting 17 Affirmative Defenses and filing a Counterclaim for Declaratory Judgment as to Mr. Abrams rightful termination; rescission of the Operating Agreement and Stock Purchase Agreement and judicial dissolution of Stretchzone, Inc. and Stretchzone International, LLC. No injunction has been issued by the Court. No receiver has been appointed by the Court. We are not a party to this action. On April 18, 2018, the parties entered into a Settlement Agreement pursuant to which Mr. Abrams agreed to transfer his 20% interest in MMJND, LLC to Stretch Zone Holdings, LLC and relinquish any ownership claims in Stretchzone, Inc. and Stretchzone International, LLC in consideration for the payment of \$250,000. \$20,000 was paid at the time the Settlement Agreement was signed and \$230,000 to payable in 33 equal monthly installments beginning August 1, 2018 and on the 1st day of each of the next 33 months. All payments are current.

Stretch Zone of the Suncoast, LLC v. Stretch Zone, Inc. In the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, Case No. 2016-025246-CA-01. On October 3, 2014, Stretch Zone, Inc. and *Stretch Zone of the Suncoast, LLC* entered into an agreement that was titled a Licensing Agreement). On September 28, 2016, Suncoast filed a lawsuit against Stretch Zone, Inc. alleging, *inter alia*, several claims stemming from the allegations that the Licensing Agreement is a franchise. On August 17, 2019, the parties settled the lawsuit with Stretch Zone, Inc. paying Suncoast \$42,000. Suncoast ceased using the Stretch Zone marks and proprietary information.

Michael S. Bush v. Jordan Gold a/k/a Jordan Gold; Bonnie Lane; and Stretch Zone Holdings, LLC, a Florida limited liability company. In the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida, Case No. CACE-19-020585 (07). On October 18, 2019, Michael S. Bush, a member of Stretch Zone Holdings, LLC and Chief Executive Officer/President and a Manager of Stretch Zone Franchising, LLC filed suit against the Defendants alleging (1) Claim for Injunctive Relief and/or a Court Order under the Alternative Remedies to Judicial Dissolution of Stretch Zone Holdings, LLC pursuant to § 605.0703(3) and (4) of the Florida Statutes. Mr. Bush alleges that Stretch Zone Holdings, LLC's managers, Jordan Gold and Bonnie Lane, improperly resolved as members of the limited liability company to remove Mr. Bush as General Manager and an employee of Stretch Zone Holdings, LLC seeking injunctive relief from the Court declaring that the resolution of Gold and Lane removing Bush as General Manager and an employee of Stretch Zone Holdings, LLC be "rescinded," and removing Gold from all business, management and employee roles at Stretch Zone Holdings, LLC and restoring Bush as General Manager Member, Chief Executive Officer and Registered Agent of the Stretch Zone Holdings, LLC (2) Claim for Appointment of a Custodian, Pendente Lite, for Stretch Zone Holdings, LLC. Bush seeks to have a custodian appointed for Stretch Zone Holdings, LLC to manage Stretch Zone Holdings, LLC during the pendency of the action; (3) Claim for Appointment of a Receiver for the Stretch Zone

Holdings, LLC. Bush seeks to have a receiver appointed for Stretch Zone Holdings, LLC, to prepare an inventory of all property, funds and assets of Stretch Zone Holdings, LLC initially, with updated reporting monthly thereafter, during the pendency of the action; (4) Claim for Judicial Dissolution of Stretch Zone Holdings, LLC. Bush seeks to have Stretch Zone Holdings, LLC judicially dissolved pursuant to § 605.0702 of the Florida Statutes, based on the allegation that “it is no longer reasonably practicable to carry on Stretch Zone Holdings, LLC’s activities and affairs in conformity with the Articles of Organization and with the Company’s Operating Agreement . . . given (i) the fraud which Gold and Lane have perpetrated upon Bush as described hereinabove designed to oust Bush being the Managing Member as designated in the Operating Agreement and (ii) the filing of this lawsuit by Bush against fellow member and 50% co-owner in Stretch Zone Holdings, LLC – Gold.” Bush further alleges dissolution of Stretch Zone Holdings, LLC is warranted based on a fraudulent claim that Gold and Lane collectively own a 51% of the Membership Interest in the company. Bush finally alleges that dissolution of Stretch Zone Holdings, LLC is warranted based on an alleged deadlock between Bush and Gold in the management of Stretch Zone Holdings, LLC and alleged irreparable injury to Stretch Zone Holdings, LLC; (5) Claim for Fraud against Jordan Gold and Bonnie Lane. Bush alleges that Gold and Lane have made fraudulent representations to others that Gold owns 49% of the Membership Interest in Stretch Zone Holdings, LLC, and Lane owns 2% of the Membership Interest in Stretch Zone Holdings, LLC, in the written resolution of Stretch Zone Holdings, LLC adopted by them to remove Bush as General Manager and an employee of Stretch Zone Holdings, LLC; (6) Claim for Conspiracy to Defraud against Jordan Gold and Bonnie Lane. Bush alleges that Gold and Lane engaged in a “conspiracy and scheme to defraud [Bush]” in connection with a written resolution of Stretch Zone Holdings, LLC adopted by them to remove Bush as General Manager and an employee of Stretch Zone Holdings, LLC. On October 18, 2019, in response to Counts I, II, III and IV of Bush’s Complaint, , Stretch Zone Holdings, LLC filed and served its Notice of Statutory Election to purchase all of Bush’s Membership Interest in Stretch Zone Holdings, LLC pursuant to § 605.0706(1)(b) of the Florida Statutes and filed a separate motion to abate all company dissolution proceedings and related claims pending a Court hearing as to the value Bush’s interest in Stretch Zone Holdings, LLC and determine equitable buyout terms. The first hearing on the valuation issues is presently set for April 28, 2020. Gold also filed and served his Notice of Statutory Election to purchase all of Bush’s Membership Interest in Stretch Zone Holdings, LLC pursuant to § 605.0706(1)(b) of the Florida Statutes as a backup to the Notice of Election to purchase Bush’s Membership Interest in Stretch Zone Holdings, LLC filed by Stretch Zone Holdings, LLC, and will soon file a separate motion to abate all company dissolution proceedings and related claims pending a Court hearing as to the value of Bush’s interest in Stretch Zone Holdings, LLC and determine equitable buyout terms. On December 10, 2019, in response to all claims asserted in Bush’s Complaint, Gold filed a Motion to Dismiss Counts I, II, III, V and VI for failure to state a cause of action, and to strike Bush’s claim for an award of punitive damages in the fraud and conspiracy to defraud counts. Gold’s filed his Motion to Stay Proceedings and Bifurcate Proceedings on February 24, 2020. At a hearing on June 1, 2020, the Court announced the following rulings:

- (a) Counts I, II and III of Bush’s Complaint are dismissed, with leave for Bush to amend Count IV to include some or all of the relief sought in Counts I, II or III as remedies sought in connection with Count IV.
- (b) Counts V and VI, claims for fraud and conspiracy to defraud are dismissed for failure to state a cause of action, with leave to amend in 20 days.
- (c) Claims for punitive damages were stricken.

On December 14, 2020 the Court entered an agreed order to dismiss with prejudice all claims between Plaintiff, Michael Bush and Defendants’ Jordan Gold and Stretch Zone Holdings, LLC, as a result of a

confidential settlement agreement between the parties which requires the Parent Company to pay \$5,250,000 to Mr. Bush throughout a 10-year period as a buy-out of Mr. Bush's ownership interest in Stretch Zone Holdings, LLC. As of March 2, 2023 Mr. Bush has been paid in full.

Except for these 3 matters, no litigation is required to be disclosed in this ITEM.

ITEM 4 - BANKRUPTCY

No bankruptcy is required to be disclosed in this ITEM.

ITEM 5 - INITIAL FEES

INITIAL FRANCHISE FEE

Until July 31, 2023, the Initial Franchise Fee for a Franchise Business varies as follows:

New Franchise	\$49,500
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Veteran ¹ Franchisee	\$44,550
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¹ We are a member of the International Franchise Association ("IFA") and we participate in the IFA's VetFran Program. If you are an honorably discharged veteran and you meet our qualifications for purchasing a Stretch Zone Franchise, we will discount the Initial Franchise Fee by 10% (\$4,950) for the first location only.

Effective August 1, 2023, the Initial Franchise Fee for a Franchise Business will vary as follows:

New Franchise	\$59,500
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Veteran ² Franchisee	\$53,550
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² We are a member of the International Franchise Association ("IFA") and we participate in the IFA's VetFran Program. If you are an honorably discharged veteran and you meet our qualifications for purchasing a Stretch Zone Franchise, we will discount the Initial Franchise Fee by 10% (\$5,950) for the first location only.

UNIFORMITY OF INITIAL FRANCHISE FEE

The Initial Franchise Fee is uniform to all Franchisees currently purchasing a Franchise Business.

DEVELOPMENT FEE

We also offer to certain qualified persons rights to develop 2 or more Stretch Zone Franchises (the "Franchise Businesses") within a Development Area under a Stretch Zone Area Development Agreement. In consideration of the Area Development Rights we grant to you, you will pay to us a Development Fee based on the number of Franchise Businesses you intend to develop. To develop 2

Franchise Businesses the Development Fee is \$119,000 representing the Initial Franchise Fees for both Franchise Businesses. To develop 3 Franchise Businesses the Development Fee is \$148,750 representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fee for the 3rd Franchise Business. When you are ready to begin work towards your 3rd location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 4 Franchise Businesses the Development Fee is \$178,500 representing the Initial Franchise Fees for the first 2 Franchise Businesses and 50% of the Initial Franchise Fees for the 3rd and 4th Franchise Business. When you are ready to begin work towards your 3rd and 4th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 5 Franchise Businesses the Development Fee is \$238,000 representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fee for the 4th and 5th Franchise Business. When you are ready to begin work towards your 4th and 5th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. To develop 6 Franchise Businesses the Development Fee is \$267,750 representing the Initial Franchise Fees for the first 3 Franchise Businesses and 50% of the Initial Franchise Fee for the 4th, 5th and 6th Franchise Businesses. When you are ready to begin work towards your 4th, 5th and 6th location you must sign the Franchise Agreement and the remaining 50% of the Initial Franchise Fee is due. The Development Fee is nonrefundable, and we fully earn it upon signing the Area Development Agreement.

FURNITURE, FIXTURES AND FURNISHINGS

You must purchase from us the furniture, fixtures, and furnishings necessary to operate your Franchise Business. The cost varies from \$5,475 to \$14,000 according to local market conditions, the size of the Premises, your selections made from our approved line of items, price differences among suppliers, the location of the Premises and other related factors. We do not deliver or install these items.

INITIAL CONTRIBUTION TO MEDIA FUND

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

TRAINING FEES

If you elect to have more than 8 Trainees attend Initial Training, you must pay us a training fee for each additional person (currently \$200 per person) and pay all their expenses.

REFUNDABILITY OF INITIAL FEES

We fully earn the Initial Franchise Fee and it becomes non-refundable, except if you, a Franchise Owner or the Designated Representative, or your General Manager fails to complete Initial Training, as we reasonably determine, we may: (i) at your expense and direction, retrain the Trainee or train another Trainee; or (ii) elect to terminate the Franchise Agreement and Area Development Agreement (if signed). If we elect to terminate the Franchise Agreement and Area Development Agreement (if signed), we will retain \$24,750 to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities and refund the balance of the Initial Franchise Fee or Development Fee, without interest. You must also sign the Franchise Termination and Release Agreement included as Exhibit O. We will also refund all other initial fees paid to us.

ITEM 6 - OTHER FEES

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Royalty Fee ¹	6% of Gross Revenues	Deducted from ClubReady remittances twice weekly ²	"Gross Revenues" means the entire amount of all your revenues generated from the ownership or operation of the Franchise Business as defined in the Franchise Agreement.
Technology Fee ¹	Currently \$320 per month.	Deducted from ClubReady remittances ²	The fee includes a listing on our Website, a store location e-mail address per location, and use of Career Plug, QuickBooks, Microsoft Office 365, KnetK, Factor 4, Perksville and Intranet Access.
Advertising Contributions to the Media Fund ¹	Initial Contribution of \$500 and 2% of monthly Gross Revenues thereafter	Deducted from ClubReady remittances ²	We have created the Media Fund. We define "Gross Revenues" under Royalty Fee above.
Advertising Contributions to an Advertising Cooperative ³	2% of monthly Gross Revenues, which counts towards Local Advertising requirement	Within 10 days of the end of the previous calendar month	You agree that we have the right to establish a regional advertising cooperative in any DMA. Upon our request, you will immediately become a member of the Cooperative for the DMA that includes your Limited Protected Territory. Your Franchise Business does not have to be a member of more than 1 Cooperative.
Supplier Approval Cost ¹	Actual Costs to Us (estimated to be \$200 to \$1,500)	Immediately upon receipt of invoice	You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (estimated to be \$200 to \$1,500)
Recertification Fees/SCORE Visits ¹	\$2,000	After completion of the visit	On an annual basis, we will conduct additional recertification training for your Certified Stretch Zone Practitioners during our SCORE visits. Our fee is \$2,000 per Franchise regardless of the number of Certified Stretch Zone Practitioners you have.
Training Fees ¹	\$800 per day for specialized training, \$400 (per person) for General	Immediately upon receipt of invoice	For any specialized training, you must pay \$800 per day for a corporate representative. You are responsible for all travel, meals, and lodging costs for the corporate

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
	Manager training, \$200 (per person) for Stretch training, \$2,000 (flat rate) for remote General Manager training, \$1,500 (flat rate) for remote Stretch training		representative. For any training required for General Managers, you must pay \$400 per person. If you chose to have a remote General Manager training, the fee is \$2,000. For any Training required for Stretchers, you must pay \$200 per person. If you chose to have a remote Stretch training, the fee is \$1,500. You are solely responsible for all travel, meals and lodging costs for your Trainees.
Insurance Coverage ¹	Cost of the insurance, interest on the monies we advance and a 15% administrative fee	Immediately upon receipt of invoice	If you fail to maintain the insurance that we require under the Franchise Agreement, we may obtain the insurance on your behalf.
Reimbursement of Audit Costs ¹	Actual cost to us (estimated to range from \$2,000 to \$10,000)	Immediately upon receipt of invoice	We have the right to have an audit made of your records and conduct a physical inventory. If any inspection discloses an understatement of any reported amount of any type, in any report, of 2% or more of Gross Revenues, you will pay us the amount of the understatement and reimburse us for all expenses of the inspection (including reasonable accounting and attorneys' fees and costs).
Fines for Non-Compliance ¹	Varies from \$200 to \$5,000 depending on the nature of the violation	Immediately upon receipt of invoice	If we find you to be in violation of certain terms of this Agreement constituting a material default by you that would entitle us to terminate the Franchise Agreement, we will send you a letter setting forth the nature of the noncomplying act and what steps you must take to cure the violation. We will also impose a fine varying from \$200 to \$5,000 based on the nature of the violation. You must immediately cure the violation and pay the fine within 3 business days of receipt of

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
			our letter. If you fail to cure and pay the fine in a timely manner, we reserve the right to exercise our rights under ARTICLE 11 of the Franchise Agreement..
Deficiencies ¹	Actual cost to us plus a 15% administrative fee	Immediately upon receipt of invoice	If you do not satisfy your obligations under the Franchise Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations plus a 15% administrative fee.
Our Attorneys' Fees ¹	Actual costs incurred	Immediately upon receipt of invoice	If we engage our legal counsel for your failure to pay when due any monies owed or to submit when due any reports, information or supporting records, or for any failure otherwise to comply with the Franchise Agreement, and our counsel sends you a Notice of Default or a Notice of Termination, you must reimburse us on demand for all of the attorney's fees and costs incur.
Renewal Fee ¹	50% of the then current Initial Franchise Fee	When you exercise the option	Rather than paying the new Initial Franchise Fee then in effect when you sign the Renewal Franchise Agreement, you must pay a Renewal Fee to reimburse us for our legal, administrative and other costs.
Transfer Fee ¹	\$1,000 or \$10,000	When you transfer	If we permit you to transfer the Franchise Agreement under Subsection 10.2(b) of the Franchise Agreement (transfer to your Business Entity), you will pay us a Transfer Fee of \$1,000. If you sell or transfer your Franchise Business under Subsection 10.2(g) of the Franchise Agreement (sale to third party), you must pay us a Transfer Fee of \$10,000.
Relocation Fee ¹	Our costs incurred in assisting you with relocation plus \$1,000	When you relocate	If you must relocate your Franchise Business, you will reimburse us for our costs incurred in assisting you with relocation plus \$1,000.

Interest on Late Payments ¹	The lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.	Immediately upon receipt of invoice	If any payment under the Franchise Agreement or any other agreement between us and you is overdue for any reason, you must pay to us, on demand interest on the overdue amount from the date it was due until paid equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.
Insufficient Funds Charges ¹	\$25 if the check is up \$50; \$30 if the check is over \$50 to \$300; \$40 if check over \$300 to \$800; and 5% if the check amount is over \$800.	Immediately upon receipt of invoice	If you deliver a check which is returned due to insufficient funds or is otherwise not paid, we may assess you a service charge of \$50 or 5% of the face value of the check, whichever is greater, limited to the highest amount permitted by law.
Late Charge ¹	\$100	Immediately upon receipt of invoice	You will pay a late charge for each payment more than 10 days overdue to cover our administrative costs in dealing with the late payment.
Liquidated Damages for Opening Without Our Consent ¹	\$500 per day	Immediately upon receipt of invoice	You agree not to open your Franchise Business for business before we have given you our written consent.
Liquidated Damages for Sale of Prohibited Products or Services ¹	\$100 per day if you offer unauthorized products or services	Immediately upon receipt of invoice	You agree that the offer to sell or the sale of unauthorized or prohibited products and services will result in damages to us.
Liquidated Damages for Violation of Covenant Not to Compete ¹	\$1,000 per week	Immediately upon receipt of invoice	If you compete with us, directly or indirectly, including conspiring with a family member or third party, in violation the Franchise Agreement, we have the right to require that you report to us all sales made by the Competitive Business. and pay us liquidated damages without deeming to have modified the Franchise Agreement.
Liquidated Damages for Premature Termination ¹	A lump sum equal to the total of all Royalty Fees and Advertising Contributions for 36 months	Immediately upon receipt of invoice	This amount is due if you default under your Franchise Agreement in lieu of us having to sue and prove our actual damages. You are also liable for pre-judgment and post-judgment interest and our attorneys' fees and costs. This payment does

			not relieve you from your obligations that survive the termination or expiration of the Franchise Agreement.
Indemnification ¹	Actual cost to us	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs), from claims brought by third parties involving your ownership or operation of your Franchise Business. This indemnity obligation continues in full effect after the expiration or termination of your Franchise Agreement.
Enforcement Costs ¹	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your Franchise Agreement, or for an alleged dispute, breach, default or misrepresentation under any provision of your Franchise Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Franchise Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Franchise Agreement, you must reimburse us for all of the Enforcement Costs we incur.

¹ This fee is payable to us.

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

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

AREA DEVELOPMENT AGREEMENT

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Enforcement Costs ¹	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your ADA, or for an alleged dispute, breach, default or misrepresentation under any provision of your ADA, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your ADA or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Area Development Agreement, you must reimburse us for all of the Enforcement Costs we incur.
Indemnification ¹	Actual cost to us	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings), from claims brought by third parties involving your ownership or operation of your Franchise Businesses. This indemnity obligation continues in full effect after the expiration or termination of your Area Development Agreement.

¹ This fee is payable to us.

GRANT OF SECURITY INTEREST

As security for your obligations to us under the Franchise Agreement or any other agreement, you will grant to us a first priority security interest in the assets comprising your Franchise Business.

You will sign the Security Agreement, and authorize us to record the UCC-1 Financing Statement and Rider included in Exhibit J.

REFUNDABILITY

All fees are nonrefundable.

UNIFORMITY

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

ADVERTISING COOPERATIVES – VOTING POWER OF COMPANY-OWNED UNITS

We have not established advertising cooperatives. Once formed, Company-Owned Units whose limited protected territories are located within the DMA of the advertising cooperative must join the advertising cooperative and will have the same voting power as Franchise Units on all matters including fees. If we create advertising cooperatives, the obligation of each Unit to contribute to an advertising cooperative will be 2% of monthly Gross Revenues. We will credit these contributions against your obligation for Local Advertising.

ITEM 7 – ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - SINGLE UNIT FRANCHISE

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Franchise Fee ¹	\$49,500 to \$59,500	Lump Sum	On signing the Franchise Agreement	Us
Prepaid Rent and Security Deposit ²	\$2,500 to \$16,500	As Incurred	Before beginning business	Per agreement with landlord
Leasehold Improvements ³	\$4,000 to \$30,000	As Incurred	Before beginning business	Various Contractors/Suppliers
Architect's and Engineer's Fees ⁴	\$-0- to \$3,500	Lump Sum	Before beginning business	Architect/General Contractor
Furniture, Fixtures, and Furnishings ⁵	\$5,475 to \$14,000	Lump Sum	Before beginning business	Us as the Designated Supplier

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Computer System ⁶	\$1,850 to \$2,699	As Incurred	Before beginning business	Designated Suppliers
Outdoor Signage ⁷	\$2,000 to \$11,000	Lump Sum	Before beginning business	Landlord or Third Party Vendor
Indoor Signage and Graphics ⁸	\$5,500 to \$8,750	Lump Sum	Before beginning business	Designated Supplier
Utility Deposits ⁹	\$200 to \$800	Lump Sum	Before beginning business	Utility companies
Office and Store Supplies ¹⁰	\$1,055 to \$2,000	Lump Sum	Before beginning business	Third Party Vendors
Stretching Tables and Accessories ¹¹	\$23,400 to \$37,400	Lump Sum	Before beginning business	Designated Supplier
Insurance ¹²	\$1,750 to \$2,500	Lump Sum	Before beginning business	Designated Insurance Agent
Licenses and Permits ¹³	\$200 to \$800	As Incurred	Before beginning business	Governmental Authorities
Attorney's Fees ¹⁴	\$1,000 to \$2,000	Lump Sum	Before beginning business	Attorney
Accountant's Fee ¹⁵	\$500 to \$2,000	Lump Sum	Before beginning business	Accountant
Travel, Lodging, Meals, Etc. for Initial Training ¹⁶	\$2,500 to \$8,000	As Incurred	Before beginning business	Airlines, Hotels and Restaurants
Initial Advertising Contribution to Media Fund ¹⁷	\$500	Lump Sum	On signing the Franchise Agreement	Us
Pre-Grand Opening and Studio Grand Opening Plan ¹⁸	\$2,000 to \$5,000	As Incurred	Before and upon beginning business	Various Printers and Media

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Additional Funds ¹⁹ (3 months)	\$10,000 to \$20,000	As Incurred	During the first 3 months of operation	Third Parties
TOTAL	\$123,930 to \$226,949			

NOTES:

¹ **Initial Franchise Fee** Until July 31, 2023, the Initial Franchise Fee for a Franchise Business varies as follows:

New Franchisee	\$49,500
Veteran Franchisee	\$44,550

Effective August 1, 2023, the Initial Franchise Fee for a Franchise Business will vary as follows:

New Franchisee	\$59,500
Veteran Franchisee	\$53,550

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

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

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

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

⁶ **Computers** We believe that computers and management information systems play a critical part in the performance of the Business System. We require that all new Franchise Businesses open with the Computer and POS Systems along with all communication, peripheral equipment and related accessories and Software we mandate (the "Computer and POS Systems"). You must enter into the Software Sublicense Agreement included in Exhibit K. We currently lease the Software to you for \$200 per month.

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

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

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

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

¹¹ **Stretching Tables and Accessories** You must purchase from our Designated Supplier, SLP, Inc. d/b/a Marine Manufacturing, the Stretch Zone stretching tables and the related accessories of kits, bolsters and wedges. The purchase price is not refundable, except for defective items.

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

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

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

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

¹⁶ **TL&M** You will be responsible for all out-of-pocket expenses and all employee compensation along with federal and state taxes for the Trainees. We assume no responsibility for your human resource-related liabilities or costs during Initial Training. You may send between 3 to 8 Trainees as desired to training of whom at least one will be you or a Franchise Owner. The typical costs of training that you will bear are the Training Fee, transportation, lodging, compensation and meals for the Trainees. The estimate is for items that are non-discretionary in nature. Generally, these costs vary widely as a function of the distance traveled, the accommodations and restaurants selected, the distance between the hotel and the training center and the transportation selected.

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

¹⁸ **Pre-Opening and Studio Grand Opening.** You will engage in the 3-day grand opening plan as detailed in the Operations Manual. You will purchase various items from Party City and other stores to do a ribbon cutting. Any other marketing is done by the approved digital marketing companies.

¹⁹ **Additional Funds** The franchise disclosure laws require us to include this estimate of any other required expenses you will incur to operate your franchise business during

the “initial phase of operations”, which is defined as a minimum of 3 months or a longer period if “reasonable for the industry.” You should have adequate working capital before beginning operating the Franchise Business. You must be able to meet your operating expenses from pre-opening, including hiring and training expenses, until the Franchise Business develops sufficient cash flow to cover all costs. These figures do not include any payments to you during the initial phase of operations. You must have sufficient personal resources to cover your living expenses. We relied on our founder’s 18 years of experience in the stretching business in compiling these estimates. You should work with your accountant to develop a personal/family cash flow budget and determine if there is sufficient revenue on the personal level to provide for your family through the initial phase of operations.

REFUNDABILITY

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

YOUR ESTIMATED INITIAL INVESTMENT - AREA DEVELOPMENT AGREEMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Development Fee ¹	\$119,000 for 2 Units to \$267,750 for 6 Units-	Lump Sum	On signing the Area Development Agreement	Us
Initial Investment for 1st Franchise Business	\$123,930 to \$226,949	As Incurred	As stated in invoices	Us and other Suppliers

¹ **Development Fee** We also offer to certain qualified persons rights to develop at least 2 Stretch Zone Franchises (the “Franchise Businesses”) within a Development Area under a Stretch Zone Area Development Agreement. In consideration of the Area Development Rights we grant to you, you will pay to us a Development Fee based on the number of Franchise Businesses you intend to develop. The Development Fee is payable at same time you sign the Area Development Agreement. The Development Fee is in addition to the Initial Franchise Fee that you pay for your first Franchise Business. The Development Fee is nonrefundable, and we fully earn it upon signing the Area Development Agreement.

OUR EXPERIENCE IN COMPILING THESE ESTIMATES

We relied on our principals’ combined 27 years of experience in the stretching business and the total investment in opening Company-Owned Outlets and Franchised Units in compiling these estimates. You should review these figures carefully with a business advisor before making any decisions to purchase a Franchise Business.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

FRANCHISE AGREEMENT

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

PURCHASES FROM US

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

FURNITURE, FIXTURES AND EQUIPMENT

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

BOOKKEEPING SOFTWARE

You must sublicense from us the QuickBooks Online accounting system.

HIRING AND ONBOARDING SOFTWARE

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

MICROSOFT OFFICE 365 SOFTWARE

You must sublicense from us a Microsoft Office 365 Software.

KNETK SOFTWARE

You must license from KnetK LLC its KnetK Software.

FACTOR 4 SOFTWARE

You must license from Factor 4 its gift card and loyalty program.

PERKVILLE SOFTWARE

You must license from Perkvilve, Inc. to use its loyalty and reward programs.

PURCHASES FROM OUR DESIGNATED SUPPLIERS

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

INTERIOR SIGNAGE AND GRAPHICS

You must purchase interior signage and graphics from Store Décor.

COMPUTER SYSTEM

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

POS SOFTWARE

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

UNIFORMS, MERCHANDISE AND MISCELLANEOUS SUPPLIES

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

SOCIAL MEDIA MANAGEMENT SOFTWARE

You must use SOCi for your social media management software.

INSURANCE

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

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

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

PURCHASES FROM APPROVED SUPPLIERS

You must purchase or lease certain equipment, supplies, inventory, advertising materials, and other products and services used for the development and operation of your Franchise Business only from Authorized Suppliers. These Authorized Suppliers have demonstrated: (i) the ability to meet our standards and specifications for the specified items; and (ii) possess adequate quality controls and the capacity to supply your needs promptly and reliably. We will use our best reasonable efforts to negotiate agreements with Approved Suppliers that are in the best interest of all Franchise Businesses. In approving suppliers for the Business System, we may take into consideration factors like the price and quality of the products or services and the supplier's reliability. We may concentrate purchases

with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Franchised Units or Company-Owned Units. Approval of a supplier may be conditioned on requirements on the frequency of delivery, standards of service, warranty policies including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier.

LIST OF APPROVED SUPPLIERS.

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

RELATED SUPPLIERS

No officer of ours has an ownership interest in any other supplier except Keith Trawick owns a majority interest in KnetK LLC.

APPROVAL OF ALTERNATE SUPPLIERS

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

Contact with Alternate Suppliers. If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services or other products or services that are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us a written request for approval, or request the supplier to do so itself.

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

Fees. You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (estimated to range from \$200 to \$1,500). We may also require as a condition to its approval, that the supplier present satisfactory evidence of insurance, for example, product liability insurance, protecting our Franchisees and us from all claims from the use of the item within the Business System.

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

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

PURCHASES UNDER OUR SPECIFICATIONS

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

SITE SELECTION CRITERIA

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

LEASE OF PREMISES

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

PLANS AND SPECIFICATIONS AND/OR STANDARD RECOMMENDED FLOOR PLAN

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

LOCAL ADVERTISING

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

FINANCIAL REPORTING

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

REVENUE FROM REQUIRED PURCHASES OR LEASES BY FRANCHISEES

We derive revenue from required purchases or leases by franchisees. Our total revenue from all operations during 2022 was \$8,590,533. Of this amount, \$1,457,752 was derived from required purchases or leases by franchisees. This amount represents 17% of our total revenue from all operations during 2022.

MAGNITUDE OF REQUIRED PURCHASES OR LEASES

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

NO PAYMENTS FROM AFFILIATES

We do not derive revenue from our affiliates from required purchases or leases from Stretch Zone Franchisees.

NO PAYMENTS FROM DESIGNATED SUPPLIERS

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

PURCHASING OR DISTRIBUTION COOPERATIVES

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

NEGOTIATION OF PURCHASE ARRANGEMENTS

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

MATERIAL BENEFITS

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

AREA DEVELOPMENT AGREEMENT

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

ITEM 9 - FRANCHISEE'S OBLIGATIONS

FRANCHISE AGREEMENT

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

Obligation	Section in Franchise Agreement	Franchise Disclosure Document ITEM
a. Site selection and acquisition/lease	Section 4.1	ITEMS 6, 7, 8 and 11
b. Pre-opening purchases/leases	Sections 4.1, 4.2, 4.3, 4.4,4.5, 4.7, 4.8, 4.9, 4.11, and 4.12	ITEMS 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 4.1 and 4.2	ITEMS 7, 8 and 11
d. Initial and ongoing training	Sections 2.9, 2.11 and 2.12(f)	ITEMS 6, 7, 8 and 11
e. Opening	Section 4.10	ITEMS 7, 8 and 11
f. Fees	Sections 1.5(d), 2.9, 2.12(f) 3.1, 3.4, 3.6, 4.6(d), 4.7(d), 4.10(a), 4.22, 6.1, 8.3(b), 9.7, 10.2(b)(vi), 10.2(g)(vii), 12.8 and 13.1(c), and 16.2(a)(iv) and 17.6	ITEMS 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Sections 1.4, 1.5, 2.1, 2.2, 2.3, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 3.2, 3.3, 3.4, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.21, 4.23, 5.2, 7.1, 7.2, 7.3, 7.4, 9.1, 9.2, 9.3, 9.5, 11.2, 19.2 and ARTICLES 6 and 8	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	ARTICLES 5, 6 and 14	ITEMS 13 and 14
i. Restrictions on products/services offered	Sections 1.2(c), 1.4, 4.7, and 4.22	ITEMS 8 and 16
j. Warranty and customer service requirements	Sections 4.13and 4.17	ITEM 8
k. Territorial development and sales quotas	Not applicable	ITEM 12
l. Ongoing product/service purchases	Sections 4.7, 4.13 4.15 and 4.21	ITEMS 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections 4.15, 4.18 and 4.21	ITEMS 6, 7 and 8
n. Insurance	ARTICLE 9	ITEMS 6, 7 and 8
o. Advertising	ARTICLE 7	ITEMS 6, 7, 8 and 11
p. Indemnification	Section 14.2	ITEMS 6 and 8
q. Owner's participation/management/staffing	Sections 2.8, 2.11, 2.12(f), 4.5, 4.6, 4,10, 4.13, 4.15 and 4.20	ITEMS 6 and 15
r. Records and reports	ARTICLE 8	ITEM 8
s. Inspections and audits	ARTICLE 8	ITEMS 6, 8 and 11

Obligation	Section in Franchise Agreement	Franchise Disclosure Document ITEM
t. Transfer	ARTICLE 10	ITEMS 6 and 17
u. Renewal	Sections 16.2 and 16.3	ITEMS 6 and 17
v. Post-termination obligations	ARTICLE 12	ITEM 17
w. Non-competition covenants	ARTICLE 13	ITEM 17
x. Dispute resolution	ARTICLE 17	ITEMS 6 and 17
y. Liquidated Damages	Section 12.8	ITEM 17
z. Guaranty	Exhibit G	ITEM 1

AREA DEVELOPMENT AGREEMENT

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

Obligation	Section in Area Development Agreement	Franchise Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	Section 3.1	ITEMS 5 and 6
g. Compliance with standards and policies/Operating Manual	ARTICLE 4	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	Not Applicable	Not Applicable
i. Restrictions on products/services offered	Section 1.1	ITEMS 8 and 16
k. Territorial development and sales quotas	Sections 1.2, 1.3, 1.4, 1.5 and 4.1	ITEM 12
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Not Applicable	Not Applicable

Obligation	Section in Area Development Agreement	Franchise Disclosure Document Item
q. Owner's participation/management/staffing	Not Applicable	Not Applicable
r. Records/reports	Section 4.2	Not Applicable
s. Inspections/audits	Not Applicable	Not Applicable
t. Transfer	Section 5.2	ITEMS 6 and 17
u. Renewal	Not Applicable	ITEMS 6 and 17
v. Post-termination obligations	Not Applicable	Not Applicable
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Section 9.1	ITEMS 6 and 17
y. Guaranty	Exhibit G	ITEM 1

ITEM 10 - FINANCING

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

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

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

FRANCHISE AGREEMENT

PRE-OPENING OBLIGATIONS

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

Site Selection Assistance (Section 2.1 of the Franchise Agreement)

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

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

Site Selection Criteria. We will supply you our site selection criteria that includes (a) population demographics within a 3-mile radius of the site; (b) information regarding traffic

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

Time Limit. If you fail to do so in a timely manner, or we and you cannot agree on a site within 90 days after you sign the Franchise Agreement, we have the right to terminate this Agreement and retain 50% of the Initial Franchise Fee to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities. You will be required to sign the Franchise Termination and Release Agreement included as Exhibit O.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Initial Training. We will provide Initial Training for between 3 to 8 Trainees. (Section 2.10 of the Franchise Agreement.) We describe the details of Initial Training under the heading TRAINING PROGRAM below.

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

Pre-Opening On-Site Training. As part of the Initial Franchise Fee, we will make available to you pre-opening, on-site training of a minimum of 5 days, in most instances conducted at your Franchise Business preferably within the first week of operation, as we deem appropriate. The on-site training program will cover material aspects of the operation of the Franchise Business including stretch practitioner training, financial control, marketing techniques, maintenance of quality standards,

employee hiring, training and customer service, operations, purchasing and sales. You must give us at least 30 days' advanced written notice of the Opening Date to schedule on-site training. You do not have to pay any additional costs for pre-opening on-site training except you are required to reimburse us for the travel, lodging and meal expenses of Franchisor's trainers. (Section 2.12 of the Franchise Agreement.) We provide details under the heading "TRAINING PROGRAM/TRAINING OF FRANCHISEES."

Pre-Opening and Grand Opening Assistance. We will assist you with your pre-grand opening plan as detailed in the Operations Manual to introduce the coming Franchise Business to the community. We will also assist you with your the 3-day grand opening plan as detailed in the Operations Manual. (Section 2.13 of the Franchise Agreement.)

ASSISTANCE WE DO NOT PROVIDE

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

CERTIFICATE OF PERFORMANCE OF PRE-OPENING OBLIGATIONS

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

STATEMENT OF COSTS TO OPEN

Within 6 months after you open, you will prepare and provide us with a complete and detailed written statement in the form contained in the Operations Manual containing a breakdown of all costs you incurred in the constructions and operation of the Franchise Business. [Subsection 4.10(d) of the Franchise Agreement]

TIME TO OPEN

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

ONGOING OBLIGATIONS AFTER OPENING

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

Assistance by Telephone or E-Mail. We will provide you with informational assistance by telephone and e-mail through our StretchNet Portal including consultation on matters involving operations, advertising, promotion, and business methods. [Subsection 2.14(a) of the Franchise Agreement.]

Website. We will maintain the Website in accordance with Subsection 4.12(d) and Section 7.2 of the Franchise Agreement. [Subsection 2.14(b) of the Franchise Agreement.]

E-mail Address and Accounts. We provide you a store e-mail address, which are limited to Franchise Owners, the Designated Representative and your General Manager. We have established reasonable standards for e-mail accounts and their use, which we may periodically revise. You will have reasonable time within which to upgrade when standards change. From time-to-time, we will send important information to your Stretch Zone e-mail address. In order to stay informed on developments affecting the Business System and your Franchise Business, you agree to check your e-mail at least daily except for Sundays. You must respond to any request we send to you by e-mail that requires a response within 24 hours of your receipt of our e-mail. You must send to us an acknowledgment of receipt of our e-mail to you. [Subsection 2.14(c) of the Franchise Agreement.]

Promotional Methods and Materials. We will provide you with promotional methods and materials that we develop. [Subsection 2.14(d) of the Franchise Agreement.]

Recertification Training. On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise. This recertification will coincide with the annual SCORE audit that is mandatory for all locations. Our fee is \$2,000 per Franchise regardless of the number of Certified Stretch Zone Practitioners you have. You are responsible for our representatives' travel, meals and lodging expenses. We offer a virtual option at our discretion and reserve the right to conduct the visit in person. [Subsection 2.14(f) of the Franchise Agreement.]

Pricing Policies. We may make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, while you have the sole and exclusive right as to the prices you charge for the products and services at the Franchise Business, you may not charge less than \$35 for a 30-minute stretch. We retain the right to establish maximum prices you charge for sales promotions. Any price list we furnish to you are recommendations only. Your failure to accept or implement any suggestion does not affect the relationship between you and us, unless otherwise specifically stated as a maximum price. You cannot engage a discounting company such as Groupon or Living Social. [Subsection 2.14(g) of the Franchise Agreement.]

Sublicense of Intellectual Property. Subject to this Agreement, we sublicense to you the right to use the "Stretch Zone" trade name and the other Intellectual Property. (Section 2.15 of the Franchise Agreement.)

Software. We sublicense to you the right to use the Stretch Net, Career Plug, Office 365, QuickBooks Online, KnetK, Factor 4 and Perkvill Software pursuant to the Software Sublicense Agreement included in Exhibit K of the FDD. You must license through us the Intuit, Inc. s QuickBooks Online Software. (Section 2.16 of the Franchise Agreement.)

PRICING POLICIES

We may make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, while you have the sole and exclusive right as to the prices you charge for the products and services at the Franchise Business, you may not charge less than \$35 for a 30-minute stretch. We retain the right to establish maximum prices you charge for sales promotions. Any list of prices we furnish to you are recommendations only. Your failure to accept or implement any suggestion does not affect the relationship between you and us, unless otherwise specifically stated as a maximum price. You cannot engage a discounting company such as Groupon or Living Social.

OPTIONAL ASSISTANCE AFTER OPENING

Radio and Television Commercials. We may provide a preapproved radio script and camera-ready television commercials (not including airtime) for your use in your DMA but only if they are created through funds in the Media Fund. [Subsection 2.14(e) of the Franchise Agreement.]

ADVERTISING PROGRAMS UNDER FRANCHISE AGREEMENT

OUR ADVERTISING OBLIGATIONS

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

PRE-GRAND OPENING AND STUDIO GRAND OPENING

You will engage in the pre-grand opening plan as detailed in the Operations Manual to introduce the coming Franchise Business to the community. You will engage in the 3-day grand opening plan as detailed in the Operations Manual. (Section 4.11 of the Franchise Agreement)

LOCAL ADVERTISING (Section 7.1 of the Franchise Agreement)

Your Expenditures. You must spend a minimum of \$1,500 per month on Local Advertising of your Franchised Business within your Area of Dominant Influence.

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

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

REGIONAL COOPERATIVE ADVERTISING (Section 7.2 of the Franchise Agreement)

You agree that we have the right to establish a Regional Advertising Cooperative in any DMA. Upon our request, you will immediately become a member of the Regional Advertising Cooperative for the DMA that includes your Exclusive Territory. Your Franchise Business does not have to be a member of more than 1 Regional Advertising Cooperative. All Company-Owned Units within your DMA must also become members of the Regional Advertising Cooperative. There will be governing documents available for your review.

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

Our Approval of Advertising. We must approve in writing all advertising or promotional plans or materials the Regional Advertising Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials in accordance with the procedure stated in Subsection 7.1(b) of the Franchise agreement.

Members' Contributions to Cooperative. The Regional Advertising Cooperative has the right to require each of its members to contribute to the Regional Advertising Cooperative the same amount not to exceed 2% of that member's monthly Gross Revenues. We credit this amount against your obligation for Local Advertising as provided by Subsection 7.1(a) of the Franchise Agreement. Each member will submit to the Regional Advertising Cooperative, no later than the 10th day of each month for the preceding calendar month, its contribution together with all other statements or reports the Regional Advertising Cooperative or we require.

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

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

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

INTERNET ADVERTISING AND MARKETING/WEBSITE [Section 7.3 of the Franchise Agreement]

Website. We will list your Franchise on our Website. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, franchise information, product and/or service information and all other information

that we may designate in writing. You will not create or maintain any website other than the website we provide.

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

MEDIA FUND (Section 7.4 of the Franchise Agreement.)

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

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

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

Advertising Rebates. You authorize us to act as your sole agent to enter into contracts with parties, other than Designated Suppliers and Approved Suppliers, offering promotion, discount or other programs where you would receive rebates or marketing allowances ("Advertising Rebates") relating to our purchase of advertising, marketing, and promotional materials. We will contribute all Advertising Rebates paid to us, based on your purchases, and the purchases of other Franchised Units and Company-Owned Units, to the Media Fund. By signing this Agreement, you assign all of your right, title and interest in all Advertising Rebates to us, and authorize us to furnish any proof of purchase evidence as may be required in accordance with the contracts.

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

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

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

Media Placement. The advertising funded by the Media Fund is anticipated to be placed, based on our decisions, in regional and/or national markets and it is anticipated to be placed with television, radio, periodicals, newspapers and/or direct mail campaigns. We do not have to spend any of your contributions to the Media Fund in your Limited Protected Territory.

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

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

ADVERTISING RECEIPTS AND EXPENDITURES FOR FISCAL YEAR 2022

MEDIA FUND

For the fiscal year ending December 31, 2022 the Media Fund had an opening balance of \$197,667, receipts of \$1,551,269 and made the following expenditures of \$1,340,732, leaving a closing balance of \$408,204 that is carried over to fiscal year 2023:

Production	\$ 55,738	4%
Media Placement	\$982,632	73%
Public Relations	\$130,434	10%
<u>Administrative Expenses</u>	<u>\$171,928</u>	<u>13%</u>
TOTAL	\$1,340,732	100%

OTHER ADVERTISING INFORMATION

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

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

We can charge the Media Fund for our costs for services we provide, in lieu of engaging third party agencies to provide these services. [Subsection 7.2(b) of the Franchise Agreement]

FRANCHISEE ADVERTISING COUNCIL

There is no advertising council composed of Franchisees.

OTHER ADVERTISING FUNDS

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

ADVERTISING FOR SOLICITATION OF NEW FRANCHISE SALES

We will not use any of the funds in the Marketing Fund for the solicitation of new franchise sales. [Subsection 7.3(b) of the Franchise Agreement]

COMPUTER SYSTEM (Section 4.4 of the Franchise Agreement)

Hardware. The Computer System consists of the following hardware:

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

Software. You must use the following software:

- Club Ready
- QuickBooks Online
- Internet Service Provider software
- Business e-mail account
- Career Plug
- ADP
- KnetK
- Factor 4
- Perkvile
- Microsoft Office 365

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

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

Type of Data Generated and Stored. Our affiliates have operated this Computer System since April 2015. Its principal functions are to provide you with lead management, new customer additions, redemption of programs purchased, payroll, scheduling and, reporting and billing. The Computer System will collect employee and customer information including name, address, e-mail, phone number, billing information, program terms and customer usage.

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

OPERATIONS MANUAL

After you have signed your Franchise Agreement and shortly before Initial Training, we will loan you a copy of our Operations Manual. The Table of Contents of the Operations Manual, as of December 31, 2022 is included in Exhibit P. The Operations Manual totals 156 pages.

FRANCHISE AGREEMENT

TRAINING PROGRAM/TRAINING OF FRANCHISEES

There are 5 distinct training programs:

- **Stretch Practitioner Training:** This will be completed by all of the initial Trainees. This will be completed before the week of opening as well as during the week of opening.
- **General Managers Training:** This is to be completed by both the General Manager. This will occur before the week of opening.
- **On-Site Training:** This training will be completed by the General Manager and the Franchisee (optional) during the week of training. Upon completion the Franchisee will sign a Certificate of Completion included in the Manual.
- **Owners Training:** This occurs before opening. This is intended only for Franchise Owners. This must be completed within a timely manner after signing the Franchise Agreement.
- **Virtual Front Desk Training:** This is to be completed by all front desk employees. This occurs on a weekly basis.

- **Virtual Operations Training:** This is to be completed by the General Manager after completing General Managers Training and/or a prerequisite for Virtual Sales Training. This occurs on a weekly basis.
- **Virtual Practitioner Protocol Review:** This is to be completed by all employees who have completed and passed Stretch Training. This occurs on a monthly basis.
- **Virtual Sales Training:** This is to be completed by employees who have successfully completed Stretch Training and prerequisites including, Virtual Front Desk Training and Virtual Operations Training. This occurs on a monthly basis.

STRETCH PRACTITIONER TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Introduction and Culture	1	0	Corporate Training Facility in Fort Lauderdale, Florida
History and Background of Stretch Zone	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Equipment Knowledge and Live Demo	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Warm-Up	½	0	Corporate Training Facility in Fort Lauderdale, Florida
Steps and Feel Drill	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Red Cell	2	0	Corporate Training Facility in Fort Lauderdale, Florida
Blue Cell	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Yellow Cell	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Lower Back	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Green Cell	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Lower Back	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Side Line and Wedge	4	0	Corporate Training Facility in Fort Lauderdale, Florida
What's Wrong with Stretch	½	0	Corporate Training Facility in Fort Lauderdale, Florida
Hands-On Practice	13	0	Corporate Training Facility in Fort Lauderdale, Florida
Test Outs	4	0	Corporate Training Facility in Fort Lauderdale, Florida

Scenarios and Hospitality	2	0	Corporate Training Facility in Fort Lauderdale, Florida
Upper Body	6	0	Corporate Training Facility in Fort Lauderdale, Florida
TOTAL HOURS	40	0	

GENERAL MANAGERS TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Overview and Background of Training	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Handling Telephone Inquiries	2	0	Corporate Training Facility in Fort Lauderdale, Florida
How to Greet The Customer	½	0	Corporate Training Facility in Fort Lauderdale, Florida
Policies and Procedures	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Warm Up Script	3	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Key Points	3	0	Corporate Training Facility in Fort Lauderdale, Florida
DPR	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Recap	½	0	Corporate Training Facility in Fort Lauderdale, Florida
Pre-Close Questions	1½	0	Corporate Training Facility in Fort Lauderdale, Florida
Price Presentation	3	0	Corporate Training Facility in Fort Lauderdale, Florida
ClubReady	2	0	Corporate Training Facility in Fort Lauderdale, Florida
Overcoming Objections	2	0	Corporate Training Facility in Fort Lauderdale, Florida
Scenarios	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Practice	5	0	Corporate Training Facility in Fort Lauderdale, Florida
Test Outs	6	0	Corporate Training Facility in Fort Lauderdale, Florida
Performance Reviews	1	0	Corporate Training Facility in Fort Lauderdale, Florida

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Upper Body Demo	3	0	Corporate Training Facility in Fort Lauderdale, Florida
TOTAL HOURS	40	0	

ONSITE TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Club Ready	0	8	On-Site of Franchise Location
Inventory of the Store	0	1	On-Site of Franchise Location
DPR	0	2	On-Site of Franchise Location
GM Checklist	0	2	On-Site of Franchise Location
Prospecting	0	3	On-Site of Franchise Location
Operational Audit	0	1	On-Site of Franchise Location
Career Plug	0	1	On-Site of Franchise Location
DPR	0	1	On-Site of Franchise Location
Payroll	0	1	On-Site of Franchise Location
Demo Observation	0	19	On-Site of Franchise Location
Staff Meeting	0	1	On-Site of Franchise Location
TOTAL HOURS	0	40	

OWNERS TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Overview and History of Stretch Zone	2	0	Corporate Office in Fort Lauderdale, Florida
Stretch Net	1	0	Corporate Office in Fort Lauderdale, Florida
Store Layout	1	0	Corporate Office in Fort Lauderdale, Florida
Item 7 Review	½	0	Corporate Office in Fort Lauderdale, Florida
Hiring (Labor Models and Career Plug)	3	0	Corporate Office in Fort Lauderdale, Florida

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Club Ready	1	0	Corporate Office in Fort Lauderdale, Florida
Stretch	1	0	Corporate Office in Fort Lauderdale, Florida
The Science of the Stretch	1	0	Corporate Office in Fort Lauderdale, Florida
GM Training Walk Through	1	0	Corporate Office in Fort Lauderdale, Florida
Terminology	½	0	Corporate Office in Fort Lauderdale, Florida
Metrics and KPI's	1	0	Corporate Office in Fort Lauderdale, Florida
Store Observation	1	0	Corporate Office in Fort Lauderdale, Florida
Managing the General Manager	1	0	Corporate Office in Fort Lauderdale, Florida
Assessing the Health of the Business	1	0	Corporate Office in Fort Lauderdale, Florida
TOTAL HOURS	16	0	

VIRTUAL FRONT DESK TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Telephone Script	1½	0	Zoom
Club Ready Client Bookings	½	0	Zoom
Club Ready Reporting	½	0	Zoom
Agreements and Process Payments	½	0	Zoom
Marketing Platforms	½	0	Zoom
Stretch Net	½	0	Zoom
TOTAL HOURS	4	0	

VIRTUAL PRACTITIONER PROTOCOL REVIEW

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Trainee Demonstrate	½	0	Zoom
Video Reviews and Q&A	½	0	Zoom
Instructor Real Time Corrections	1	0	Zoom
TOTAL HOURS	2	0	

VIRTUAL OPERATIONS TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
DPR and Club Ready Reporting Review	½	0	Zoom
Operational Flow Chart Review	½	0	Zoom
Demo Key Points and Closing Techniques Review	½	0	Zoom
Stretch Net and Marketing Platforms Review	½	0	Zoom
TOTAL HOURS	2	0	

VIRTUAL SALES TRAINING

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
How to Greet The Customer	½	0	Zoom
Pre-Demo Key Points	2	0	Zoom
Warm Up Script	2	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Key Points	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Recap	½	0	Corporate Training Facility in Fort Lauderdale, Florida
Pre-Close Questions	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Price Presentation	1	0	Corporate Training Facility in Fort Lauderdale, Florida

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Overcoming Objections	1	0	Corporate Training Facility in Fort Lauderdale, Florida
Demo Practice	8	0	Corporate Training Facility in Fort Lauderdale, Florida
Test Outs Recordings	4	0	Corporate Training Facility in Fort Lauderdale, Florida
TOTAL HOURS	21	0	

Training Schedule and Location. We conduct the training classes on an “as-needed” basis at our Corporate Training Facility, our Corporate Headquarters in Fort Lauderdale, Florida remotely and at your Franchise Business. Initial Training will occur at least 4 to 12 weeks after the parties sign the Franchise Agreement or 4 weeks before you open the Franchise Business.

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

Experience of Instructors. We maintain a training staff.

Jorden Gold – Mr. Gold has been training individuals in stretching for the past 19 years.

Katheryn Matoy- Ms. Matoy has been training individuals in stretching and sales for the past 3 years.

Taylor Carr – Ms. Carr has been training individuals in stretching and sales for the past 5 years.

Michael Ehmann - Mr. Ehmann has been training individuals in stretching for the past 3 years.

Justin Woodard - Mr. Woodard has been training individuals in stretching for the past 3 years.

James Gaspard - Mr. Gaspard has been training individuals in stretching and sales for the past 3 years.

Kelley O’Conner – Ms. O’Conner has 6 years’ experience in stretch and in sales training.

Sonie Vo – Ms. Vo has been training individuals in stretching for the past 2 years.

Nathaniel Lance – Mr. Lance has been training individuals in stretching for the past 2 years.

Nikolas Ortiz – Mr. Ortiz has been training individuals in stretching for the past 2 years.

Hector Rivera – Mr. Rivera has been training individuals in stretching for the past 2 years.

Acie Mitchell – Mr. Mitchell has been training individuals in stretching for the past year.

Haleigh Thompson – Ms. Thompson has been training individuals in stretching for the past year.

Brandon Notlkamper – Mr. Noltkamper has been training individuals in stretching for the past year.

Gabriela Lopez Rodriguez – Ms. Lopez Rodriguez has been training individuals in stretching for the past year.

Morganne Jones – Ms. Jones has been training individuals in stretching for the past year.

Maggie Brannan – Ms. Brannan has been training individuals in stretching for the past year.

Your Expenses in Attending Training. Initial Training is included in the Initial Franchise Fee. You are responsible for all expenses of the Trainees to attend Initial Training including all payroll, travel, lodging and meal expenses. [Subsection 2.10(a) of the Franchise Agreement.]

Trainees. We will provide 5 days of Initial Training for 2 Trainees at our Corporate training facility in Fort Lauderdale, Florida. We must approve all Trainees. You, a Franchise Owner or a Designated Representative must be one of the Trainees. If you, the Franchise Owner or the Designated Representative will not be managing the day-to-day operations of your Franchise Business, you may designate another person as your General Manager to manage the day-to-day activities of your Franchise Business as the other Trainee. All Trainees must successfully complete our Initial Training to our satisfaction. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations Manual) as a condition of our approval. The Initial Training program includes facility development, sources of supply, instruction in stretching procedures, marketing, promotion and advertising, merchandising techniques, sales techniques and customer service techniques. [Subsection 2.10(a) of the Franchise Agreement.]

Pre-Opening On-Site Training. As part of the Initial Franchise Fee, we will make available to you pre-opening, on-site training of your employees for a minimum of 5 days, in most instances conducted at your Franchise Business preferably within the first week of operation, as we deem appropriate. The on-site training program will cover material aspects of the operation of the Franchise Business including stretch training, financial control, marketing techniques, maintenance of quality standards, employee hiring, training and customer service, operations, purchasing and sales. Training programs may differ in content and length for you, a Franchise Owner or the Designated Representative, your General Manager, your Certified Stretch Zone Practitioner and your other employees depending upon their previous experiences and their responsibilities at your Franchise Business. You must give us at least 30 days' advanced written notice of the Opening Date to schedule on-site training. You do not have to pay any additional costs for pre-opening on-site training except you must reimburse us for the travel, lodging and meal expenses of our trainers. (Section 2.12 of the Franchise Agreement).

ADDITIONAL TRAINING PROGRAMS OR REFRESHER COURSES

Recertification Training. On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise during our SCORE visits. Our fee is \$2,000 per Franchise regardless of the number of Certified Stretch Zone Practitioners you have. You are responsible for our representatives' travel, meals and lodging expenses. We offer a virtual option at our discretion and reserve the right to conduct the visit in person. [Subsection 2.14(f) of the Franchise Agreement.]

New General Manager Training If the General Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) of the Franchise Agreement due to death, disability, termination of employment or for any other reason, you will satisfy these obligations until you designate a new General Manager acceptable to us who has successfully completed Initial Training. You are solely responsible for the expenses associated with Initial Training, including the then-prevailing standard training fee we charge (currently \$800 per day). [Subsection 4.6(d) of the Franchise Agreement.]

DISCRETIONARY TRAINING PROGRAM.

There is no discretionary training program.

ENGLISH LANGUAGE PROFICIENCY

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

AREA DEVELOPMENT AGREEMENT

PRE-OPENING OBLIGATIONS

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

TIME PERIOD

The typical length of time between the signing of the Franchise Agreement and the opening of the Franchise Business can vary from 30 to 120 days. The factors that affect this period usually includes the time needed to acquire a site for your Franchise Business, to negotiate a lease, to arrange for financing, to comply with local ordinances and obtain building permits, to hire employees, weather conditions, shortages, or delayed installation of equipment, fixtures and signs and, other operational

issues, etc., and the time when you complete satisfactorily Initial Training. If you fail to open within 6 months of signing the Franchise Agreement, you are in material default under the Franchise Agreement and we have the right to terminate the Franchise Agreement and retain the Initial Franchise Fee. If we terminate the Franchise Agreement you must also sign the Franchise Termination and Release Agreement included in Exhibit O. [Subsection 4.10(b) of the Franchise Agreement].

ONGOING OBLIGATIONS AFTER OPENING

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

OPTIONAL ASSISTANCE AFTER OPENING

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

ADVERTISING PROGRAMS UNDER AREA DEVELOPMENT AGREEMENT

There are no advertising programs under the Area Development Agreement.

TRAINING FOR DEVELOPERS

There are no separate training programs for Developers.

ITEM 12 - TERRITORY

FRANCHISE AGREEMENT

NO EXCLUSIVE TERRITORY

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

LOCATION OF FRANCHISE UNIT

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

NO MINIMUM TERRITORY

You are not obtaining any minimum territory.

RELOCATION RIGHTS

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

Loss of Lease. If you lease the Premises and the lease expires or terminates before the expiration of this Agreement (provided termination is not due to your default), we permit you 30 days

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

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

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

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

NO OPTIONS, RIGHTS OF FIRST REFUSAL OR SIMILAR RIGHTS

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

LIMITED PROTECTED TERRITORY

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

Limited Protected Territory or franchise another Stretch Zone Franchise having premises located within your Limited Protected Territory. This does not mean that there might not be overlap with a Company-Owned Unit's or another Franchised Unit's Limited Protected Territory as long as the premises of the Company-Owned Unit or the other Franchised Unit is not physically located in your Limited Protected Territory. In addition, we expressly reserve the rights stated below. These reserved rights are superior to your rights we grant to you under this Agreement. These rights include granting a Stretch Zone Franchise to be operated at any Non-Traditional Location within your Limited Protected Territory.

CONDITIONS TO CONTINUED LIMITED PROTECTED TERRITORY.

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

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

OUR RESERVED RIGHTS

You agree that the license of the Intellectual Property granted to you is not exclusive. In addition to our right to use and grant others the right to use the Intellectual Property outside the Limited Protected Territory, we expressly reserve all rights that we do not expressly grant to you in the Franchise Agreement concerning the Intellectual Property or other matters, including:

Non-Traditional Sites. We have the right to establish, develop, license or franchise a Unit within your Limited Protected Territory if the Unit is to be located at a Non-Traditional Site including health clubs, hotels and resorts, airports, or military installations.

Different Business Models. We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by this Agreement within or outside the Limited Protected Territory, regardless of its proximity to, or potential impact on, the Franchise Business, without offering or providing you any rights in, to, or under the other systems.

NO COMPENSATION TO YOU

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

RESTRICTIONS ON ADVERTISING AND OPERATING OUTSIDE OF LIMITED PROTECTED TERRITORY

You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent.

OUR OPERATION OF A SIMILAR BUSINESS UNDER A DIFFERENT MARK

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

AREA DEVELOPMENT AGREEMENT

NO MINIMUM TERRITORY

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

RELOCATION RIGHTS

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

DEVELOPMENT AREA

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

NO EXCLUSIVE RIGHTS TO DEVELOPMENT AREA

We do not grant to you exclusive rights within the Development Area. We grant you the right to construct, open and operate Franchise Businesses within the Development Area pursuant to a Development Schedule under which you must open a specified number of Franchise Business within a specified time. The Development Area will usually be a city or county. We will grant each Franchise Unit you open within the Development Area a Limited Protected Territory. For the perimeter of the Development Area, you agree that you will not select a site that is within the limited protected territory of a Company-Owned Unit or Franchise Unit that is operating or under construction.

APPROVAL OF LOCATIONS FOR FUTURE UNITS

We must approve the location for all future Franchise Units that you develop and the Limited Protected Territory for each of these Franchise Units. Our then current standards for sites and territories will apply.

OUR RESERVED RIGHTS

The Area Development Rights granted to you are not exclusive. In addition to our right to use and grant others the right to use the Proprietary Mark outside the Development Area and as described above, we reserve all rights not expressly granted in the Area Development Agreement to you concerning the Proprietary Mark or other matters including:

Non-Traditional Sites. We have the right to establish, develop, license or franchise a Unit within your Limited Protected Territory if the Unit is to be located at a Non-Traditional Site including health clubs, hotels and resorts, airports and military installations.

Different Business Models. We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by this Agreement within or outside the Limited Protected Territory, regardless of its proximity to, or potential impact on, the Franchise Business, without offering or providing you any rights in, to, or under the other systems.

NO COMPENSATION TO YOU

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

ITEM 13 - TRADEMARKS

FEDERAL REGISTRATIONS ON PRINCIPAL REGISTER

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

<u>Mark</u>	<u>International Class</u>	<u>Registration Date</u>	<u>Registration Number</u>
 <p>STRETCH ZONE STRETCH. WORK. PLAY. REPEAT.</p> <p>(words and design)</p>	041	October 22, 2019	5888538
STRETCH ZONE (words only)	016, 028, 035 and 041	October 15, 2013	4416970
STRETCH BACK THE YEARS (words only)	041	December 31, 2013	4458104

STATE REGISTRATIONS

The marks have not been registered or filed for registration in any other state.

RENEWAL OF FEDERAL REGISTRATIONS

As to the Principal Trademark, we have not filed a Declaration of Use under Section 8 of the U.S. Trademark Law and a Declaration of Incontestability under Section 15 of the U.S. Trademark Law with the USPTO because it has been registered for fewer than 5 years. The Principal Trademark remains contestable. Stretch Zone Holdings, LLC, a prior owner of the marks, filed Declarations of Use under

Section 8 of the U.S. Trademark Law with the USPTO for the other 2 marks that have been registered. These marks are uncontestable.

COMMON LAW RIGHTS

The prior owners had used the Principal Trademark and other marks and had acquired common law rights in the Principal Trademark and other marks based on that use.

MATERIAL DETERMINATIONS AND PROCEEDINGS

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

SETTLED TRADEMARK LITIGATION

Motion Stretch, LLC v. Stretch Zone Holdings LLC, United States District Court, South District of Florida, Fort Lauderdale Division, Case No. 0:19-cv-60119-WPD-Dimitrouleas/Snow. On October 23, 2018, Motion Stretch, LLC filed a complaint against Stretch Zone Holdings LLC for trademark infringement and unfair alleging that the Stretch Zone trademark infringes on the Motion Stretch service mark because of the inclusion of a “curved line element.” Additionally, Stretch Zone Holdings LLC filed a counterclaim for a Declaratory Judgment of Non-Infringement of the Motion Stretch service mark and a Declaratory Judgment of No Unfair Competition because the Stretch Zone service mark in no way infringes on the Motion Stretch service mark. The parties have entered into a Settlement Agreement whereby: (i) each party may continue to use their respective service mark, (ii) each party agrees not to challenge, object to, or interfere with the other party, its licensees’, sublicensees’, successors’ and assigns’ use and registration of the party’s mark, or assist or encourage any third party in doing the same; (iii) each party agrees not to use any confusingly similar form of the other party’s service mark; and (iv) each party agrees to bear its own fees and costs for the litigation.

Other than this 1 action, there is no currently pending material federal or state court litigation involving our use of, or ownership rights in, the Principal Trademark or other marks.

CURRENTLY EFFECTIVE AGREEMENTS

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

OUR INDEMNIFICATION OF YOU FOR CLAIMS

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademark or any of the other marks and Intellectual Property, or if you become aware of any use of, or claims to, any of the Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or

claim to any Intellectual Property. You must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property. We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any of the Intellectual Property in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

MODIFICATION OF PRINCIPAL TRADEMARK

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

SUPERIOR PRIOR RIGHTS OR INFRINGING USES

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

AREA DEVELOPMENT AGREEMENT

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

ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

PATENTS

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

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

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

COPYRIGHTS

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

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

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

MATERIAL DETERMINATIONS

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

CURRENTLY EFFECTIVE AGREEMENTS

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

OUR INDEMNIFICATION OF YOU FOR CLAIMS

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

MODIFICATION

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

INFRINGING USES

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

PROPRIETARY RIGHTS IN CONFIDENTIAL INFORMATION AND TRADE SECRETS

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

We will disclose to you the Confidential Information required for the operation of the Franchise Business during Initial Training, in the Operations Manual, and in the guidance and assistance that we furnish you, and you may learn of additional Confidential Information. You may disclose the Confidential Information to your employees or other persons only to the extent reasonably necessary and provided the person has signed our form of Confidentiality and Non-Competition Agreement contained in the Operations Manual before disclosure. You agree, during and after the Initial Term, that

you, your Franchise Owners, employees and independent contractors will: (i) not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the body stretching concept; (ii) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term; (iii) not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form or electronic form; and (iv) adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information. You agree that any suggestions you make that we incorporate into the Business System are our exclusive property.

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

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

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

YOUR PERSONAL PARTICIPATION

You are not our employee. You are your own boss running your own business subject to our rights under your Franchise Agreement. You acknowledge and agree that your Franchise Business is not a "passive" investment. We recommend that you be active in the operation of your Franchise Business but we do not require any personal "on-premises" participation by you provided you hire a General Manager per location that we approve and who completes Initial Training to our satisfaction. You must also have at least 1 Certified Stretch Zone Practitioner. You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of this Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire a General Manager.

BUSINESS ENTITY FRANCHISEE

If you are a Business Entity, we recommend that one or more of the Franchise Owners participate personally in the direct operation of the Franchise Business but we do not require any personal "on-premises" participation by a Franchise Owner provided you hire a General Manager that we approve and who completes Initial Training to our satisfaction. At least one person must be a Certified Stretch Zone Practitioner. You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of the Franchise Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire a General Manager. All Franchise Owners owning more than 5% of the equity interests in the Business Entity must personally guaranty the Franchisee's obligations under the Franchise Agreement and all other agreements by signing the Guaranty of Developer's/Franchisee's Obligations included in Exhibit G.

DESIGNATED REPRESENTATIVE

If this Agreement is signed by 2 or more individuals or by a Business Entity, you agree to designate in writing 1 individual or a Franchise Owner as the Designated Representative upon signing the Franchise Agreement. We have the right to rely solely on instructions of the Designated

Representative concerning the operation of the Franchise Business until we receive a duly signed written notice changing the Designated Representative.

GENERAL MANAGER

Your Management Responsibility. You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of this Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire a General Manager. You acknowledge that, if you choose to operate the Franchise Business using a General Manager, you may experience lower sales and/or higher costs than other Franchised Units managed by owner/operators.

General Manager. The General Manager must devote his or her best reasonable full-time efforts to the management and operation of your Franchise Business. You agree that your Franchise Business requires the day-to-day supervision of the General Manager at all times your Franchise Business is open for business. The General Manager must complete Initial Stretcher, General Manager and Front Desk Training Programs before managing your Franchise Business, unless we otherwise agree in writing. You must have one designated General Manager per location that has completed the above trainings.

Change in General Manager. If the General Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) of the Franchise Agreement due to his or her death, disability, termination of employment or for any other reason, you will satisfy these obligations until you designate a new General Manager acceptable to us who has successfully completed Training. You are solely responsible for the expenses associated with Initial Training, including the then-prevailing standard training fee we charge (currently \$400 per person).

Equity Interest. If you retain a General Manager, the General Manager does not have to own an equity interest in the Business Entity.

RESTRICTIONS ON GENERAL MANAGER AND OTHER EMPLOYEES

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

ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

USE OF THE PREMISES

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

APPROVED PRODUCTS AND SERVICES

You must sell or offer for sale only the products and services that meet our uniform standards of quality and quantity, and we have expressly approved for sale in the Operations Manual or otherwise in writing at retail to customers from your Franchise Business. You may not sell any items for

redistribution or resale. You must: (i) offer for sale all approved products and services; (ii) refrain from any deviation from our standards and specifications for providing or selling the approved products and services without our written consent; and (iii) discontinue selling and offering for sale any product or service as we, in our discretion, disapprove in writing. We have the right to change the authorized products and services at any time based on our experience.

SALES RESTRICTIONS

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

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 16.1	The initial term of the Franchise Agreement is 10 years beginning on the Agreement Date.
b. Renewal or extension of the term ¹	Section 16.2	You have the right to renew for an unlimited number of additional terms of 10 years each.
c. Requirements for you to renew or extend ¹	Sections 16.2 and 16.3 ⁽¹⁾	<ol style="list-style-type: none"> 1. You must give us timely written notice of your intention to exercise the option; 2. You must not be in default of your Franchise Agreement or any other agreement with us or our Affiliates; 3. You will sign a Renewal Franchise Agreement that may impose materially different terms and conditions than those in your original Franchise Agreement. 4. You will not pay another Initial Franchise Fee but you will pay a Renewal Fee of half of the then Franchise Fee; 5. You must sign a Franchise Termination and Release Agreement of all claims against us and its affiliates, and their respective officers, directors, shareholders, agents and employees, the form included in Exhibit O; 6. You must be entitled to continue to occupy your Premises for the entire Renewal Term or must obtain our approval of a new location for your Franchise Business within your Limited Protected Territory but not within the Limited Protected territory of a Company-Owned Unit or another Franchise Unit in accordance with the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
		<p>7. You must complete to our reasonable satisfaction, all maintenance, refurbishing, renovating and upgrading we require;</p> <p>8. If renovation or maintenance of your Franchise Business is not possible or feasible, you must relocate your Franchise Business within your Limited Protected Territory but not within the limited protected territory of a Company-Owned Unit or another Franchise Unit.</p> <p>If you have not met all of the conditions stated in the Franchise Agreement, we may elect not to enter into a Successor Franchise Agreement. If, within 5 days of notice from us that you have elected not to enter into a Successor Franchise Agreement, you request our permission for you to sell your Franchise Business, then for a 180-day period following this notice (this notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have grounds to otherwise terminate the Initial Term), we will permit you to sell your Franchise Business to a purchaser subject to our right of first refusal. This transfer must be in compliance with the provisions of Subsection 10.2(g) of the Franchise Agreement and all the other applicable terms of this Agreement. During this period, you must continue to operate your Franchise Business.</p> <p>You will be asked to sign a contract with materially different terms and conditions than your original contract.</p>
d. Termination by you ¹	Section 11.1	If you substantially comply with the Franchise Agreement and we materially breach it, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or, within a longer period if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate the Franchise Agreement. You may also terminate the Franchise Agreement upon the mutual written agreement with us. Any termination of the Franchise Agreement by you other than as stated above is a wrongful termination by you. The provisions regarding termination by you are subject to state law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 11.2, 11.3 and 11.4	We may only terminate your Franchise Agreement with cause. If we terminate your Franchise Agreement we may also terminate the Area Development Agreement if you have signed one.
g. "Cause" defined – curable defaults	Section 11.4	You may cure any non-monetary default other than those specified in Sections 11.2 and 11.3 of your Franchise

Provision	Section in Franchise Agreement	Summary
		<p>Agreement within 30 days of written notice from us of the default.</p> <p>If you fail to cure, and may terminate your Franchise Agreement and we may also terminate the Area Development Agreement if you have signed one.</p>
h. "Cause" defined – non-curable defaults ¹	Sections 11.2 and 11.3	<p>The following defaults may not be cured:</p> <ol style="list-style-type: none"> 1. Insolvency or general assignment for creditors; 2. Filing in bankruptcy; 3. Adjudication of bankruptcy; 4. Filing for appointment of a receiver or custodian; 5. Appointment of a receiver or custodian; 6. Filing for composition with creditors; 7. Judgment of \$25,000 or more remains unsatisfied; 8. Execution of levy; 9. Filing of foreclosure suit; 10. Sale of your assets after levy; 11. Abandonment; 12. Threat to public safety remains uncorrected; 13. Failure to maintain cleanliness or sanitation; 14. Conviction of any offense that might materially adversely affect the Business System; 15. You deny us our right of inspection or audit; 16. You engage in deleterious conduct; 17. Unauthorized assignment; 18. Breach of confidentiality or noncompetition provisions of your Franchise Agreement; 19. You knowingly maintain false books or records; 20. Failure to timely transfer on your death or incapacity; 21. Uncured default under your lease; 22. You misuse any of the Intellectual Property; or 23. Three or more notices of default for same or similar default during any 12 consecutive months. <p>If you fail to cure, we may terminate your Franchise Agreement and we may also terminate the Area Development Agreement if you have signed one.</p>
i. Your obligations on termination/non-renewal ¹	Sections 13.1(a)(ii), 14.2 ARTICLES 6 and 12 ⁽⁴⁾	<p>You must:</p> <ol style="list-style-type: none"> 1. Not compete with us or any of our Franchise Businesses for 24 months after the end of your Franchise Agreement within 50 miles of any Franchise Business or Company-Owned Unit then in operation or under contract. 2. Indemnify us from any losses or damages we sustain as a result of your Franchise Business; 3. Maintain confidentiality of all our Confidential Information; 4. Cease operating your Franchise Business; 5. Pay all amounts you owe to us;

Provision	Section in Franchise Agreement	Summary
		<ul style="list-style-type: none"> 6. Comply with our option to purchase your Franchise Business; 7. Distinguish your Premises from any indicia of the Business System; 8. Avoid unfair competition with us; 9. Return all Intellectual Property to us; 10. Discontinue use of the Principal Trademark; 11. Assign your lease to us at our option; 12. Pay us liquidated damages; and 13. If you are an Area Developer, you may lose your Development Rights
j. Assignment of contract by us	Section 10.1	We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent or approval.
k. "Transfer" by you defined	Sections 10.2 and 10.3	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Franchise Agreement or in your Franchise Business. A transfer of less than 25% of the voting rights or ownership interests and a transfer to any other original Franchise Owner is not considered a transfer.
l. Our approval of transfer by you	Sections 10.2 and 10.3	We have the right to approve or disapprove of any transfers.
m. Conditions for our approval of transfer	Sections 10.2 and 10.3	<ul style="list-style-type: none"> 1. You must give us written notice 2. We do not exercise our right of first refusal; 3. You are not in default under any agreement you have with us or any Affiliate; 4. The transferee must satisfactorily complete our application procedures; 5. We must interview and approve the transferee; 6. The transferee must sign a new franchise agreement that may impose materially different terms and conditions than those in your original Franchise Agreement but the transferee will not have to pay a new Initial Franchise Fee; 7. You or the transferee must pay a transfer fee of \$10,000; 8. The transferee must properly assume all your obligations, including your lease; 9. You must sign a Franchise Termination and Release Agreement of us attached as Exhibit O; 10. The transferee must successfully complete Initial Training 11. The parties must sign our transfer form. <p>Your buyer will be asked to sign a contract with materially different terms and conditions than your original contract.</p>

Provision	Section in Franchise Agreement	Summary
n. Our right of first refusal to acquire your business	Section 10.5	We have the option to purchase on the same terms as contained in the Offer. We will give you written notice of election within 30 days after our receipt of the Offer notice and all required information.
o. Our option to purchase your business	Section 12.4	We have the right (but not the duty), exercisable upon written notice to you given within 30 days after termination of the Franchise Agreement, to purchase for cash any assets of your Franchise Business at the fair market value.
p. Your death or disability	Section 10.4	You or your representative must: 1. Provide a replacement General Manager satisfactory to us; and 2. Your personal representative must transfer the Franchise Business within 12 months of your death in accordance with the transfer provisions of your Franchise Agreement.
q. Non-competition covenants during the term of the franchise ¹	Subsection 13.1(a)(i)	You may not: 1. Influence any Business Associate of us to modify its relationship with us; 2. Have any involvement with any Competitive Business; or 3. Interfere with our business or any of our other Franchise Businesses. These provisions are subject to state law.
r. Non-competition covenants after the franchise is terminated or expires ¹	Subsection 13.1(a)(ii)	You may not, for 24 months after the end of your Franchise Agreement: 1. Influence any Business Associate of us to modify its relationship with us; 2. Have any involvement with any Competitive Business, within 50 miles of any Franchise Business then in operation or under contract; or 3. Interfere with our business or any of our other Franchise Businesses. These provisions are subject to state law.
s. Modification of the agreement	Sections 6.3, 13.1(g) and 19.2	Your Franchise Agreement may not be modified without the consent of both you and us except: 1. We may change the contents of the Operations Manual; 2. We may modify the Business System; and 3. A court may modify any provision of your Franchise Agreement in accordance with applicable law.
t. Integration/merger clause	Section 19.14	Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim the representations we made in this FDD. Any representations or promises outside the FDD and Franchise Agreement may not be enforceable.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation ¹	ARTICLE 17	All disputes must be resolved first by informal dispute resolution and, if unsuccessful, by mediation and, if mediation is not successful, then by arbitration except claims involving: 1. The Intellectual Property; 2. Any lease or sublease of real property; 3. Your obligations upon termination or expiration of your Franchise Agreement; 4. Any transfers; 5. Matters involving claims of danger, health or safety; and 6. Requests for restraining orders, injunctions or similar procedures. You waive your rights to a jury trial and claims for punitive damages.
v. Choice of forum ¹	Section 17.5	Subject to state law, any informal dispute resolution, mediation or arbitration proceeding must be conducted where our principal office is located when the demand is requested. Any litigation to enforce the Franchise Agreement must be filed in the courts where our principal office is located when litigation is filed (currently Broward County, Florida).
w. Choice of law ¹	Section 17.6	Except to the extent governed by the United States Trademark Act of 1946, the United States Copyright Act or the United States Arbitration Act, and subject to applicable state law, the Franchise Agreement is interpreted under the laws of Florida.

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

THE DEVELOPMENT RELATIONSHIP

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

Provision	Section in Area Development Agreement	Summary
a. Length of Area Development Rights term	Section 3.2	The Initial Term of the Area Development Agreement is the earlier of: the date when we approve the last location in your ADA or (ii) a date we negotiate, unless otherwise sooner terminated due to default.
b. Renewal or extension of the term ¹	Not Applicable	Not Applicable

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you ¹	Section 7.1	If you have complied with the Area Development Agreement and we materially breach it, you may give us written notice of the nature of the breach. If we do not cure within 30 days or within a longer period, if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate the Area Development Agreement. The provisions regarding termination are subject to state law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 7.2	We may only terminate your Area Development Agreement with cause.
g. "Cause" defined – curable defaults	Section 7.3	You have 30 days or any longer period as applicable law may require, after written notice of default to cure any default and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the right to terminate the Area Development Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under the Area Development Agreement. Upon termination or expiration of the Area Development Agreement, all your Area Development Rights cease. We are then free to open Company-Owned Businesses or franchise Stretch Zone Franchises to others within your former Development Area but outside any Limited Protected Territories granted to you under Franchise Agreements for Franchise Businesses you are currently operating or are under construction, provided you are not in otherwise in default under any Franchise Agreement.
h. "Cause" defined – non-curable defaults	Section 7.2	We may terminate the Area Development Agreement by giving you written notice of termination if we terminate any Franchise Agreement between the parties due to your default, after we have given you written notice of default if notice is required, and afforded you an opportunity to cure if you have a right to cure.

Provision	Section in Area Development Agreement	Summary
i. Your obligations on termination/nonrenewal	Section 7.4	Upon termination or expiration of the Area Development Agreement, all your Area Development Rights cease. All Franchise Agreement also may terminate. You must comply with your post-termination and post-expiration obligations under the Franchise Agreements and those obligations that survive the termination or expiration of the Franchise Agreements including the obligations of indemnification, confidentiality and non-competition.
j. Assignment of contract by us	Section 5.1	We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under the Area Development Agreement to any person without your consent or approval.
k. "Transfer" by you defined	Section 5.2	Transfer means any sale, assignment, transfer, conveyance or gift of any direct or indirect interest in your Area Development Agreement. A transfer of less than 50% of the equity interests in Business Entity that signed the Area Development Agreement and a transfer to any other original owners of the Area Development Agreement is not considered a transfer.
l. Our approval of transfer by you	Section 5.2	You must obtain our prior written approval of any transfers.
m. Conditions for our approval of transfer	Section 5.2	You may transfer the Area Development Agreement to a Business Entity you own but you continue to remain personally liable for all of your obligations under the Area Development Agreement. You may not transfer the Area Development Agreement.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term	Not Applicable	Not Applicable These provisions are subject to state law.

Provision	Section in Area Development Agreement	Summary
r. Non-competition covenants after the agreement is terminated or expires	Not Applicable	Not Applicable These provisions are subject to state law.
s. Modification of the agreement	Section 9.2	Your Area Development Agreement may not be modified without the consent of both you and us except: 1. We may change the contents of the Manuals; 2. We may modify the Business System; and 3. A court may modify any provision in accordance with applicable law.
t. Integration/merger clause	Section 9.11	Only the terms of the Area Development Agreement and other written agreements are binding (subject to applicable state law). Nothing in the Area Development Agreement or in any other related written agreement is intended to disclaim the representations we made in this FDD. Any representations or promises outside the FDD and the Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation ¹	Section 9.1	All disputes must be resolved first by informal dispute resolution and, if unsuccessful, by mediation and, if mediation is not successful, then by arbitration except claims involving: 1. The Intellectual Property; 2. Any lease or sublease of real property; 3. Your obligations upon termination or expiration of your Area Development Agreement; 4. Any transfers; 5. Matters involving claims of danger, health or safety; and 6. Requests for restraining orders, injunctions or similar procedures. You must waive your rights to a jury trial and claims for punitive damages.
v. Choice of forum ¹	Section 9.1	Subject to state law, any informal dispute resolution, mediation or arbitration proceeding must be conducted where our principal office is located when the demand is requested. Any litigation to enforce the Area Development Agreement must be filed in the courts where our principal office is located when litigation is filed (currently Broward County, Florida).

Provision	Section in Area Development Agreement	Summary
w. Choice of law ¹	Section 9.1	Except to the extent governed by the United States Trademark Act of 1946, the United States Copyright Act or the United States Arbitration Act, , and subject to applicable state law, the Development Agreement is interpreted under the laws of Florida.

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

ITEM 18 – PUBLIC FIGURES

Effective as of January 1, 2021, we entered into a Celebrity Endorsement Agreement with Brees Company, Inc., a Delaware corporation (“BCI”) for the services of Drew Brees, the former quarterback in the National Football League with the New Orleans Saints. Drew Brees has become a public figure identified with physical conditioning including stretching exercises. Drew Brees endorses the Stretch Zone Franchise concept. BCI, on behalf of Drew Brees, has agreed to make him available to provide marketing services for Stretch Zone and granted to us the right and license to use the Drew Brees name, nickname, initials, autograph, facsimile signature, photograph, likeness, and/or endorsement in connection with the advertisement, promotion, sale and operation of Stretch Zone Franchises. The Celebrity Endorsement Agreement runs until January 1, 2025. In consideration for the endorsement and licenses granted under this Agreement, we have agreed to pay to BCI (i) a guaranteed minimum \$250,000 annual payment; (ii) a right for Drew Brees to be on the Management Committee (which he has not yet exercised); (iii), Unit Appreciation Rights; (iv) Area Development Rights for 20 Franchises to be located in the greater New Orleans, Indianapolis and San Diego; and (v) a Right of First Refusal for Franchises to be located in Orange County, California.

ITEM 19 – FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits us to provide information about the actual or potential financial performance of our Franchise Units and/or Company-Owned Units, if there is a reasonable basis for the information, and if the information is included in this Franchise Disclosure Document. We may give you financial performance information that differs from that included in this ITEM 19 only if: (1) we provide the actual records of an existing Unit that you are considering buying; or (2) we supplement the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

HISTORICAL FPRS

We make the following historical Financial Performance Representations:

Individual franchisees are likely to experience sales volume and cost variations. Company-Owned Units were not included. Company-Owned Units pay into a Marketing Fund but do not pay Royalty Fees.

You should carefully analyze the following table with the assistance of your counsel, accountants or other advisors to determine whether the data realistically reflects costs and other factors affecting revenue with which you might be faced.

Calendar Year 2022 Gross Sales for Franchised Owned Units Opened 24 or More Months				
Percentile	Average Gross Revenues	Highest	Lowest	Median
Top 25%	\$ 629,931	\$ 886,894	\$ 487,482	\$ 590,913
2nd 25%	\$ 428,922	\$ 487,074	\$ 381,136	\$ 430,892
3rd 25%	\$ 347,139	\$ 380,613	\$ 306,259	\$ 351,779
4th 25%	\$ 263,469	\$ 305,656	\$ 173,894	\$ 266,743
Total Average	\$ 417,365	\$ 886,894	\$ 173,894	\$ 410,082

Calendar Year 2022 Gross Sales for Franchised Owned Units Opened 13 to 23 Months				
Percentile	Average Gross Revenues	Highest	Lowest	Median
Top 25%	\$ 643,670	\$ 903,254	\$ 516,242	\$ 603,055
2nd 25%	\$ 467,621	\$ 514,566	\$ 403,675	\$ 479,703
3rd 25%	\$ 365,341	\$ 395,470	\$ 325,530	\$ 363,510
4th 25%	\$ 260,148	\$ 324,562	\$ 140,721	\$ 289,804
Total Average	\$ 434,195	\$ 903,254	\$ 140,721	\$ 434,018

MATERIAL BASES FOR THE HISTORICAL FPRs

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

1. **Group Measured** – The group measured includes all Franchise Units that have been operating for more than 24 or more months and all Franchise Units that have been operating for 13 to 23 months.

Month	Franchised Outlets in System	Franchised Outlets Represented
January 2022	113	106
February 2022	115	107
March 2022	118	109
April 2022	119	111
May 2022	120	112
June 2022	126	114
July 2022	129	120
August 2022	133	123
September 2022	138	127
October 2022	143	132
November 2022	155	137
December 2022	156	148

2. **Time Period Measured** – The time period measured is calendar year 2022.

3. **Number of Units Measured** – The number of units measured is 156*.
4. **Number of Units Reporting** – The number of units reporting is 152*.
5. **Number and Percentage of Units** – The number and percentage of units that achieved the stated level of performance is 152* Units of 156* Units currently operating representing 97% of all units as of December 31, 2022.
6. **Distinguishing Characteristics** - The distinguishing characteristics of the group measured are time in operation and Company-Owned Units and Franchised Units.
 - We had to exclude the results of operations of 4 units due to 3 units relocating and 1 unit due to compliance issues.

NOTES

1. The term “Gross Sales” means the revenue for services before refunds and returns.
2. There have been no closures of Franchised Units during the time period measured.

ADMONITION

Some Units have not sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

SUBSTANTIATION

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any other financial performance representations. We also do not authorize our employees or representatives to make any such other representations orally or in writing. If you are purchasing an existing Unit, however, we may provide you with the actual records of that Unit. If you receive any other information or projections of your future income, you should report it to our management by contacting Tony Zaccario, President and CEO at 6700 North Andrews Avenue # 210, Fort Lauderdale, FL 33309 and (954) 799-6419, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20 – OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

**System wide Unit Summary
For Years 2020 to 2022**

Column 1 Unit Type	Column 2 Year	Column 3 Units at the Start of the Year	Column 4 Units at the End of the Year	Column 5 Net Change
Franchised	2020	73	107	+34
	2021	107	153	+46
	2022	153	240	+87
Company-Owned ^{1 and 2}	2020	8	5	-3
	2021	5	3	-2
	2022	3	3	0
Total Units	2020	81	112	+31
	2021	112	156	+44
	2022	156	243	+87

¹ Owned 100% by our Parent or our Parent owns a controlling interest

² 3 units include Bonnie Lane as a minority owner.

Table No. 2

**Transfers of Units from Franchisees to New Owners (other than Us)
For Years 2020 to 2022**

Column 1 State¹	Column 2 Year	Column 3 Number of Transfers
Alabama	2020	0
	2021	0
	2022	1
Arizona	2020	0
	2021	5
	2022	2
California	2020	1
	2021	0
	2022	1
Florida	2020	2
	2021	3
	2022	10

Column 1	Column 2	Column 3
State ¹	Year	Number of Transfers
Georgia	2020	0
	2021	0
	2022	5
Missouri	2020	0
	2021	0
	2022	1
North Carolina	2020	0
	2021	1
	2022	0
Ohio	2020	2
	2021	0
	2022	0
South Carolina	2020	1
	2021	3
	2022	2
Texas	2020	1
	2021	1
	2022	7
Washington	2020	0
	2021	1
	2022	0
Virginia	2020	0
	2021	1
	2022	0
Total	2020	9
	2021	15
	2022	29

Table No. 3

**Status of Franchise Units
For Years 2020 to 2022**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State ¹	Year	Units at Start of Year	Units Opened	Terminations	Non-Renewals	Re-acquired by Us	Ceased Operations- Other Reasons	Units at End of the Year
Alabama	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	2	0	0	0	0	5

Col. 1 State ¹	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
Alaska	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
7\Arizona	2020	3	2	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	3	0	0	0	0	8
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	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Colorado	2020	5	1	0	0	0	0	6
	2021	6	2	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Delaware	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Florida	2020	28	8 ²	0	0	0	0	36
	2021	36	5 ³	0	0	0	0	41
	2022	41	13	0	0	0	0	54
Georgia	2020	3	4	0	0	0	0	7
	2021	7	6	0	0	0	0	13
	2022	13	2	0	0	0	0	15
Iowa	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Illinois	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	5	0	0	0	0	7
Indiana	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	1	0	0	0	0	3

Col. 1 State ¹	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
Kansas	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Kentucky	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Louisiana	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	4	0	0	0	0	6
Maryland	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	6	0	0	0	0	6
Massachusetts	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3
Michigan	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Minnesota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Missouri	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Nebraska	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Nevada	2020	1	1	0	0	0	0	2
	2021	2	2	0	0	0	0	4
	2022	4	2	0	0	0	0	6
New Jersey	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3

Col. 1 State ¹	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
New Mexico	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New York	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
North Carolina	2020	3	1	0	0	0	0	4
	2021	4	2	0	0	0	0	6
	2022	6	4	0	0	0	0	10
Ohio	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Pennsylvania	2020	0	4	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	2	0	0	0	0	6
South Carolina	2020	6	1	0	0	0	0	7
	2021	7	2	0	0	0	0	9
	2022	9	3	0	0	0	0	12
Tennessee	2020	1	1	0	0	0	0	2
	2021	2	3	0	0	0	0	5
	2022	5	3	0	0	0	0	8
Texas	2020	9	4	0	0	0	0	13
	2021	13	8	0	0	0	0	21
	2022	21	9	0	0	0	0	30
Utah	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Washington	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	7	0	0	0	0	7
Totals	2020	73	34	0	0	0	0	107
	2021	107	46	0	0	0	0	153
	2022	153	87	0	0	0	0	240

¹ No other states are involved

² In 2020, we sold 2 Company-Owned Units to Franchisees

³ In 2021, we sold another 2 Company-Owned Units to Franchisees

Table No. 4

**Status of Company-Owned Units
For Years 2020 to 2022**

Column 1 State ¹	Column 2 Year	Column 3 Units at Start of Year	Column 4 Units Opened	Column 5 Units Reacquired From Franchisee	Column 6 Units Closed	Column 7 Units Sold to Franchisee	Column 8 Units at End of the Year
California	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Florida	2020	7	0	0	0	2	5
	2021	5	0	0	0	2	3
	2022	3	0	0	0	0	3
Totals¹	2020	8	0	0	0	3	5
	2021	5	0	0	0	2	3
	2022	3	0	0	0	0	3

¹ No other states are involved

Table No. 5

Projected Openings as of December 31, 2022

Column 1 State ¹	Column 2 Franchise Agreements Signed But Unit Not Open	Column 3 Projected New Franchise Units In the Next Fiscal Year	Column 4 Projected New Company Owned Units in the Next Fiscal Year
Alabama	2	2	0
Arizona	0	1	0
California	2	4	0
Colorado	2	2	0
Florida	12	15	0
Georgia	3	4	0
Idaho	1	0	0
Illinois	3	3	0

Column 1	Column 2	Column 3	Column 4
State ¹	Franchise Agreements Signed But Unit Not Open	Projected New Franchise Units In the Next Fiscal Year	Projected New Company Owned Units in the Next Fiscal Year
Indiana	1	0	0
Kansas	0	1	0
Kentucky	0	1	0
Maryland	1	5	0
Massachusetts	2	0	0
Michigan	1	0	0
Minnesota	1	1	0
Mississippi	1	1	0
Missouri	1	0	0
New Jersey	1	0	0
North Carolina	3	1	0
Nebraska	0	2	0
New Mexico	0	2	0
Nevada	1	4	0
New York	2	5	0
Oklahoma	1	1	0
Oregon	3	3	0
Pennsylvania	1	0	0
South Carolina	5	2	0
Tennessee	2	3	0
Texas	6	8	0
Virginia	1	1	0
Washington	0	1	0
Wisconsin	1	0	0
Utah	0	2	0
TOTALS	60	75	0

¹ No other states are involved

LIST OF CURRENT FRANCHISEES

Exhibit L contains the names, addresses and telephone numbers of all 300 Franchise Businesses under a Franchise Agreement with us as of December 31, 2022, 240 that are operational and 60 that are not yet operational.

LIST OF FORMER FRANCHISEES

Exhibit L also contains the names, last known home addresses and home telephone numbers of the -0- Franchise Businesses that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently

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

YOUR CONTACT INFORMATION

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

CONFIDENTIALITY AGREEMENTS

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

TRADEMARK-SPECIFIC FRANCHISEE ORGANIZATIONS

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

None

ITEM 21 - FINANCIAL STATEMENTS

Attached as Exhibit M are our:

1. Unaudited¹ Balance Sheet dated May 31, 2023 and Unaudited¹ Profit and Loss Statement for the 5-month period from January 1, 2023 to May, 2023; and
2. Audited financial statements for fiscal years ending December 31, 2022, December 31, 2021 and December 31, 2020.

¹ THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Our fiscal year ends December 31.

ITEM 22 - CONTRACTS

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

- C Franchise Agreement
- D Approved Location Addendum to Franchise Agreement
- E Area Development Agreement
- F State Addenda to Agreements (if applicable)

- G Guaranty of Developer's/Franchisee's Obligations
- H Agreement with Landlord
- I Telephone Number and Directory Advertising Assignment Agreement
- J Security Agreement, UCC-1 Financing Statement and Rider
- K Software Sublicense Agreement
- N Franchise Termination and Release Agreement

ITEM 23 - RECEIPTS

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

EXHIBIT A – STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

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

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

1. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

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

3. The California Franchise Investment Law requires that a copy of all proposed agreements involving the sale of the Franchise be delivered together with the Franchise Disclosure Document ("FDD").

4. ITEM 3 is amended to add: Neither we, nor any person in ITEM 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. § 78 *et seq.*, suspending or expelling these persons from membership in that association or exchange.

5. ITEM 6 is amended to add that the maximum interest rate in California is 10% annually.

6. ITEM 17: The following additional paragraphs are added:

(a) California Business and Professions Code §§ 20000 through 20043 provides you rights concerning transfer, termination or nonrenewal of a Franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law controls.

(b) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.*)

(c) The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

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

(e) The Franchise Agreement requires binding arbitration. The arbitration will occur in Broward County, Florida with the costs being born by the non-prevailing party.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code § 20040.5, Code of Civil Procedure § 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

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

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

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

10. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

ITEM 5 – Initial Fees is amended to add:

INITIAL FRANCHISE FEE

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

DEVELOPMENT FEE

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

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

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

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

ITEM 5 – Initial Fees is amended to add:

INITIAL FRANCHISE FEE

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

INITIAL CONTRIBUTION TO MEDIA FUND

You will make an initial Advertising Contribution of \$500 to the Media Fund. The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business.

DEVELOPMENT FEE

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

2. ITEM 7 is amended as follows:

ITEM 7 – ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Initial Franchise Fee ¹	\$59,500 to \$49,500	Lump Sum	When we have fulfilled our pre-opening obligations to you and you are open for business	Us

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

YOUR ESTIMATED INITIAL INVESTMENT - AREA DEVELOPMENT AGREEMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Development Fee ¹	\$119,000 (2 Units) to \$267,750 (6 Units)	Lump Sum	When we have fulfilled our pre-opening obligations to you and your 1 st Franchise Business is open for business	Us
Initial Investment for 1 st Franchised Unit	\$113,930 to \$226,949	As Incurred	As stated in invoices	Us and other Suppliers

¹ **Development Fee** See ITEM 5 INITIAL FEES for a description of the Development Fee.

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

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

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

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

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

ITEM 5 is amended as follows:

INITIAL FEES

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

INITIAL CONTRIBUTION TO MEDIA FUND

You will make an initial Advertising Contribution of \$500 to the Media Fund. The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under the Franchise Agreement and you are open for business.

DEVELOPMENT FEE

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

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

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

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

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

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

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

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

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

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

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

NOTICE FOR PROSPECTIVE FRANCHISEES REQUIRED BY THE STATE OF MICHIGAN

Stretch Zone Franchising LLC
6700 North Andrews Avenue, # 210
Fort Lauderdale, FL 33309
(954) 799-6419

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

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel that deprives you of rights and protections provided in the Michigan Franchise Investment Law. This will not preclude you, after entering into a Franchise Agreement, from settling any claims.
- (c) A provision that permits us to terminate a Franchise before the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure any failure after being given written notice of that failure and a reasonable opportunity, which need not be more than 30 days, to cure the failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise Business are not subject to compensation. This subsection applies only if:
 - (i) the term of the Franchise is less than 5 years; and
 - (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area after the end of the franchise or you do not receive at least 6 months' advance written notice of our intent not to renew the Franchise.
- (e) A provision that permits us to refuse to renew your Franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring arbitration or litigation be conducted outside this state. This will not preclude you from entering into an agreement when the dispute arises, to conduct arbitration at a location outside this state.

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

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

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

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

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

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

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

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

Any questions regarding the notice should be directed to Consumer Protection Division, Antitrust and Franchise Unit, Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913 (517) 373-7117.

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

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

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

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

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

NEW YORK ADDENDUM TO OFFERING PROSPECTUS

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

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

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

Except as provided above, with regard to the Franchisor, its Predecessor, a person identified in ITEM 2, or an Affiliate offering Franchises under the Franchisor's Principal Trademark:

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the Franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

NEW YORK MATERIAL FACT STATEMENT

WE REPRESENT THAT THIS OFFERING PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

ITEM 5 – Initial Fees is amended to add:

INITIAL FRANCHISE FEE

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

DEVELOPMENT FEE

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

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

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

RHODE ISLAND ADDENDUM FRANCHISE DISCLOSURE DOCUMENT

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

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

SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

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

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

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

Virginia law applies.

4. Risk Factor:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$113,930 to \$226,949. This amount exceeds the franchisor's members' negative equity as of December 31, 2022, which is **-\$23,843,149**

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR DEVELOPMENT RIGHTS

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

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

ITEM 5 is amended as follows:

INITIAL FRANCHISE FEE

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

INITIAL CONTRIBUTION TO MEDIA FUND

You will make an initial Advertising Contribution of \$500 to the Media Fund. The initial Advertising Contribution will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business.

DEVELOPMENT FEE

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

ITEM 7 – ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Initial Franchise Fee ¹	\$49,500 to \$59,500	Lump Sum	When we have fulfilled our pre-opening obligations to you and you have begun doing business	Us

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

YOUR ESTIMATED INITIAL INVESTMENT - DEVELOPMENT AGREEMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Development Fee ¹	\$119,000 (2 Units) to \$267,750 (6 Units)	Lump Sum	Payable proportionately we have fulfilled our pre-opening obligations to you and each Franchise Business is open for business	Us
Initial Investment for 1 st Franchised Unit	\$113,930 to \$226,949	As Incurred	As stated in invoices	Us and other Suppliers

¹ **Development Fee** See **ITEM 5 INITIAL FEES** for a description of the Development Fee.

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

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Franchise.

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

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

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

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

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

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

State	State Administrator	Agent for Service of Process
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104
Hawaii	Business Regulation Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities 335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General 500 S. Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
Indiana	Indiana Secretary of State Securities Division Room E-11 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
Maryland	Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 Saint Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 6 th Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau 6546 Mercantile Way P.O. Box 30222 Lansing, MI 48910
Minnesota	Securities Unit Minnesota Department of Commerce 85 7 th Place East Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	The Commissioner of Commerce of Minnesota Department of Commerce 85 7 th Place East Suite 280 St. Paul, MN 55101-2198

State	State Administrator	Agent for Service of Process
New York	NYS Department of Law Financial Investor Protection Bureau 28 Liberty, 21 st Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol 5th Floor, Department 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Bismarck, ND 58505-0510
Oregon	Department of Consumer and Business Services Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	Department of Consumer and Business Services Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
Rhode Island	Chief Securities Examiner Division of Securities John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407 (401) 462-9500	Director of Rhode Island Department of Business Regulation John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407
South Dakota	Franchise Administrator Department of Labor & Regulation Division of Insurance Securities Regulation 124 South Euclid, 2 nd Floor Pierre, SD 57501 (605) 773-3563	Director Department of Labor & Regulation Division of Insurance Securities Regulation 124 South Euclid, 2 nd Floor Pierre, SD 57501
Virginia	State Corporate Commission Division of Securities and Retail Franchising 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, VA 23219
Washington	Administrator Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98504 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501

State	State Administrator	Agent for Service of Process
Wisconsin	Franchise Administrator Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 (608) 266-8559	Commissioner of Securities of Wisconsin 101 East Wilson Street Madison, WI 53702
All Other States	Not Applicable	Keith J. Kanouse, Esq. Malloy & Malloy, P.L. 6751 N. Federal Highway Suite 300 Boca Raton, FL 33487

EXHIBIT C - FRANCHISE AGREEMENT

7/6/23



STRETCH ZONE FRANCHISE AGREEMENT

between

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

(Franchisor)

and

(Franchisee)

Dated: _____

Development Area:

Reserved Area:

Approved Location:

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EXHIBIT A – MAP OF LIMITED PROTECTED TERRITORY



STRETCH ZONE FRANCHISE AGREEMENT

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

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

BACKGROUND

A. Our affiliate, Stretch Zone Holdings, LLC, a Florida limited liability company ("SZH"), has developed and owns a business that offers certified practitioner assisted stretching to individuals, which business operates under the trade name "Stretch Zone"® (the "Principal Trademark").

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

C. We have signed a License Agreement with SZH granting us the right to sublicense the use of the Principal Trademark, Patents and other Intellectual Property to our Stretch Zone Franchisees as part of our sale of Stretch Zone Franchises and the initial and ongoing services we provide to you. You understand that SZH does not have any liability to you for our performance under the terms of this Agreement

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

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

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

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

TERMS

The parties agree as follows:

ARTICLE 1 - APPOINTMENT

SECTION 1.1 GRANT OF FRANCHISE

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

SECTION 1.2 LOCATION OF YOUR FRANCHISE BUSINESS

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

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

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

SECTION 1.3 NO EXCLUSIVE TERRITORY

We do not grant you an exclusive territory.

SECTION 1.4 LIMITED PROTECTED TERRITORY

We grant you a Limited Protected Territory that we define in Section 18.1 and designate on the Map attached as Exhibit A, if the Premises exist that we have approved. If the Business Premises do not exist at this time, we will describe the Limited Protected Territory in the Approved Location Addendum once you obtain a location that we approve. During the Initial Term, if you are not in default, we agree not to open the premises of a Company-Owned Unit within your Limited Protected Territory or franchise another Stretch Zone Franchise having premises located within your Limited Protected Territory. This does not mean that there might not be overlap with a Company-Owned Unit's or another Franchised Unit's Limited Protected Territory as long as the premises of the Company-Owned Unit or the other Franchised Unit is not physically located in your Limited Protected Territory. In addition, we expressly reserve the rights stated in Section 5.7. These reserved rights are superior to your rights we grant to you under this Agreement. These rights include granting a Stretch Zone Franchise to be operated at any Non-Traditional Location within your Limited Protected Territory.

SECTION 1.5 RELOCATION OF YOUR FRANCHISE BUSINESS

(a) **Loss of Lease.** If you lease the Premises and the lease expires or terminates before the expiration of this Agreement (provided termination is not due to your default), we permit you 30 days to

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

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

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

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

ARTICLE 2 - OUR DUTIES

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

SECTION 2.1 SITE SELECTION ASSISTANCE

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

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

send to us all material information regarding the proposed site including pictures of the site. We will not unreasonably withhold our approval of any site meeting our standards. We will review site approval submissions on a first-in basis but within 30 days of your submission. If we do not approve the site, you have 30 days in which to submit a new site within the Reserved Area for our written approval. If you fail to do so in a timely manner or we and you cannot agree on a site within 90 days after the Agreement Date, we have the right to terminate this Agreement and retain 50% of the Initial Franchise Fee to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities. You will be required to sign the Franchise Termination and Release Agreement included as Exhibit O.

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

SECTION 2.2 LEASE ASSISTANCE

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

SECTION 2.3 PLANS AND SPECIFICATIONS

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

SECTION 2.4 FURNITURE, FIXTURES AND FURNISHINGS

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

SECTION 2.5 INDOOR SIGNS AND GRAPHICS

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

SECTION 2.6 BUSINESS PLANNING ASSISTANCE

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

SECTION 2.7 WEBSITE

We have created a Website, www.stretchzone.com. We will list your Franchise Business on our Website.

SECTION 2.8 LISTS, FORMS AND SCHEDULES

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

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

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

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

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

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

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

SECTION 2.9 EMPLOYEE INFORMATION AND ASSISTANCE

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

SECTION 2.10 INITIAL TRAINING

(a) **Initial Training.** We will provide 5 days of Initial Training for 2 Trainees at our Corporate training facility in Fort Lauderdale, Florida. We must approve all Trainees. You, a Franchise Owner or a Designated Representative must be one of the Trainees. If you, the Franchise Owner or the Designated

Representative will not be managing the day-to-day operations of your Franchise Business, you may designate another person as your Manager to manage the day-to-day activities of your Franchise Business as the other Trainee. All Trainees must successfully complete our Initial Training to our satisfaction. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations Manual) as a condition of our approval. The Initial Training program includes facility development, sources of supply, instruction in stretching procedures, marketing, promotion and advertising, merchandising techniques, sales techniques and customer service techniques. Initial Training is included in the Initial Franchise Fee. You are responsible for all expenses of the Trainees to attend Initial Training including all payroll, travel, lodging and meal expenses.

(b) **Failure to Complete Initial Training.** If you, a Franchise Owner or the Designated Representative, or your Manager fails to complete Initial Training, as we reasonably determine, we may: (i) at your expense and direction, retrain the Trainee or train another Trainee; or (ii) elect to terminate this Agreement. If we elect to terminate this Agreement, we will refund to you \$5,000 of the Initial Franchise Fee without interest, and we will retain the balance to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities. You must also sign the Franchise Termination and Release Agreement included as Exhibit S to the FDD

(c) **No Warranty of Success.** Our determination that your Trainees have successfully completed any Initial Training, Pre-Opening On-Site Training or Additional Training is not a warranty or representation that any Trainee can or will successfully operate the Franchise Business or any aspect of the Franchise Business.

SECTION 2.11 ACCESS TO OPERATIONS MANUAL

We will give you electronic access via our Intranet to our Operations Manual and any supplemental manuals. Our practice is to access to you during Initial Training.

SECTION 2.12 PRE-OPENING ON-SITE TRAINING

As part of the Initial Franchise Fee, we will make available to you pre-opening, on-site training of your employees for a minimum of 5 days, in most instances conducted at your Franchise Business preferably within the first week of operation, as we deem appropriate. The on-site training program will cover material aspects of the operation of the Franchise Business including stretch training, financial control, marketing techniques, maintenance of quality standards, employee hiring, training and customer service, operations, purchasing and sales. Training programs may differ in content and length for you, a Franchise Owner or the Designated Representative, your Manager, your Certified Stretch Zone Practitioner and your other employees depending upon their previous experiences and their responsibilities at your Franchise Business. You must give us at least 30 days' advanced written notice of the Opening Date to schedule on-site training. You do not have to pay any additional costs for pre-opening on-site training except you must reimburse us for the travel, lodging and meal expenses of our trainers.

SECTION 2.13 PRE-OPENING AND GRAND OPENING ADVERTISING ASSISTANCE

We will assist you with your pre-grand opening plan as detailed in the Operations Manual to introduce the coming Franchise Business to the community. We will also assist you with your the 3-day grand opening plan as detailed in the Operations Manual.

SECTION 2.14 CONTINUED ASSISTANCE AND SUPPORT

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

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

(b) **Website.** We will maintain the Website for use by our Franchisees and us in accordance with Subsection 4.12(d) and Section 7.2.

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

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

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

(f) **Recertification Training.** On an annual basis, we will conduct additional recertification training for all Certified Stretch Zone Practitioners of each Franchise during our SCORE visits. Our fee is \$2,000 per Franchise regardless of the number of Certified Stretch Zone Practitioners you have. You are responsible for our representatives' travel, meals and lodging expenses. We offer a virtual option at our discretion and reserve the right to conduct the visit in person.

(g) **Pricing Policies.** We may make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, while you have the sole and exclusive right as to the prices you charge for the products and services at the Franchise Business, you may not charge less than \$35 for a 30-minute stretch. We retain the right to establish maximum prices you charge for sales promotions. Any list of prices we furnish to you are recommendations only. Your failure to accept or implement any suggestion does not affect the relationship between you and us, unless otherwise specifically stated as a maximum price. You cannot engage a discounting company such as Groupon or Living Social.

SECTION 2.15 SUBLICENSE OF INTELLECTUAL PROPERTY

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

SECTION 2.16 SOFTWARE

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

SECTION 2.17 DUTIES SOLELY TO YOU

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

SECTION 2.18 OUR RIGHT TO DELEGATE DUTIES

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

SECTION 2.19 OUR REASONABLE BUSINESS JUDGMENT

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

SECTION 2.20 ASSISTANCE WE DO NOT PROVIDE

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

ARTICLE 3 - FEES AND PAYMENTS

SECTION 3.1 TYPES OF FEES

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

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____ payable at the same time you sign this Agreement. The Initial Franchise Fee is non-refundable upon signing this Agreement except as expressly provided otherwise in this Agreement.

(b) **Royalty Fee.** You will pay a continuing monthly non-refundable Royalty Fee equal to 6% of monthly Gross Revenues. However, you must pay a minimum monthly Royalty Fee of \$900 beginning on the 1st full calendar month after the Opening Date. **THIS MINIMUM ROYALTY FEE IN NO WAY INFERS THAT YOU WILL EXPERIENCE GROSS REVENUES OF ANY PARTICULAR LEVEL.**

(c) **Technology Fee.** For providing you with a store e-mail account, a listing on our Website and a sublicense of the Stretch Net, Career Plug, Office 365, QuickBooks Online, KnetK, Factor 4 and Perksville, we will charge you a monthly fee contained in the Operations Manual or otherwise provided in writing (currently \$320 per month), which we may modify.

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

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

(f) **Transfer Fee.** If we permit you to transfer this Agreement under Subsection 10.2(b), you will pay us a Transfer Fee of \$1,000. If you sell or transfer your Franchise Business under Subsection 10.2(g), you must pay us a Transfer Fee of \$10,000.

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

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

(i) **Fines for Non-Compliance.** If we find you to be in violation of certain terms of this Agreement constituting a material default by you that would entitle us to terminate the Franchise Agreement, we will send you a letter setting forth the nature of the non-complying act and what steps you must take to cure the violation. We will also impose a fine of \$250. You must immediately cure the violation and pay the fine within 10 days of receipt of our notice of non-compliance. If you fail to cure and pay the fine in a timely manner, we reserve the right to exercise our rights under ARTICLE 11. These acts of non-compliance include the following:

(i) If we see an unauthorized product for sale at your Premises;

(ii) If you use the Stretch Zone name and logo in an inappropriate way;

(iii) If a person providing stretching service is not certified by us a \$250 fine will be issued for every day the person continues to provide stretching services;

(iv) If we find that your employees are not in uniform or otherwise complying with our dress code - \$200 fine; or

(v) If you receive an inspection report from us that reveals material violation or our operating standards.

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

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

SECTION 3.2 PAYMENT SCHEDULE

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

SECTION 3.3 PAYMENT SYSTEM

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

SECTION 3.4 INTEREST ON LATE PAYMENTS; LATE CHARGE

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

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

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

SECTION 3.5 APPLICATION OF PAYMENTS

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

SECTION 3.6 SECURITY INTEREST

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

SECTION 3.7 NO WITHHOLDING

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

ARTICLE 4 - YOUR DUTIES

SECTION 4.1 ACQUISITION OF THE SITE

(a) **Site Approval.** You are solely responsible for selecting the site for the Franchise Business. If a site that we approve does not exist at this time, you must complete the acquisition or lease arrangements for your Premises within 6 weeks after the Agreement Date and obtain our written approval under Section 2.1. We may require that you engage a real estate broker of your choosing or, at our discretion, our approved broker, to advise and assist you in locating a suitable site and negotiating the terms of the lease. You are responsible for any fee charged by our approved broker for this service. If we have not approved a site within 2 months after the Agreement Date, we have the right to terminate this Agreement. Upon termination we will refund to you 50% of the Initial Franchise Fee to you without interest, and we will retain the balance to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities.

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

SECTION 4.2 CONSTRUCTION OF FRANCHISE BUSINESS

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

(b) **Construction Process.** You must promptly after obtaining possession of the site for the Franchise Business: (i) retain the services of an architect to create your building plans, which we must approve; (ii) retain the services of a general contractor; (iii) obtain all necessary permits, licenses and architectural seals; (iv) use only approved building materials, equipment, fixtures, furniture and signs; (v) complete the construction and the equipment, fixtures, furniture and sign installation and decorating of the Franchise Business in full and strict compliance with the building plans and specifications we have approved and in full compliance with all applicable laws, ordinances, building codes and permit

requirements including the Americans With Disabilities Act without any unauthorized alterations; and (vi) obtain all customary contractors' sworn statements and partial and final waivers. You must begin substantial construction (site work, utility infrastructure and building erection) of the Franchise Business within 90 days after the Agreement Date. It is your responsibility to comply with the foregoing conditions. We reserve the right to require you to retain the services of a company specialized in assisting Franchisees during the construction process to assist you in submitting, processing, monitoring and obtaining in a timely manner all necessary construction documents, licenses and permits and to advise you throughout the construction of your Franchise Business.

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

SECTION 4.3 EQUIPMENT, FURNITURE, FURNISHINGS AND FIXTURES

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

SECTION 4.4 COMPUTER AND POS SYSTEMS

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

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

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

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

SECTION 4.5 HIRING, TRAINING AND APPEARANCE OF EMPLOYEES

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

(b) **Special Training.** For any specialized training, you must pay \$800 per day for the employee. You are responsible for all travel, meals, and lodging costs for the employee. For any training required for Managers, you must pay \$400 per person. If you chose to have a remote Manager training, the fee is \$2,000. For any training required for Stretchers, you must pay \$200 per person. If you chose to have a remote Stretch training, the fee is \$1,500. You are solely responsible for all travel, meals and lodging costs for your Trainees.

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

SECTION 4.6 MANAGEMENT OF YOUR FRANCHISE BUSINESS

(a) **Your Management Responsibility.** You are solely liable and responsible for the operation of the Franchise Business in accordance with the terms of this Agreement and the Operations Manual, regardless of whether you choose to operate the Franchise Business as a full-time owner/operator or hire a Manager. You acknowledge that, if you choose to operate the Franchise Business using a Manager, you may experience lower sales and/or higher costs than other Franchised Units managed by owner/operators.

(b) **Designated Representative.** If this Agreement is signed by 2 or more individuals or by a Business Entity, you designate in Section 18.1 an individual or a Franchise Owner as the Designated Representative. We have the right to rely solely on instructions of the Designated Representative concerning the operation of the Franchise Business until we receive a duly signed written notice changing the Designated Representative.

(c) **Manager.** The Manager must devote his or her best reasonable full-time efforts to the management and operation of your Franchise Business. You agree that your Franchise Business requires

the day-to-day supervision of the Manager at all times your Franchise Business is open for business. The Manager must complete Initial Stretcher, Manager and Front Desk Training before managing your Franchise Business, unless we otherwise agree in writing.

(d) **Change in Manager.** If the Manager fails to satisfy his or her obligations provided in Subsection 4.6(c) due to death, disability, termination of employment or for any other reason, you will satisfy these obligations until you designate a new Manager acceptable to us who has successfully completed Initial Training. You are solely responsible for the expenses associated with Initial Training, including the then-prevailing standard training fee we charge (currently \$800 per day).

SECTION 4.7 APPROVED SPECIFICATIONS AND SOURCES OF SUPPLY

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

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

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

(d) **Approval of New Suppliers.** If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services, or other products or services that are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us a written request for approval, or request that the supplier do so itself. We have the right to require, as a condition of our approval, that the supplier permit our representatives to inspect its facilities. If we request, the supplier will deliver samples to us or to our designated independent, certified laboratory for testing. We are not liable for damage to any sample that may result from the testing process. You

will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (not to exceed \$1,500). We may also require as a condition to our approval, that the supplier present satisfactory evidence of insurance, for example, product liability insurance, protecting our Franchisees and us from all claims from the use of the item within the Business System. We will give you written notice of our approval or disapproval within 10 days after all testing and completion of the above conditions. We reserve the right to reinspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense. We reserve the right to revoke approval upon the supplier's failure to continue to meet our standards.

(e) **Rebates.** We reserve the right to derive rebates from required purchases or leases by franchisees from Designated Suppliers or Approved Suppliers.

SECTION 4.8 CREDIT CARDS AND OTHER METHODS OF PAYMENT

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

SECTION 4.9 TELEPHONES, ANSWERING SERVICE AND INTERNET

You will maintain:

(a) **Telephone System.** A sufficient number of operating telephone lines and telephone numbers to be used exclusively for the operation of your Franchise Business that we reasonably require, with sufficient staff to handle telephone calls in an efficient and courteous manner at all times during normal business hours;

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

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

SECTION 4.10 OPENING OF THE FRANCHISE BUSINESS

(a) **No Opening Without Our Consent.** You agree not to open your Franchise Business for business before we have given you our written consent. If you open before we have given our written consent, you must cease operating the Franchise Business until we give you our written consent and you must pay us liquidated damages of \$500 per day for each day you were open without our written consent.

(b) **Conditions to Opening.** We will give our written consent when: (a) all your obligations under Sections 4.1 through 4.10 have been fulfilled; (b) we determine that your Franchise Business has been constructed, furnished, equipped, and decorated in accordance with approved plans and specifications; (c) the training of the Trainees has been completed to our reasonable satisfaction and

you have at least 1 Certified Stretch Zone Practitioner; (d) the Initial Franchise Fee and all amounts due to us and our Affiliates under this Agreement have been paid in full; (e) we have been furnished with certificates of insurance and copies of all insurance policies or all other evidence of insurance coverage as we reasonably request; (f) you have obtained a certificate of occupancy for your Premises; and (g) you have obtained all necessary licenses and permits to operate your Franchise Business. You will comply with these conditions and be prepared to open your Franchise Business for business within 6 months after the Agreement Date. If you fail to open your Franchise Business within 6 months after the Agreement Date, we have the right to terminate this Agreement and retain the Initial Franchise Fee to cover our costs and expenses for the assistance we have provided to you under this Agreement and for our lost opportunities. If we terminate the Franchise Agreement you must also sign the Franchise Termination and Release Agreement included in Exhibit O.

(c) **Statement of Costs to Open.** Within 6 months after you open, you will prepare and provide us with a complete and detailed written statement in the form contained in the Operations Manual containing a breakdown of all costs you incurred in the construction and initial operation of the Franchise Business.

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

SECTION 4.11 PRE-GRAND OPENING AND STUDIO GRAND OPENING

You will engage in the pre-grand opening plan containing a 6-prong approach as detailed in the Operations Manual to introduce the coming Franchise Business to the community. You will engage in the 3-day grand opening plan as detailed in the Operations Manual.

SECTION 4.12 OPERATIONAL REQUIREMENTS

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

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

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

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

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

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

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

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

(h) **Hours of Operation.** Subject to any contrary requirements of local law, your Franchise Business must be opened to the public and operated at least 10 hours each day of the year excluding Holidays, although you have the option to close your Franchise Business with prior notification to us, 5 days per year, although never 2 consecutive days (with the exception of Christmas Eve and Christmas Day). We must authorize in writing of any variance from this provision. You acknowledge and agree

that if your Franchise Business is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the Franchise and Franchise Business, unless the closure was due to Force Majeure as provided in Section 19.13.

SECTION 4.13 COMPLIANCE WITH LAWS, RULES AND REGULATIONS

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

SECTION 4.14 MAINTENANCE AND REPAIRS

(a) **Ongoing Maintenance.** You must maintain and repair the building, equipment, fixtures, furnishings, signage and Trade Dress (including the interior and exterior appearance) employed in the operation of your Franchise Business in the highest degree of sanitation, appearance, condition and security as stated in the Operations Manual. Within 30 days after the receipt of any particular report prepared following an evaluation by our field representative, you must perform the items of maintenance and repair that we designate. If, however, any condition presents a threat to customers or public health or safety, you must immediately cure the condition regardless of cost, as further described in this Agreement. The items of maintenance generally result from common wear and tear over a period of time, accidents or lack of care. Examples include: (i) repairing or replacing HVAC equipment, plumbing and electrical systems that are not functioning properly; (ii) repairing a leaking roof; (iii) repairing or replacing broken equipment; (iv) refreshing general appearance items such as paint (interior and exterior) and landscaping; (v) replacing worn flooring, furniture and other furnishings; and (vi) conducting routine maintenance of areas that affect the appearance of the Franchise Business and goodwill of the Trademarks such as the appearance of the outdoor signage, the parking lot and dumpster area.

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

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

SECTION 4.15 TAX PAYMENTS; CONTESTED ASSESSMENTS

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

SECTION 4.16 CUSTOMER SURVEYS; CUSTOMER LIST

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

SECTION 4.17 INSPECTIONS AND EVALUATIONS

(a) **Periodic Inspections.** You will permit our field representatives to enter your Franchise Business at all reasonable times during the business day to assist you, to evaluate your business operations and to ascertain that you are complying with the provisions of this Agreement. We have the right to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving. We will perform an inspection in a manner that minimizes interference with the operation of your Franchise Business. You will cooperate fully with our field representatives in the inspection. You will render assistance as they may reasonably request. You will permit them to observe how you are selling the products and rendering the services, to monitor sales volume, to conduct a physical inventory, to confer with your employees and customers and to remove samples of any products, supplies and materials in amounts reasonably necessary for inspection at our office and record keeping. We may videotape the inspection.

(b) **Evaluation Report.** We will give you an evaluation report listing the deficiencies and the corrective action you must take. Without limiting our other rights under this Agreement, you will take all steps necessary to immediately correct any deficiencies detected during inspections, including

immediately stopping use of any equipment, advertising, materials, products, supplies or other items that do not conform to our then-current requirements. If you fail or refuse to correct any deficiency, this is an Event of Default on your part.

SECTION 4.18 NOTICES TO US

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

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

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

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

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

SECTION 4.19 OPERATIONAL SUGGESTIONS

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

SECTION 4.20 RENOVATION AND UPGRADING

You agree that you will make capital improvements or modifications necessary to modernize, redecorate and upgrade your Franchise Business. This may include an upgrade of your equipment to reflect the current image and Trade Dress of new Stretch Zone Franchises we reasonably request, taking into consideration the cost of the modernization, the life expectancy of the equipment and the then-remaining term of this Agreement. Generally, these requirements will not exceed those applicable to new Franchised Units and new Company-Owned Units. You must complete to our satisfaction any changes we require within a reasonable time, not to exceed 12 months from the date we notify you of any required changes (other than signage). You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of the Franchise Business and to avoid deterioration or obsolescence in connection with the operation of the Franchise Business. If you fail to make any improvement as required by this Section, this is an Event of Default on your part.

SECTION 4.21 LIQUIDATED DAMAGES FOR SALE OF PROHIBITED PRODUCTS OR SERVICES

You agree that the offer to sell or the sale of unauthorized or prohibited products and services will result in damages to us. You agree to pay us liquidated damages equal to \$500 for each day of the prohibited offer or sale, payable to us upon demand. These damages are in addition to our other rights or remedies, including our right strictly to enforce or terminate this Agreement as provided in this Agreement and obtain injunctive relief, except to the extent any other rights are excluded by law in light of this Section. The parties agree that a precise calculation of the full extent of the damages that we will incur from the offer or sale of unauthorized products and services is difficult to determine. Since the parties' desire certainty in this matter, the parties agree that the amount of liquidated damages is reasonable and is not a penalty.

SECTION 4.22 PUBLICITY

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

SECTION 4.23 MINIMUM PERFORMANCE STANDARD

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

ARTICLE 5 - INTELLECTUAL PROPERTY

SECTION 5.1 OUR REPRESENTATIONS AS TO THE INTELLECTUAL PROPERTY

We represent to you that:

- (a) **Ownership.** Our Affiliate, SZH is the sole owner of the Intellectual Property.
- (b) **Our License.** We have a license from SZH granting us the right to sublicense to our Franchisees the right to use the Intellectual Property in connection with the operation of the Franchise Businesses.
- (c) **Sublicense.** We have not sublicensed the Intellectual Property to any others except other Franchisees.

(d) **Protection.** We will take all steps necessary to preserve and protect the ownership and validity of the Intellectual Property.

SECTION 5.2 YOUR USE OF THE INTELLECTUAL PROPERTY

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

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

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

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

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

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

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

SECTION 5.3 INFRINGEMENT BY YOU

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

SECTION 5.4 CLAIMS AGAINST THE INTELLECTUAL PROPERTY

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademark or the other Intellectual Property you will promptly (within 7 days) notify us in writing. If you become aware of any use of, or claim to, the Principal Trademark or the other Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Intellectual Property. You

must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property.

SECTION 5.5 YOUR INDEMNIFICATION.

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

SECTION 5.6 OUR RIGHT TO MODIFY THE INTELLECTUAL PROPERTY

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

SECTION 5.7 OUR RESERVATION OF RIGHTS

You agree that the sublicense of the Intellectual Property we grant to you has limited exclusivity. In addition to our right to use and grant others the right to use the Intellectual Property outside the Limited Protected Territory, we expressly reserve all rights that we do not expressly grant to you in this Agreement concerning the Intellectual Property or other matters. You will not receive any compensation if we exercise these reserved rights. These reserved rights include:

(a) **Non-Traditional Sites.** We have the right to establish, develop, license or franchise a Unit within your Limited Protected Territory if the Unit is to be located at a Non-Traditional Site including health clubs, hotels and resorts, airports and military installations.

(b) **Different Business Models.** We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by this Agreement within or outside the Limited Protected Territory, regardless of its proximity to, or potential impact on, the Franchise Business, without offering or providing you any rights in, to, or under the other systems.

SECTION 5.8 OWNERSHIP; INUREMENT SOLELY TO US

You agree that: (a) you have no ownership or other rights in the Intellectual Property, except as expressly granted in this Agreement; and (b) we are the owner or authorized licensor of the Intellectual Property. You agree that all goodwill associated with the Franchise Business inures directly and exclusively to our benefit and is our sole and exclusive property except through any profit you receive from the permitted sale of your Franchise Business during the Initial Term or any Renewal Term. You will not in any manner prohibit, or do anything that would restrict, us or any Franchisee from using the Intellectual Property or filing any trade name, assumed name or fictitious name registration of the

Principal Trademark with respect to any Franchise Business to be conducted outside the Limited Protected Territory or any business within the Limited Protected Territory that is permitted by this Agreement. If you secure in any jurisdiction any rights to any of the Intellectual Property (or any other Intellectual Property) not expressly granted under this Agreement, you will immediately notify us and immediately assign to us all of your right, title and interest to the Intellectual Property (or any other Intellectual Property).

ARTICLE 6 - THE OPERATIONS MANUAL

SECTION 6.1 IN GENERAL

To protect our reputation and goodwill and to maintain uniform standards of operation under the Intellectual Property, you will conduct your Franchise Business in accordance with the Operations Manual. The Operations Manual is an integral part of this Agreement with the same effect as if fully stated in this Agreement.

SECTION 6.2 CONFIDENTIAL USE

(a) **Trade Secret.** You will treat and maintain the Confidential Information as our confidential trade secrets except for information previously known or obtained through independent sources and found within the public domain. You must keep the Operations Manual in a secure area within the Premises. You will strictly limit access to the Confidential Information to your employees that have signed a Confidentiality and Non-Competition Agreement in the form included in the Operations Manual and to the extent they have a "need to know" in order to perform their duties. You will report the theft, loss or destruction of the Operations Manual immediately to us.

(b) **Unauthorized Use.** You agree that, during and after the Initial Term, you, your Franchise Owners, Designated Representative, Managers and employees will:

(i) Not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the Stretch Zone concept;

(ii) Maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term;

(iii) Not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and

(iv) Adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information.

(v) Not modify, reverse engineer, decompile, create other works from or disassemble any of our or any of our Affiliates' Confidential Information, except as we permit in writing.

SECTION 6.3 PERIODIC REVISIONS

(a) **Changes to Manual.** We will revise the Operation Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions. You will comply with each new or changed provision beginning on the 30th day (or any longer time as we specify) after our written notice. We will base revisions to the Operations Manual on what we determine to be

in the best interests of the Business System, our interest and the interest of our Franchisees, including promoting quality, enhancing goodwill, increasing efficiency, decreasing administrative burdens, or improving profitability.

(b) **Variiances.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right, in our sole discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based on the circumstances then existing. You are not entitled to require us to grant to you a similar variation under this Agreement.

SECTION 6.4 PRIOR INFORMATION

You agree that all Confidential Information received before the Agreement Date was unknown to you except through our disclosure and that the marketing practices and operating procedures we develop and franchise to you for the operation of the Franchise Business are important for the success of the Business System. If you receive any Confidential Information after signing this Agreement, and you do not object in writing to us within 30 days after signing this Agreement that any of the information comprising the Confidential Information not be considered Confidential Information, then you have irrevocably waived your right to make any objection. You agree that this representation and warranty is a material inducement for us to enter into this Agreement, and any breach is an Event of Default on your part.

ARTICLE 7 - ADVERTISING

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the goodwill and public image of the Business System, the parties agree to the following provisions.

SECTION 7.1 LOCAL ADVERTISING

(a) **Your Expenditures.** You must spend a minimum of \$1,500 per month on Local Advertising of your Franchised Business within your Area of Dominant Influence.

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

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

SECTION 7.2 REGIONAL ADVERTISING COOPERATIVE

You agree that we have the right to establish a Regional Advertising Cooperative in any DMA. Upon our request, you will immediately become a member of the Regional Advertising Cooperative for the DMA that includes your Limited Protected Territory. Your Franchise Business does not have to be a member of more than 1 Regional Advertising Cooperative. All Company-Owned Units within your DMA must also become members of the Regional Advertising Cooperative. There will be governing documents available for your review.

(a) **Purposes of Regional Advertising Cooperative.** We will organize the Regional Advertising Cooperative for the exclusive purposes of administering advertising programs and developing standardized promotional materials for use by its members. The Regional Advertising Cooperative may adopt its own rules and procedures, but we must approve the rules or procedures. The rules and procedures must not restrict or expand your rights or obligations under this Agreement. Except as otherwise contained in the Franchise Agreement, and subject to our approval, any lawful action of the Regional Advertising Cooperative at a meeting attended by 67% of the members, including assessments for Local Advertising, binds you if approved by 67% of the members present. Each Franchised Unit and Company-Owned Unit has 1 vote.

(b) **Our Approval of Advertising.** We must approve in writing all advertising or promotional plans or materials the Regional Advertising Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials in accordance with the procedure stated in Subsection 7.1(b).

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

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

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

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

SECTION 7.3 INTERNET ADVERTISING/WEBSITE

(a) **Website.** We will list your Franchise on our Website. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, franchise information, product and/or service information and all other

information that we may designate in writing. You will not create or maintain any website other than the website we provide.

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

SECTION 7.4 MEDIA FUND

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

(b) **Administration.** We will administer the Media Fund. We use the funds in the Media Fund to pay for the costs of creating various advertising, marketing, and promotional materials that we deem beneficial to the Business System. We also use the funds in the Media Fund to pay the costs of conducting regional and/or national advertising and promotional activities (including the cost of producing advertising campaigns and marketing materials, conducting test marketing and marketing surveys, and public relations activities) that we deem beneficial to the Business System. We can charge the Media Fund for our costs for services we provide, in lieu of engaging third party agencies to provide these services. We will not use any of the funds to offer or sell Stretch Zone Franchises to prospective franchisees. We assume no other direct or indirect liability or obligation to you for the maintenance, direction or administration of the Media Fund, except as expressly provided in this ARTICLE 7.

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

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

(e) **Advertising Rebates.** You authorize us to act as your sole agent to enter into contracts with parties, other than Designated Suppliers and Approved Suppliers, offering promotion, discount or other programs where you would receive rebates or marketing allowances ("Advertising Rebates") relating to our purchase of advertising, marketing, and promotional materials. We will contribute all Advertising Rebates paid to us, based on your purchases, and the purchases of other Franchised Units and Company-Owned Units, to the Media Fund. By signing this Agreement, you assign all of your right,

title and interest in all Advertising Rebates to us, and authorize us to furnish any proof of purchase evidence as may be required in accordance with the contracts.

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

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

(h) **Media Placement.** The advertising funded by the Media Fund is anticipated to be placed, based on our decisions, in regional and/or national markets and it is anticipated to be placed with television, radio, periodicals, newspapers and/or direct mail campaigns. We do not have to spend any of your contributions to the Media Fund in your Limited Protected Territory.

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

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

ARTICLE 8 - ACCOUNTING AND RECORDS

SECTION 8.1 RECORDS

(a) **Paper and Electronic Records.** You will maintain complete and accurate records for the operation of your Franchise Business. These records may be in paper form but you must maintain in Adobe PDF electronic versions of all paper records along with all e-mail communications and electronically created records. These records include detailed daily sales, cost of sales, all communications and attachments sent by e-mail and other relevant records or information. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You must segregate these records from all other records that do not concern your Franchise Business. You must preserve these records in a cloud based web storage we designate, accessible to us; for at least 6 years from the dates of their preparation including after the termination, transfer or expiration of this Agreement.

(b) **Customer Information.** All Customer lists and files, phone and contact lists; databases, etc. containing Customer, marketing and financial data that you develop or store are and remain our sole property during and after this Agreement terminates or expires.

SECTION 8.2 REPORTS AND STATEMENTS; CONFIDENTIALITY

(a) **Monthly Reports.** You will e-mail to us as an attachment by the 10th day of each month, our Monthly Report form included in the Operations Manual that includes accurate records reflecting all Gross Revenues received during the previous month, the computation of Royalty Fees and Advertising Contributions, and all other information we require. If you must collect and remit sales taxes, you must also supply to us copies of your sales tax returns.

(b) **Quarterly Financial Statements.** You must also submit to us, a quarterly balance sheet and income statement within 90 days of the end of your fiscal year. You, your treasurer or your chief financial officer must sign and attest that the financial statements are true and correct and fairly present your financial position at and for the times indicated. You will also supply to us copies of your federal and state income tax returns at the time you file these returns with the appropriate tax authorities. The financial statements and/or other periodic reports described above must segregate the income and related expenses of your Franchise Business from the income and expenses of any other business that you may conduct.

(c) **Confidentiality.** We agree to maintain the confidentiality of all financial information we obtain about your Franchise Business. We may disclose this financial information to our professional advisors and any third party that is bound to maintain the confidentiality of the information. We may use the information to prepare a financial performance representation or other information required or permitted by federal or state franchise law. We may prepare a composite list of financial performances by our Franchisees for dissemination among the Franchisees that identifies your Gross Revenues and advertising expenditures. This composite list will not present the information in a manner where your identity can be easily determined.

SECTION 8.3 REVIEW AND AUDIT

(a) **Our Right of Audit.** Our representatives have the right at all times to examine and copy your records. We have the right, at any time, to access your Computer and POS Systems to determine, among other things, sales activity and Gross Revenues. We also have the right, at any time, to conduct an independent audit of your records but no more than 2 times a year, or more frequently if you are in default under this Agreement. To verify the information you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance. You must fully cooperate with our representative in performing these activities and you must reimburse us for any expenses we incur based on your lack of cooperation.

(b) **Underreporting.** If an inspection reveals you have understated any financial information you have reported to us (including Gross Revenues or payments owed to us), you must immediately pay to us, upon demand, the amount understated and interest at the maximum rate permitted by law beginning from the time the required payment was due. If any inspection discloses an understatement of 2% or more of Gross Revenues, you must also reimburse us for the expenses for the inspection or audit (including reasonable auditing, accounting, attorneys' fees and costs). In addition, we reserve the right to require you retain an independent certified public accountant reasonably acceptable to us to audit all future year-end financial statements at your expense. These remedies are in addition to any other remedies we have under this Agreement or under applicable law. If the audit discloses an overpayment in any amount you paid to us, we will promptly pay you the amount of the overpayment or offset the overpayment against any amounts owed to us.

SECTION 8.4 YOUR NAME, ADDRESS AND TELEPHONE NUMBER

Under federal and state franchise laws, while you are a Franchisee, we must disclose your name, business address and business telephone number of each of your Franchised Units in ITEM 20 of the FDD. After you cease being a Franchisee, we must disclose your name, city and state and then current business telephone number (or if unknown, your last known home telephone number) for a certain time. You agree to this disclosure. You must notify us of any change in your name, address and

telephone number within 10 days of the change. This obligation survives the expiration or termination of this Agreement.

ARTICLE 9 – INSURANCE AND BONDING

SECTION 9.1 TYPES AND AMOUNTS OF COVERAGE

You must purchase and maintain at your expense certain insurance that includes the risks, amount of coverage and deductibles as stated in the Operations Manual, This insurance may be in addition to any other insurance that you must obtain based on the requirements of applicable law, your landlord's requirements, your lender's requirements or otherwise. The insurance company must be reasonably satisfactory to us and have a Best rating of "B" or better and be written by our Approved Supplier. We may periodically adjust the amounts of coverage required under the insurance policies and require different or additional kinds of insurance at any time. These include excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes are required throughout the Network including any Company-Owned Units.

SECTION 9.2 EVIDENCE OF INSURANCE

At least 10 days before you begin any construction of the Premises, or 10 days from the Agreement Date, if the Premises are constructed and presently owned or leased by you, you must furnish to us a certificate of insurance issued by an approved insurance company showing compliance with these insurance requirements and a paid receipt showing the policy number. The certificate of insurance must name us as an additional insured and include a statement by the insurer that the policy will not be canceled, be subject to nonrenewal or be materially altered without at least 30 days' written notice to us. You will send to us current certificates of insurance on an annual basis. You will submit to us promptly copies of all insurance policies and proof of payment upon our request.

SECTION 9.3 REQUIREMENTS FOR CONSTRUCTION OR RENOVATION

For any construction or renovation of the Premises, you must require the general contractor to maintain with an approved insurer commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, and independent contractor's coverage) for at least \$1,000,000, with you and us named as additional named insureds, as their interests may appear, together with workers' compensation and employer's liability insurance required by law.

SECTION 9.4 OUR RIGHT TO PARTICIPATE IN CLAIMS PROCEDURE

Our insurer or we have the right to participate in discussions with your insurance company or any claimant (with your insurance company) regarding any claim. You agree to discuss our reasonable recommendations with your insurance carrier regarding the settlement of any claims.

SECTION 9.5 WAIVER OF SUBROGATION

The parties agree that, for any loss covered by insurance carried by the parties, their respective insurance companies have no right of subrogation against the other.

SECTION 9.6 EFFECT OF OUR INSURANCE

Your obligation to maintain the policies in the amounts required is not limited because of any insurance we maintain. Our performance of your obligations does not relieve you of liability under the indemnity provisions in this Agreement.

SECTION 9.7 FAILURE TO MAINTAIN INSURANCE

If you fail to maintain the insurance required by this Agreement, we have the right and authority (but without any obligation to do so), after written notice to you and 10 days in which to cure, to procure the insurance on your behalf. If we do so, we will charge you the cost of the insurance, plus interest at the maximum rate permitted by law and a 15% administrative fee for so acting, that you agree to pay immediately upon notice.

SECTION 9.8 GROUP INSURANCE

If we arrange any insurance coverage through group or master policies such as property and casualty, workers' compensation, liability and health, life and disability insurance, we will offer you the right to participate in this group insurance programs at your expense if the insurance is available in the state in which your Franchise Business is located.

ARTICLE 10 - TRANSFER OF INTEREST

SECTION 10.1 TRANSFER BY US

(a) **No Restrictions on Transfer.** We have the right to assign this Agreement to any person without your consent.

(b) **Estoppel Certificate.** Within 10 days after we request, you must sign, acknowledge and deliver to us, a written estoppel certificate stating: (a) confirmation of the existence of this Agreement; (b) that this Agreement has not been amended and is in full force and effect (or, if amended, stating the nature of the amendment); (c) that there are not, to your knowledge, any uncured defaults on our part or by you under this Agreement or specifying the defaults, if any, that are claimed; (d) that you have no, and know of no basis for, any claims of any kind against us (or, if you have or know of any claims, a detailed statement of all claims and a statement that you have no, and know of any basis for, any other claims); and (e) any other matter upon which certification is requested by us or a prospective assignee or lender. We and any prospective purchaser or lender of ours may rely upon any estoppel certificate you give under this Subsection. Any failure or refusal to timely sign a truthful estoppel certificate under this Subsection is an Event of Default on your part.

SECTION 10.2 TRANSFER BY YOU

(a) **Personal Rights.** You agree not to transfer any interest in this Agreement, or a major portion of the Business Assets comprising the Franchise Business, or more than 50% of the equity interests of the Franchisee if a Business Entity without our written consent. We will not unreasonably withhold, delay or condition our consent to any proposed transfer or assignment by you that requires our consent. Our consent is not required for a transfer of an equity interest, if the Franchisee is a Business Entity, to another original equity owners but such transfer does not release any Guaranty of the Franchisee's Obligations previously signed.

(b) **Transfer to Your Business Entity.** You may assign this Agreement to a Business Entity in which you own a majority of the issued and outstanding equity interests if:

(i) You or a Manager we approve actively manages the Business Entity and continues to devote his or her best efforts and full and exclusive time to the day-to-day operation of your Franchise Business. You must advise us of the name of the Manager and the Manager must meet our standards including training.

(ii) The Business Entity cannot use the trade name "Stretch Zone" in any derivative or form in the name of the Business Entity.

(iii) The Board of Directors (Management Committee) and Shareholders (Members) of the Business Entity approve the assumption of this Agreement, authorize an officer or manager to sign a joinder agreement or assumption of this Agreement and appoint a Designated Representative.

(iv) An authorized officer (manager) of the Business Entity signs a document in a form we approve, agreeing to become a party bound by all the provisions of this Agreement;

(v) All certificates representing equity interests must bear the following legend:

The Percentage of Membership Interests represented by this Certificate is subject to the terms of the Franchise Agreement between the Company and Stretch Zone Franchising LLC dated _____ including its restrictions on transfer. A copy of the Franchise Agreement is on file at the principal office of the Company.

(vi) You pay us the transfer fee stated in Subsection 3.1(g).

You understand that, if you transfer this Agreement to a Business Entity, you remain personally liable for all the monetary and non-monetary obligations under this Agreement arising before or after the transfer through the end of the Initial Term and any Renewal Term.

(c) **Transfer to Family Members or among Franchise Owners.** If the transfer is between an original Franchise Owner or an individual who has been a Franchise Owner for at least 5 years and an immediate family member of that Franchise Owner, or if the transfer is among individuals who have each been Franchise Owners for at least 5 years, then the following apply: (i) no transfer fee will be payable to us, although you must reimburse us for our reasonable costs and expenses in an amount not to exceed \$1,500; (ii) we will waive our right of first refusal described in Section 10.5; and (iii) we will not require the signing of our then-current franchise agreement but a joinder to this Agreement.

(d) **No Subfranchising Rights.** You have no right to grant a subfranchise.

(e) **No Encumbrance of Franchise Right and Controlling Interest.** While you may encumber the assets comprising your Franchise Business with our prior written consent and subject to Section 3.6, you may not grant a security interest, collaterally assign or otherwise encumber your interest in this Agreement. You may not pledge or otherwise encumber a controlling voting or equity interest in a Business Entity if you assign this Agreement to a Business Entity. Any attempted encumbrance is void and is an Event of Default on your part.

(f) **"For Sale" Restrictions.** You will not permit to be placed upon the Premises a "Business For Sale" or "For Sale" sign, or any sign of a similar nature or purpose, nor in any manner use the Principal Trademark or other trademarks to advertise the sale of your Franchise Business or the sale or lease of the Premises. These prohibitions apply to any activities under a listing agreement into which you may enter with a real estate or business broker.

(g) **Permitted Transfer or Sale.** We will consent to a transfer of this Agreement or the sale of the assets comprising the Franchised Business, which consent we will not withhold, if you satisfy the following requirements:

(i) You must give us written notice of your intention to transfer this Agreement or sell the assets comprising the Franchised Business. You will also submit other information and documents (including a copy of the proposed purchase or other transfer agreement) we require under our then-current transfer procedures. The notice must indicate whether you or a Franchise Owner proposes to receive by the transferee a purchase money security interest in the property transferred. You may not receive a security interest without our prior written consent and upon conditions acceptable to us. Any agreement used in connection with a transfer or sale is subject to our prior written approval, which approval we will not withhold unreasonably.

(ii) We have not exercised our right of first refusal under Section 10.5.

(iii) You are not in default of any term of this Agreement or any other agreement between you and us or our Affiliates at the time of transfer.

(iv) The transferee satisfactorily completes our application procedures for new Franchisees;

(v) The transferee interviews at our principal office and demonstrates to our reasonable satisfaction that the transferee has the business and personal skills, reputation and financial capacity that we require of new Franchisees;

(vi) The transferee must sign our then-current form of Franchise Agreement and all other agreements attached as exhibits to our then-current FDD. The new Franchise Agreement and other agreements may vary in material aspects from this Agreement, including higher Royalty Fees and Advertising Fees and a smaller Limited Protected Territory. Neither party is obligated to perform their respective pre-opening obligations under the new Franchise Agreement. We will not charge an Initial Franchise Fee.

(vii) You will pay us the Transfer Fee stated in Subsection 3.1(e) to reimburse us for our costs in approving the transfer and in training the transferee. If the transferee is a limited liability company wholly owned by you, your spouse, child or another Franchisee, we will not charge you the Transfer Fee, provided a Manager we previously approved and trained continues to operate the Franchise Business.

(viii) The transferee must assume your obligations under the lease of the Premises or sign a new lease with the property owner.

(ix) You and your shareholders (members), and your directors and officers (managers) must sign a Franchise Termination and Release Agreement, in the form attached as Exhibit O to the FDD, of any claims against us and our subsidiaries and Affiliates, and their respective officers, directors, agents and employees.

(x) At the transferee's expense, the transferee or transferee's Manager (unless the Manager has been previously approved and trained by us) must complete Initial Training then in effect for new Franchisees upon all terms that we reasonably require.

(xi) The parties will sign our form of Franchisor's Consent to Transfer or Sale in the form included in the Operations Manual.

(h) **Disapproval of Transfer.** Our disapproval of the transfer for failure to satisfy the transfer conditions described in this Subsection, or of any other condition to transfer stated in this Agreement, does not cause us any liability to you or the transferee. Our consent to a transfer is not a waiver of any claims we may have against you. Our consent to a transfer is not a waiver of our right to demand the transferee's exact compliance with this Agreement. No transfer we approve relieves you of liability for your conduct before the transfer, including conduct in breach of this Agreement. You are relieved of all liability for your transferee's conduct after a permitted transfer except you remain obligated to comply with those provisions that expressly survive an expiration or termination of this Agreement including the obligations of indemnification, confidentiality and non-competition.

(i) **Transfer Without Our Consent.** Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement is void. We will consider that your interest in this Agreement has been voluntarily abandoned giving us the right to elect either to deem you in non-curable default and terminate this Agreement or to collect from you and the Guarantors a Transfer Fee equal to 2 times the Transfer Fee provided for in Subsection 3.1(f).

SECTION 10.3 TRANSFER UPON DIVORCE OR BUSINESS ENTITY DISSOLUTION

If this Agreement is in the name of 2 persons who are husband and wife or 2 or more persons who are owners of a Business Entity, this Section describes the policies to be applied upon a divorce or dissolution of the Business Entity. During the period when a divorce or dissolution action is pending, you must give us written notice and adopt one of the following methods of operation:

(a) **Relinquishment of Interest.** If a party relinquishes his or her right and interest in the Franchise Business and the other spouse or owner will continue to operate the Franchise Business, he or she must assign the interest to the other spouse or owner if the other spouse or owner has successfully completed Initial Training. This does not relieve that person relinquishing his or her interest of his or her personal obligations under this Agreement including the personal obligations of indemnification, confidentiality and noncompetition.

(b) **Joint Cooperation.** If the parties to a divorce or dissolution action agree that, despite their difficulties, they can continue to operate the Franchise Business jointly on a "business-as-usual" basis during the proceeding, they may do so.

(c) **Third Party Manager.** If the parties in a divorce action or dissolution do not agree to operate under alternates (a) or (b), they must arrange to have a third party act as Manager and operate the Franchise Business until the divorce or dissolution is completed. We must approve the Manager and the Manager must have satisfactorily completed Initial Training.

(d) **Final Order or Judgment.** After a final order or judgment, the divorcing parties may continue to operate the Franchise Business. In this case, however, each person must enter a formal agreement defining their respective rights and obligations, file a signed copy with us, assign this Agreement to the new Business Entity, appoint a Designated Representative and comply with all other requirements for operating the Franchise Business as a Business Entity. Neither party is released from their obligations under this Agreement.

SECTION 10.4 TRANSFER UPON DISABILITY OR DEATH

(a) **Disability.** If any Franchise Owner/Designated Representative or Manager becomes disabled from any cause and is unable to perform his or her obligations under this Agreement, you will immediately provide and maintain a replacement Manager satisfactory to us to perform your obligations. If you fail or are unable to provide and maintain a replacement Manager, we may hire and maintain the replacement Manager in accordance with Section 2.16. Upon a determination of permanent disability or the disability lasts for more than 3 months, your interests in the Franchisee (if a Business Entity) or in this Agreement must be sold within 12 months (or a shorter period if required by state law) to an approved transferee in accordance with the terms of this ARTICLE.

(b) **Death.** If the Franchise Owner/Designated Representative/Manager dies, his or her legal representative will, as soon as reasonably possible, provide and maintain a replacement Manager satisfactory to us to perform the obligations. If the legal representative fails to provide and maintain a replacement Manager, we may hire and maintain the replacement Manager in accordance with Section 2.16. Your interests in the Franchisee (if a Business Entity) or in this Agreement must be sold within 12 months (or a shorter period if required by state law) of the death to an approved transferee in accordance with the terms of this ARTICLE.

SECTION 10.5 OUR RIGHT OF FIRST REFUSAL

(a) **Notice of Offer.** If you are a Business Entity and the Franchise Owners receive an offer from a third party to purchase 100% of the equity interests of the Business Entity ("Equity Interest Offer") or if you are not a Business Entity and you receive an offer from a third party to purchase, outside the ordinary course of business, a material part or all of the Business Assets of the Franchise Business ("Asset Offer"), then you must ensure that the person receiving the Interest Offer, or upon your receiving the Asset Offer (and in either case the person receiving the third party's offer is referred to as the "Offeror") understands that, if the Offeror desires to accept the Equity Interest Offer or the Asset Offer, the Offeror first offer to sell to us the Interest or the Assets for the consideration and on the terms stated in the third party's written offer (the "Offer"). The Offeror must give us written notice that includes the name and address of the Offeree, the price and terms of the Offer, a copy of the signed purchase agreement and a franchise application completed by the Offeree, and any other information that we request in order to evaluate the Offer. We have the right of first refusal to purchase the Interest or the Assets by accepting the Offer within 30 days after our receipt of the Offer and all required information.

(b) **Acceptance of Offer.** If we give notice of acceptance of the Offer, then the Offeror will sell and we will purchase the Interest or the Assets in accordance with the terms of the purchase agreement made by the Offeree. However, if Offeror was obligated to pay a broker's commission on the sale to the Offeree, which brokerage commission is not due if we exercise our right of first refusal, the purchase price will be reduced by the amount of the brokerage commission that would have been paid

by Offeror. If the Offeror is extending purchase money financing, our creditworthiness is deemed at least equal to the creditworthiness of the Offeree.

(c) **Unique Consideration.** If the purchase agreement provides for the Offeree's full or partial payment to include consideration that is of a nature that we cannot reasonably duplicate (the "Unique Consideration"), we may substitute cash or stock (if we are a public company with registered shares) in lieu of the Unique Consideration. The parties will agree on the value of the Unique Consideration within 30 days after we received the purchase agreement and other information. If the parties cannot agree on the fair market value of the Unique Consideration, an independent appraiser the parties select will determine its fair market value. If the parties are unable to agree on an independent appraiser within 10 days, the parties will each select an independent appraiser, and the appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value of the Unique Consideration. If either party fails to select an appraiser and give notice to the other of the identity of the appraiser within the 10-day period, the appraiser selected by the other party will be the appraiser. The parties will pay the cost of the appraisal equally.

(d) **Other Assets.** If the proposed sale includes assets that are not part of the operation of the Franchise Business, we may elect to purchase only the assets that comprise the Franchise Business. The parties will determine an equitable purchase price. If the parties cannot agree and allocate the purchase price to each asset included in the sale the value will be determined by the appraisal process described in Subsection 10.5(c).

(e) **Representations and Warranties.** We will purchase the Interest or Assets subject to all customary representations and warranties given by a seller of stock or assets. These representations and warranties include warranties as to ownership, condition and title to the Interest and/or Assets, absence of liens and encumbrances on the Interest and/or Assets, validity of contracts and the extent and natures of any liabilities of the Business Entity relating to the Interest purchased.

(f) **Closing.** Unless otherwise agreed to by the Offeror and us, the closing of the purchase of the Interest or the Assets will take place at our principal office no later than 60 days after you delivered the purchase agreement and other documents to us. The closing of any purchase where Unique Consideration is determined in accordance with Subsection 10.5(c) will occur within 15 days after the value of the Unique Consideration is determined. At any closing, the Offeror must deliver to us an assignment and other documents we request representing a transfer of ownership of the Interest or the Assets free of all liens, claims, pledges, options, restrictions, charges and encumbrances, in proper form for transfer and with evidence of payment by the Offeror of all applicable transfer taxes. We will simultaneously make payment of any cash consideration for the Interest or Assets by a cashier's check drawn on a financial institution or payment by the issuance of the shares less any amounts you then owe us, if any.

(g) **Waiver of Right.** If we do not accept the Offer, the Offeror is free, within the next 60 days after we have elected not to exercise our option, to sell the Interest or the Assets to the Offeree for the consideration and upon the terms specified in the Offer, subject to full compliance with all the terms of transfer required under this Agreement including those stated in Section 10.2. Before any sale of the Interest to the Offeree, the Offeree must deliver to us a written acknowledgment that the Interest purchased is subject to the terms of this Agreement and that the Offeree agrees to be bound to the terms of this Section on transferring the Interest, in the same manner as the Offeror. If the Offeror does not sell the Interest or the Assets within the 60-day period, then any later transfer by the Offeror of the Interest or the Assets is again subject to the restrictions stated in this Agreement.

(h) **Exceptions to Right.** If a proposed Offeree is a limited liability company wholly owned by the Offeror or to the Offeror's spouse or child, we will not have any right of first refusal. All transferees are subject to all of the restrictions on transfer of ownership imposed on the Offeror under this Agreement.

ARTICLE 11 - DEFAULT AND TERMINATION

SECTION 11.1 TERMINATION BY YOU

If you have substantially complied with this Agreement and we materially breach this Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or, within a longer period if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate this Agreement. You may also terminate this Agreement upon the mutual written agreement with us. Any termination of this Agreement by you other than as stated above is a wrongful termination by you.

SECTION 11.2 TERMINATION BY US - WITHOUT NOTICE

(a) **Automatic Termination.** Subject to applicable law, this Agreement automatically terminates without notice to you or giving you an opportunity to cure on the date that any of the following Events of Default occurs:

(i) You make a general assignment for the benefit of creditors;

(ii) You file a petition in bankruptcy, a petition for involuntary bankruptcy is filed against you, you consent to the petition, or the petition is not dismissed within 45 days;

(iii) You are adjudicated as bankrupt, a bill in equity or other proceeding for the appointment of a receiver or other custodian for your Franchise Business or its assets is filed and you consent to it.

(iv) If a court appoints a receiver or other custodian (permanent or temporary) of your Franchise Business or its assets, or proceedings for a composition with creditors under federal or any state law is filed by or against you;

(v) A final judgment in excess of \$25,000 remains unsatisfied for 30 days or longer (unless you file a *supersedeas* bond);

(vi) Execution is levied against the assets of your Franchise Business, or suit to foreclose any lien or mortgage against the assets of your Franchise Business is filed against you and is not dismissed within 45 days.

(b) **Notice to Us.** You will notify us within 3 days of the occurrence of any of the events described in Subsection 11.2(a).

SECTION 11.3 TERMINATION BY US - AFTER NOTICE

We may terminate all rights granted to you under this Agreement, without affording you any opportunity to cure the default, effective immediately upon notice to you, if any of the following Events of Default occur:

(a) **Cessation**. You cease to do business at the Premises for more than 14 days in any calendar year or for more than 7 consecutive days, or lose the right of possession of the Premises after the expiration of all redemption periods and you have not satisfied the provisions of Section 1.5, if applicable.

(b) **Forfeiture**. You forfeit the right to do or transact business in the jurisdiction where your Franchise Business is located.

(c) **Health or Safety Violation**. You violate any health or safety law, ordinance or regulation, and you do not correct the violation within 3 days after written notice from us or a governmental authority. If you cannot reasonably cure in this time, then you must begin taking all reasonable steps to cure within this time and complete a cure in no more than 30 days after receipt of written notice.

(d) **Conviction**. You or the Manager, or any officer, director, or Franchise Owner, are convicted of a felony, a crime of moral turpitude or any other crime or offense that we reasonably believe is likely to have a material adverse effect on the Business System, the Intellectual Property, the goodwill associated with the Intellectual Property, or our interest in any of the Intellectual Property, unless you immediately but legally terminate that individual's relationship with you.

(e) **Denial of Inspection**. You deny us the right to inspect your Franchise Business or to audit your records.

(f) **Moral Turpitude**. You engage in conduct that we determine is deleterious to or reflects unfavorably on you, the Franchise Business or the Business System in that the conduct exhibits a reckless disregard for the physical or mental well-being of employees, customers, our representatives or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior.

(g) **Unauthorized Encumbrance or Transfer**. You attempt to encumber or transfer any rights or obligations under this Agreement (including transfers of any interest in a Business Entity that owns the Franchise Business) in violation of this Agreement, without our written consent.

(h) **Breach of Personal Covenants**. If any breach occurs under Sections 6.2 or 13.1 concerning confidentiality and non-competition covenants.

(i) **Falsehoods**. You knowingly maintain false records or knowingly submit any false reports to us.

(j) **Infringement**. You misuse, make any unauthorized use of the Intellectual Property or otherwise materially impair the goodwill associated with the Intellectual Property, or our rights in the Intellectual Property.

(k) **Recurring Defaults**. If you receive from us 3 or more Notices of Default for the same or similar defaults during any 12 consecutive-month period, even if all defaults were cured.

(l) **Guarantor's Financial Condition**. There is a material adverse change in the financial condition of a Guarantor.

(m) **Termination of ADA.** If you or your Affiliate are a Developer under a Stretch Zone Area Development Agreement (“ADA”) and the ADA is terminated.

SECTION 11.4 TERMINATION BY US - AFTER NOTICE AND RIGHT TO CURE

(a) **Monetary Defaults.** With respect to monetary defaults, you have 10 days after delivery from us of a written Notice of Default specifying the amount due to pay us the full amount due plus interest, late charges and our attorneys’ fees.

(b) **Non-Monetary Defaults.** With respect to non-monetary defaults, except as otherwise provided in Section 11.2 and 11.3, you have 30 days after delivery from us of a written Notice of Default specifying the nature of the default and what steps you must take to remedy any default. You must timely provide evidence of cure satisfactory to us. If you fail to cure any default within that time (or any longer time required by applicable law), you have committed an Event of Default giving us the right to terminate this Agreement. In addition to the Events of Default specified in Sections 11.2 and 11.3, it is an Event of Default if you fail to comply with any requirement imposed by this Agreement, as it may be revised or supplemented by the Operations Manual. You have the burden of proving that you properly and timely cured any default, to the extent we permit a cure under this Agreement.

(c) **Immediate Termination After 24 Hours to Cure.** If a default under this Agreement occurs that violates any health safety or sanitation law or regulation, violates any system standard as to food handling, cleanliness, health and sanitation, or if the operation of the Franchise Business presents a health or safety hazard to your customers or to the public (for example, improper cooking or food storage procedures): (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) if you fail to cure the default within the 24 hour period, this Agreement will terminate effective immediately on our issuance of written notice of termination.

(d) **Cessation of Services.** During a cure period, we reserve the right to refuse to provide services or products to you without our being in default of this Agreement.

ARTICLE 12 - YOUR OBLIGATIONS UPON TERMINATION DUE TO YOUR DEFAULT OR ON NONRENEWAL

Upon our termination of this Agreement due to your default or upon the expiration and nonrenewal of the Agreement, the Sections of this ARTICLE apply to the parties’ rights and obligations.

SECTION 12.1 CEASE OPERATION OF THE FRANCHISE BUSINESS

You will immediately cease operating the Franchise Business. You will not, directly or indirectly, use any of the Intellectual Property. You will not represent yourself as a present or former Franchisee of us. You must not continue to associate yourself with the Intellectual Property or use the Business System. You will immediately cease using all stationery, signage and other materials containing the Intellectual Property. You will also immediately cease using all telephone numbers for the Franchise Business. You authorize us to take whatever actions are necessary to comply with this Section and in accordance with the Telephone Number and Directory Advertising and Assignment Agreement, the form of which is included as Exhibit I to the FDD. You must cease using our Website. You must cease using any URL and Internet addresses used for your Franchise Business that we do not own and immediately transfer to us the URL and Internet addresses. You must return to us all software, disks, tapes and other

magnetic storage media we provided to you in good condition (reasonable wear and tear excepted). You must delete all software and applications from all memory and storage devices.

SECTION 12.2 PAYMENT OF OUTSTANDING AMOUNTS

We will retain all fees paid under this Agreement except for refunds expressly required in this Agreement. You must pay to us: (a) all unpaid Royalty Fees and Advertising Contributions; (b) all amounts owed for products or services you purchased from us; (c) all payments we paid to Approved Suppliers on your behalf and to the Landlord to cure your default under the Lease; and (d) all other amounts owed to us within 10 days after the effective date of the termination, or any later dates as we determine that amounts are due to us. You must also pay all Affiliates, Designated Suppliers, Approved Suppliers and other creditors the amounts you owe to them.

SECTION 12.3 DISCONTINUANCE OF USE OF TRADE NAME

You must immediately cancel any fictitious, trade or assumed name registration that contains our trademark, trade name or service mark or colorable imitation of our trademark, trade name or service mark. You will furnish us with evidence of compliance with this obligation within 30 days after our termination or the expiration of this Agreement. If you fail to cancel, you appoint us as your attorney-in-fact to do so.

SECTION 12.4 OUR OPTION TO PURCHASE CERTAIN ASSETS USED IN YOUR FRANCHISE BUSINESS

(a) **Option to Purchase.** We have the option to purchase from you all the Assets used in your Franchise Business by giving you written notice within 30 days from the date of termination or termination. We have the unrestricted right to assign this option to purchase. We are entitled to all customary warranties given by a seller of a business, including: (i) ownership, condition and title to the assets; (ii) the absence of liens and encumbrances on the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the Assets is their respective fair market value, determined as of the effective date of purchase, in a manner consistent with reasonable depreciation of your leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and other depreciable assets of your Franchise Business. The purchase price will take into account the termination of the Franchise granted under this Agreement and will not contain any factor or increment for any trademark, service mark or other commercial symbol used in the operation of your Franchise Business.

(b) **Fair Market Value.** The parties will agree on the fair market value within 30 days after your receipt of our notice exercising our option. Absent agreement, within 10 days thereafter, the parties will select an independent appraiser to determine the fair market value. If the parties are unable to agree on the appraiser, the parties will each select an appraiser, and the 2 appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value. If either party fails to select timely an appraiser, the appraiser selected by the other party will select the Third Appraiser. You will give the Third Appraiser full access to your Franchise Business, the Premises and your records during normal business hours to conduct the appraisal. The parties will pay the Third Appraiser's costs equally.

(c) **Closing.** We will pay the purchase price in cash at the closing of the purchase. The closing will take place within 90 days after your receipt of our notice of exercise. At the closing, you will deliver instruments transferring to us good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests assumable and acceptable to

us) with all transfer taxes paid. If you cannot deliver clear title to all of the Assets, or if there are other unresolved issues, the closing of the sale will be in escrow. The parties will comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state where your Franchise Business is located, if any, and the bulk sales provisions of any applicable tax laws and regulations. You will pay all tax liabilities incurred in the operation of your Franchise Business before or at the closing of the purchase. We have the right to set off against and reduce the purchase price by all amounts you owe to us, and the amount of any encumbrances or liens against the assets or any obligations we assume.

(d) **Lease.** If you lease the Premises, we agree to use reasonable efforts to either assume the lease, or effect a termination of the lease and enter into a new lease. If we assume your lease, we will indemnify you from any ongoing liability under the lease that occurs after the date we assume possession of the Premises. If you own the Premises, upon purchase of the Assets, you will enter into a new lease with us. The lease will be on terms comparable for similarly leased commercial properties in the area for a term of at least 10 years and for a rental equal to the fair market rental value of the Premises. The Appraiser (selected in the manner described above) will determine the rental value, if the parties cannot agree on the fair market rental value of the Premises.

SECTION 12.5 DISTINGUISHING OPERATIONS

(a) **Non-Competitive Business.** If we do not exercise our option under Section 12.4 and you desire to remain in possession of the Premises, you may only operate a business that does not violate your covenant not to compete. You must make all modifications to the Premises immediately upon termination of this Agreement as necessary to distinguish the appearance of the Premises from that of other Franchise Businesses.

(b) **De-Identification.** You must immediately remove all identifying architectural superstructure and signage on, about or in the Premises bearing the name or logos of Stretch Zone (or any name or logo similar to Stretch Zone), in the manner we specify. You will hold all property belonging to us for delivery to us, at our expense, upon request. Any signage that you are unable to remove within 1 Business Day of the termination or expiration of this Agreement you must completely cover the signage until the time of their removal. If you fail or refuse to comply with this obligation, we have the right to enter the Premises, without being guilty of trespass or any other tort for the purpose of removing the signage and storing them at another location, at your reasonable expense (for signage not owned by us) payable by you on demand.

(c) **Notice to Customers.** Until you complete all modifications and alterations required by this Section, you must maintain a conspicuous sign at the Premises in a form we specify stating that your business is no longer associated with our Business System. You also must advise all customers or prospective customers calling your new telephone number that your new business is no longer associated with our Business System.

(d) **Our Entry Right.** If you fail or refuse to comply with the requirements of this Section, we have the right to enter upon the Premises to make all changes as may be required at your expense and at your sole risk. We have no responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act. You agree that your failure to make these alterations will cause us irreparable injury.

SECTION 12.6 UNFAIR COMPETITION

You agree, if you continue to operate or later begin to operate any other business, you will not engage in any unfair competition as that term has been interpreted under 15 U.S.C. § 1125(a), commonly known as Section 43(a) of the Lanham Act or under Florida law including trademark infringement, passing off, false advertising, misappropriation and unfair competition. This Section does not relieve, directly or indirectly, your obligations under ARTICLE 13.

SECTION 12.7 RETURN OF MATERIALS

You will immediately deliver to us all Confidential Information including the Operations Manual in your possession or control, and all copies and any other forms of reproductions of these materials. You agree that all these materials are our exclusive property.

SECTION 12.8 LIQUIDATED DAMAGES FOR PREMATURE TERMINATION

If we terminate this Agreement due to your default or you terminate this Agreement without cause, in addition to all amounts you owe us at the time of termination, you will also pay us a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fees for: (i) the 36 calendar months of operation of your Franchise Business preceding the termination; (ii) the period of time your Franchise Business has been in operation preceding the termination, if fewer than 36 calendar months, projected on a 36-calendar-month basis; or (iii) any shorter period that equals the unexpired period of the Initial Term. The parties agree that a precise calculation of the full extent of the damages that we will incur on termination of this Agreement as a result of your default is difficult to calculate and the parties desire certainty in this matter. The parties agree that the lump sum payment is reasonable in light of the damages for premature termination that we will incur in this event. You are also liable for pre-judgment and post-judgment interest and our attorneys' fees and costs. Other than a claim for monetary damages or lost profits, this payment is not exclusive of any other remedies that we have including a right to injunctive relief. This payment does not relieve you from your obligations that survive the termination or expiration of this Agreement including the obligations of indemnification, confidentiality and non-competition.

ARTICLE 13 - YOUR INDEPENDENT COVENANTS

SECTION 13.1 DIVERSION OF BUSINESS; COMPETITION AND INTERFERENCE WITH US.

(a) **Covenant Not to Compete.** You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the Franchisees if we permit Franchisees to hold interests in any Competitive Business.

(i) **In-Term.** You covenant that during the Initial Term, except as we otherwise approve in writing, you will not directly or indirectly:

A. Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

B. Be involved with a Competitive Business as owner, officer, director, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this

restriction will not apply to a 5% or less beneficial interest in a publicly-held limited liability company); or

C. Interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any of our Franchisees.

(ii) **Post-Term.** You also covenant that, for 24 months after the termination of this Agreement due to your default, for 24 months after the expiration and non-renewal of this Agreement, or for 24 months after you transfer your Franchise Business, except as we otherwise approve in writing, you and your officers, agents, servants, employees, and all others in active concert or participation with you, will not, directly or indirectly:

A. Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

B Be involved with a Competitive Business as owner, officer, director, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this restriction will not apply to a 5% or less beneficial interest in a publicly-held limited liability company) having a location within 50 miles of the Premises or within 10 miles of any Franchised Unit or Company-Owned Unit then in operation or under contract; or

C. Interfere with, disturb, disrupt, harm or attempt to diminish any relationships, agreements or understandings, written or oral, decrease or otherwise jeopardize our business or the business of any of our Franchisees or any other Stretch Zone locations, customers, shareholders, suppliers, suppliers, lenders or creditors including ceasing doing business with, or diminish his, her or its relationship with us or our Franchisees.

(c) **Liquidated Damages.** In addition to our right to seek injunctive relief, if you compete with us directly or indirectly including conspiring with a family member or third party in violation this Subsection, we have the right to require that you report to us all sales made by the Competitive Business. You will also pay to us, on demand, a weekly fee of \$1,000 without the fee deemed to have revived or modified this Agreement. These payments are liquidated damages to compensate us for our damages from your violation of the covenant not to compete and are not a penalty.

(d) **Section 542.335 of the Florida Statutes.** You, your Franchise Owners and your guarantors agree that we have a legitimate business interest justifying the enforcement of this restrictive covenant, consistent with Section 542.335 of the Florida Statutes, which legitimate business interest includes:

(i) Substantial relationships with employees and valuable confidential business or professional information that does not otherwise qualify as trade secrets;

(ii) Substantial relationships with specific prospective or existing customers and suppliers;

(iii) Customer and Customer goodwill associated with:

1. An ongoing business providing stretching services;

2. A specific geographic location.
3. A specific marketing and trade area;
4. A specific marketing Clientele;
5. A list of subcontractors;
6. A list of 1099 Recipients; and
7. A list of customers.

(e) **Reasonableness of Covenant.** You agree that the length of the term and geographical restrictions contained in this Section are fair and reasonable and are not the result of overreaching, duress or coercion of any kind. You agree that your full, uninhibited and faithful observance of each of the covenants in this Section will not cause you any undue hardship, financial or otherwise. The enforcement of each of the covenants in this Section will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you or otherwise to obtain income required for the comfortable support of yourself and your family, and the satisfaction of your creditors. You agree that your special knowledge of the business operated by a Franchise Businesses (and anyone acquiring this knowledge through you) would cause us and our Franchisees serious injury and loss if you (or anyone acquiring this knowledge through you) were to use this knowledge to the benefit of a competitor or were to compete with us or any of our Franchisees.

(f) **Tolling.** You agree that the 24-month period will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement.

(g) **Court Modification.** If any court rules that the time, territory, scope or any other provision in this Section is an unreasonable restriction upon you, you agree that these provisions are not rendered void, but apply as to time, territory, scope or to any other extent that the court determines or indicates are reasonable restrictions under the circumstances involved.

SECTION 13.2 INDEPENDENT COVENANTS; THIRD PARTY BENEFICIARIES

(a) **Independent Covenants.** The parties agree that the covenants in this ARTICLE are independent of any other provision of this Agreement. You agree that the existence of any claim you may have against any affiliate or us under this Agreement or otherwise, is not a defense to our enforcement of these covenants.

(b) **Third Party Beneficiaries.** The parties agree that all other Franchisees are third party beneficiaries of the terms of Section 13.1. Another Franchisee has the right to enforce these covenants at its expense without our joinder or participation, if we are unwilling or unable to enforce these covenants, but without any liability to the Franchisee on our part.

ARTICLE 14 - INDEPENDENT CONTRACTOR AND INDEMNIFICATION

SECTION 14.1 INDEPENDENT STATUS

You are an independent contractor. Nothing in this Agreement is intended to designate either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, affiliate or servant of the other party for any purpose, unless expressly provided in this Agreement to the contrary. The parties agree that nothing in this Agreement authorizes either party to make any agreement, warranty or representation on behalf of the other party, nor to incur any debt or other obligation in the other party's name. You will take all affirmative action we request to indicate that you are an independent contractor, including placing and maintaining a plaque in a conspicuous place within

the Premises and a notice on all stationery, business cards, sales literature, contracts and similar documents that states that your Franchise Business is independently owned and operated by you. The content of any plaque and notice is subject to our written approval.

SECTION 14.2 INDEMNIFICATION

(a) **Our Indemnification.** You are responsible for all losses or damages from contractual liabilities to third persons from the possession, ownership and operation of your Franchise Business and for all claims for damages to property or for injury, illness or death of persons directly or indirectly resulting from your or your employees' and agents' action or inaction. You indemnify us and hold us harmless from all costs, losses and damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings) from claims brought by third parties involving your ownership and/or operation of your Franchise Business, unless caused by our negligence or intentional misconduct. This indemnity obligation continues in full effect after the expiration, transfer or termination of this Agreement. We will notify you of any claims. You have the opportunity to assume the defense of the matter. If you fail to assume the defense, we may defend the action in any manner we deem appropriate. You will pay to us all costs, including attorneys' fees that we incur in effecting the defense, in addition to any sum that we may pay by any settlement or judgment against us. Our right to indemnity under this Agreement arises and is valid regardless of any joint or concurrent liability imposed on us by statute, ordinance, regulation or other law.

(b) **Your Indemnification.** We fully protect, indemnify and defend you and hold you harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our Company-Owned Units (regardless of cause or any concurrent or contributing fault or negligence by you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

ARTICLE 15 - REPRESENTATIONS AND WARRANTIES

SECTION 15.1 OUR REPRESENTATIONS

We make the following representations and warranties to you that are true and correct upon the signing of this Agreement:

(a) **Organization.** We are a limited liability company duly organized, validly existing and in good standing under the laws of the State of Florida.

(b) **Authorization.** We have the corporate power to sign, deliver, and carry out the terms of this Agreement. We have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by us and is our valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation.** Our performance of our obligations under this Agreement will not result in: (i) the breach of any term of any contract or agreement to which we are a party to or that we are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by us of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

SECTION 15.2 YOUR REPRESENTATIONS

You make the following representations and warranties to us that are true and correct upon signing this Agreement and throughout the Initial Term:

(a) **Organization.** You are a limited liability company duly organized, validly existing and in good standing under the laws of the State of _____.

(b) **Authorization.** You have the power to sign, deliver, and carry out this Agreement. You have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by you and is your valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation.** The performance by you of your obligations under this Agreement will not result in: (i) the breach of any term of, or be a default under, any term of any contract, agreement or other commitment to which you are a party to or you are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by you of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

(d) **No Speculative Intent.** You are not obtaining the Franchise Business for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer any part of this Agreement or the assets comprising the Franchise Business.

(e) **True Copies.** Copies of all documents you furnished to us are correct copies of the documents, including all amendments or modifications, and contain no misleading or incorrect statements or material omissions.

ARTICLE 16 - TERM

SECTION 16.1 INITIAL TERM

The Initial Term of this Agreement is 10 years from the Agreement Date, unless sooner terminated under ARTICLE 11. The conditions to obtain a Renewal Franchise Agreement at the expiration of this Agreement are those stated in Section 16.2.

SECTION 16.2 OPTION TO OBTAIN RENEWAL FRANCHISE AGREEMENT

(a) **Evergreen Renewal.** We grant you unlimited options to obtain a Renewal Franchise Agreement for a term of 10 years each. You must satisfy all of the following conditions before the expiration of this Agreement, unless we specified another time below.

(i) You must give us written notice of your intention to exercise the option at least 6 months before but not more than 12 months before the end of the Initial Term.

(ii) You cannot be in default of any provision of this Agreement or any other agreement between you and us or our Affiliates at the time of renewal.

(iii) Within 30 days before the end of the Initial Term, you must sign and deliver to us a Renewal Franchise Agreement. The Renewal Franchise Agreement may have material business terms that are different from the terms of this Agreement. We are not obligated to

provide any initial or other pre-opening obligations and you are not obligated to perform any pre-opening duties contained in the Renewal Franchise Agreement that apply only to new franchisees. You must also sign all other agreements ancillary to the Renewal Franchise Agreement.

(iv) You will not pay another Initial Franchise Fee but you will pay to us the Renewal Fee described in Subsection 3.1(f);

(v) You and your shareholders (members), and your directors and officers (managers) must sign a Franchise Termination and Release Agreement, in the form attached as Exhibit O to the FDD, releasing any claims you may have against us and/or our subsidiaries and affiliates, and their respective officers, directors, agents and employees.

(vi) You must be entitled to continue to occupy the Premises for the entire Renewal Term including renewal rights or obtain our approval of a new location for the Franchise Business within the Limited Protected Territory, but not within the Limited Protected Territory of a Company-Owned Unit or Franchised Unit, in accordance with our relocation procedures stated in Section 1.5.

(vii) You must renovate and modernize the Premises if they do not conform to our then-current Trade Dress requirements.

(b) **Our Right Not to Renew.** If you have not met all of the conditions stated in Subsection 16.2(a), or if you have received 4 or more notices of default during the Initial Term, even if you cured the defaults, we may elect not to enter into a Renewal Franchise Agreement. Within 5 days after you receive our written notice that we have elected not to enter into a Renewal Franchise Agreement, you may request our permission for you to sell your Franchise Business. You will then have 180 days to sell the Franchise Business, subject to our right of first refusal. This notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have other grounds to terminate the Initial Term). This transfer must comply with the provisions of Subsection 10.2(g) and all the other applicable terms of this Agreement. During this period, you must continue to operate your Franchise Business in accordance with the terms of this Agreement.

SECTION 16.3 REINSTATEMENTS AND EXTENSIONS

If any termination or expiration of the Initial Term would violate any applicable law, we may reinstate or extend the Initial Term to comply with the law for the duration provided by us in a written notice to you, without waiving any of our rights under this Agreement or otherwise modifying this Agreement.

ARTICLE 17 - DISPUTE RESOLUTION

This is a long-term business relationship. If a dispute arises at any time between the parties relating to this Agreement, the parties will follow the dispute resolution procedures set forth in this ARTICLE.

SECTION 17.1 INFORMAL DISPUTE RESOLUTION

Except for the matters involving the remedies in Section 17.4, the parties will attempt in good faith to meet in person to discuss and resolve the dispute. The party requesting the meeting will send a

written notice to the other party detailing what the party believes to be the nature of the dispute including the facts and the provisions in this Agreement on which the dispute is based-and how the dispute may be satisfactorily resolved. The meeting will take place at our headquarters (currently Fort Lauderdale, Florida). At the meeting, each party will be represented by a person authorized to conclusively resolve the dispute on that party's behalf and to bind that party to any agreed-upon resolution. Discussions and exchanges of information and materials, if any, are confidential and must be treated as part of compromise and settlement negotiations for purposes of applicable rules of evidence. If the parties resolve the dispute at the meeting, they will immediately formalize that resolution by an agreement that they both sign at the time. This step must occur before either party can file a request for mediation. Any party that fails to attend or participate in the meeting, within 30 days of written request, may not begin any mediation under Section 17.2 to resolve the dispute. If the parties cannot informally resolve the dispute, the party seeking formal resolution of the dispute must, before it may commence or initiate a legal or administrative proceeding relating to the dispute, submit the dispute to nonbinding mediation as described in Section 17.2.

SECTION 17.2 MEDIATION

Except for the matters involving the remedies in Section 17.4, if the parties have failed to informally resolve the dispute under Section 17.1, the dispute initiating party must submit the dispute to non-binding mediation with the other party before a mediator that is a member of the FORUM Arbitration, Mediation International (“FORUM”) or another mutually agreeable mediator within 30 days after informal dispute resolution has concluded. Mediation must take place before the dispute initiating party can file any demand for arbitration or complaint. Both parties will sign a confidentiality agreement reasonably satisfactory to both parties. The parties will conduct the mediation in Broward County, Florida. Each party will bear his, her or its own costs for the mediation and each party will pay 50% of Forum’s fees and the mediator’s fee. If a dispute initiating party refuses to mediate the dispute, the dispute initiating party cannot file any demand for arbitration or complaint involving the matter in dispute. If the other party refuses to mediate, the other party has waived mediation and the dispute initiating party may immediately file a demand for arbitration or a complaint.

SECTION 17.3 ARBITRATION

(a) **FORUM** . Except as specifically modified by this ARTICLE and matters involving the remedies in Section 17.4, any controversy or claim under this Agreement, including any claim that this Agreement, or any part of this Agreement, is invalid, illegal or otherwise voidable or void, including any claim of fraud in the inducement, the dispute must be submitted by the dispute initiating party to arbitration before FORUM or any other mutually agreeable arbitration association to be resolved by a single arbitrator.

(b) **Enforceability.** The provisions of this Section are independent of any other covenant or provision of this Agreement. If a court of competent jurisdiction determines that any provision is unlawful in any way, that court will modify or interpret the provisions to the minimum extent necessary to have the provisions comply with the law. All issues of the arbitrability and the enforcement of this agreement to arbitrate are governed by the Federal Arbitration Act, the federal common law of arbitration and the laws of the State of Florida including the Revised Florida Arbitration Code and Florida’s statutes of limitation.

(c) **Venue.** The parties agree that any state laws attempting to prohibit arbitration or void out-of-state forums for arbitration are preempted by the Federal Arbitration Act and the arbitration will be conducted as provided in Section 17.5.

(d) **Injunctive Relief.** Either party may file for injunctive relief through FORUM in accordance with its rules to protect the effectiveness of the arbitration proceeding and promote the fair and expeditious resolution of the controversy.

(e) **No Group or Class Action Arbitration.** Only your individual claims may be raised in arbitration. There will be no group or class action arbitration.

(f) **Joinder.** All parties who may be legally responsible agree to participate in the arbitration and the parties must join all potential legal claims in the arbitration forum.

(g) **Rules.** The rules governing the conduct of the arbitration proceedings are consistent with generally prevailing standards of due process.

(h) **Panel.** The panel from which the parties choose the arbitrator must be comprised of persons knowledgeable in the franchise industry and who have demonstrated a capability for unbiased decision.

(i) **Limited Discovery.** The arbitrator will permit limited discovery consistent with due process and the arbitrating organization's discovery rules and the discovery plan approved by the arbitrator.

(j) **Preliminary Hearing.** For claims in excess of \$75,000, before the actual hearing on the merits, either party may elect to have the arbitrator conduct a preliminary hearing. At this hearing, each party may present testimony and other evidence. Either party may submit briefs including a brief stating their legal theories and the applicable statutory or common law, and the methods of measuring damages relating to the controversy or claim.

(k) **Hearing.** The actual hearing on the merits must occur within 6 months of the date of the filing of the arbitration proceeding.

(l) **Opinion; Final Award.** The arbitrator must issue a reasoned written award on the merits within 30 days of the completion of the hearings on the merits.

(m) **Final Judgment.** The court is vested with jurisdiction over the arbitration award immediately upon the entry of the award. After 30 days from the issuance of the arbitration award, if there is no appeal, either party may request that the court issue a final judgment based on an arbitration award in any court having competent jurisdiction. The judgment is binding, final and non-appealable.

(n) **Appeal.** If any party to arbitration wishes to appeal any final award (there will be no appeal of interim awards or other interim relief), the party may appeal, within 30 days of the final award, to a 3-arbitrator panel appointed by the same organization that conducted the arbitration. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration hearing and will not include any trial *de novo* or other fact-finding function. The party requesting the appeal must pay all expenses charged by the arbitration appeal panel and/or arbitration organization in the appeal and must post any bond deemed appropriate by the arbitration organization or arbitration appeal panel. In addition, a party requesting appeal that does not prevail on the appeal will pay the attorneys' fees and other costs that the other party incurred in responding to the appeal.

(o) **Failure to Pay Costs.** If a party fails to pay its, his or her share of the costs of arbitration, the arbitrator may enter an award against that non-paying party as to liability but not as to damages. The arbitrator will conduct a special hearing for the paying party on the issue of damages. The other party may attend the hearing.

(p) **Failure to Appear.** If either party fails to appear at any properly noticed arbitration proceeding, an award on liability may be entered against that party by default or otherwise. The arbitrator will conduct a special hearing for the appearing party on the issue of damages. The other party may attend the hearing.

(q) **Self-Execution.** This arbitration provision is self-executing and remains in full effect after the expiration, transfer or termination of this Agreement.

SECTION 17.4 EXCEPTIONS TO MEDIATION AND ARBITRATION; EQUITABLE RELIEF

(a) **Exceptions.** The obligations set forth in Sections 17.1 to 17.3 are not binding on either party for: (i) claims involving the Intellectual Property; (ii) claims involving any lease of real property between the parties or their related entities; (iii) your obligations upon the termination, transfer or expiration of this Agreement; (iv) any encumbrances or transfers restricted under this Agreement concerning interests in the Franchisee, the Franchise Business and this Agreement; (v) matters involving actions that may impair the goodwill associated with the Intellectual Property; (vi) matters involving claims of danger, health or safety involving the Franchise, the employees, customers or the public; or (vii) requests for restraining orders, injunctions or other procedures in a court of competent jurisdiction to obtain specific performance when deemed necessary by any court to preserve the *status quo* or prevent irreparable injury pending resolution by mediation or arbitration of the actual dispute between the parties.

(b) **Injunction.** You recognize that your Franchise Business is just one of a large number of businesses identified by the Intellectual Property in selling to the public the products and services associated with the Intellectual Property. The failure on the part of a Franchisee to comply with the terms of the Franchise Agreement is likely to cause irreparable damage to us and damages at law would be an inadequate remedy. Upon your breach or threatened breach of any of the terms of this Agreement concerning any matters referenced in Subsection 17.4(a), we are entitled to seek an injunction restraining the breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and costs incurred in obtaining equitable relief. This equitable remedy is in addition to all remedies that we have by virtue of your breach of this Agreement. We are entitled to seek this relief without the posting of any bond or security or, if a bond is required by the temporary arbitrator appointed by Forum or a court of competent jurisdiction, the parties agree that the sum of \$1,000 is a sufficient bond.

SECTION 17.5 VENUE AND JURISDICTION

(a) **Venue.** The parties irrevocably and unconditionally: (i) agree that any informal dispute meetings, mediation, arbitration or suit, action or legal proceeding involving your Franchise Business or this Agreement will be conducted in the county where our principal place of business is then located or may be brought in the District Court of the United States, in the district where our principal place of business is then located or, if this court lacks jurisdiction, the courts of record of the state and county where our principal place of business is then located; (ii) consent to the jurisdiction of each court in any suit, action or proceeding; (iii) waive any objection that he, she or it may have to the laying of venue of any suit, action or proceeding in any of these courts; and (iv) agree that service of any court paper may

be effected on the party by mail at the last known address, as provided in this Agreement, or in any other manner as may be provided under applicable laws or court rules in the state where our principal place of business is then located. Our principal place of business is currently, Broward County, Florida.

(b) **Jurisdiction.** The parties specifically agree that this Agreement requires systematic and continuous contact with the State of Florida or where our principal place of business is located. These contacts include the payment of fees in State of Florida, the supplying of financial and other information into the State of Florida, training and orientation and the performance of other obligations under this Agreement in the State of Florida. This exclusive choice of jurisdiction does not preclude the bringing of any action by the parties for the enforcement in any other appropriate jurisdiction of any judgment obtained in the State of Florida.

SECTION 17.6 ENFORCEMENT COSTS

(a) **Informal Dispute Resolution and Mediation Costs.** Each party will bear its, his or her own costs in engaging in informal dispute resolution. Each party will bear its, his or her own costs in any mediation except the filing fee and the fees to the mediator will be shared equally by the parties.

(b) **Arbitration Costs.** Each party will initially pay one-half of the costs of the filing fee and the fees for the arbitrator subject to reimbursement by the non-prevailing party to the prevailing party as determined by the arbitrator. If either party fails to pay its, his or her share of any arbitration fee or deposit, the other party who has paid its, his or her share may move for the arbitrator to issue an award on liability but the arbitrator will conduct a separate hearing to determine damages or other relief.

(c) **Prevailing Party.** If any arbitration or legal action is permitted and instituted under Sections 17.3 or 17.4, the Prevailing Party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs (including all fees and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in the action or proceeding, in addition to any other relief that the party is entitled. Attorneys' fees include paralegal fees, administrative costs, investigative costs, costs of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorneys to the Prevailing Party.

SECTION 17.7 GOVERNING LAW

All disputes between the parties are governed by the Federal Arbitration Act, the federal common law of arbitration and the laws of the State of Florida including the Revised Florida Arbitration Code and Florida's statutes of limitation.

SECTION 17.8 WAIVER OF PUNITIVE DAMAGES CLAIMS

THE PARTIES WAIVE ALL RIGHT TO ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT UPON A DISPUTE BETWEEN THEM, EACH IS LIMITED TO THE RECOVERY OF ACTUAL DAMAGES HE, SHE OR IT SUSTAINS.

SECTION 17.9 WAIVER OF JURY TRIAL

THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY OF ALL CLAIMS MADE BETWEEN THEM WHETHER EXISTING NOW OR IN THE FUTURE, INCLUDING ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSS CLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS INVOLVING THE SALE, NEGOTIATION, SIGNING OR PERFORMANCE OF THE TRANSACTIONS INVOLVING THIS AGREEMENT.

ARTICLE 18 - DEFINITIONS

SECTION 18.1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"ADA" means a Stretch Zone Area Development Agreement signed by you or your Affiliate.

"Advertising Contributions" mean the payments described in Subsection 3.1(e).

"Advertising Rebates" mean the funds we received from purchases from the Media Fund.

"Affiliate" means Stretch Zone Holdings, LLC, a Florida limited liability company, and any other Business Entity controlled by, controlling, or under common control with, us regardless of whether an Affiliate sells products or services to you or sells franchises in any line of business. The term "Affiliate" also means any Affiliate of the Franchisee.

"Agreement" means this Stretch Zone Franchise Agreement, as it may be amended, supplemented or otherwise modified by the parties under Section 19.1.

"Agreement Date" means the date set forth on page 1 of this Agreement.

"Agreement Year" means the annual periods beginning on the Agreement Date.

"Approved Supplier" means a supplier of a particular product or service, possibly among several other suppliers, that we have approved.

"Assets" mean all equipment, vehicles, furnishings, fixtures, signs, inventory (non-perishable products, materials and supplies), leasehold improvements and the lease for the Premises.

"Business Associate" means any of our employees, officers, directors, agents, consultants, representatives, contractors, suppliers, distributors, franchisees or other business contacts.

"Business Day" means the period from 9:00 a.m. to 7:00 p.m. Monday through Friday except for national holidays.

"Business Entity" means a limited liability company, limited liability company, general partnership, limited partnership or other business entity authorized or qualified by state law of the state in which it will own and operate the Franchise Business as the Franchisee.

"Business Office" means the office at commercial complex.

"Business System" means our business system including: patented devices assisting in the stretching routines; distinctive sales and operating methods; sources of supply; uniform standards; procedures for the management of the business; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the business; an Operations Manual; and bookkeeping and accounting methods and procedures for operating a Franchise Business.

"Certified Stretch Zone Practitioner" means a person that has successfully completed our training program and has been certified by us as a stretching practitioner.

"Company-Owned Unit" means a Stretch Zone business operated under the Business System and owned by us or any Affiliate or Predecessor.

"Competitive Business" means a business engaged, wholly or partially, directly or indirectly, in the provision of stretching services to individuals or any other business in which we and our other franchisees are then engaged.

"Computer and POS Systems" mean the computerized cash registers, printer and modem or other computer hardware you are must purchase in accordance with our specifications contained in the Operations Manual.

"Confidential Information" means the Operations Manual and other copyrighted materials made available to you contain confidential and proprietary information and are our trade secrets. We possesses and will develop and acquire confidential and proprietary information, and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge we, our Affiliates, or our Franchisees develop all information, knowledge, know-how and technologies that we designate as confidential, proprietary or trade secrets including information developed during the Initial Term or Renewal Term that derives independent economic value from being not generally known or readily ascertainable by other persons who could obtain economic value from its disclosure or use, yet, excluding information that is in the public domain.

"Copyrights" mean the Operations Manual, any marketing and advertising materials, forms, lists, schedules and other documents and materials in whatever form that we or our Affiliate assert common law copyright rights regardless of whether the copyrighted work has been registered with United States Registrar of Copyrights.

"Designated Representative" means _____, the person you designate to act on your behalf as described in Subsection 4.6(b).

"Designated Supplier" means a supplier from whom you must purchase certain products or services for your Franchise Business.

"Designee" means our representative who is an independent contractor appointed by us to perform certain of our duties under this Agreement as described in ARTICLE 2.

"Design Specifications" mean the specifications described in Section 2.3.

"DMA" means a Designated Marketing Area, which is a geographic area defined by Nielsen Media Research Company as a group of counties that make up a particular television market. These counties comprise the major viewing audience for the television stations located in their particular metropolitan area. For the most part, the metropolitan areas correspond to the standard metropolitan

statistical areas defined by the Federal Government Office of Management and Budget. The areas do not overlap, and every county in the United States belongs to only one DMA.

"Enforcement Costs" mean the costs described in Section 17.6.

"Event of Default" means a breach of this Agreement including those situations described in Sections 1.5(a), 1.5(b), 1.5(c), 3.6, 4.22, 4.23, 6.4, 10.1, 10.2(a), 10.2(d), 11.2, 11.3 and 11.4, assuming any requirement for the giving of notice, the lapse of time, or both, or any other condition is satisfied.

"Franchise" means the rights granted to you under this Agreement.

"Franchise Business" means the business providing stretching services we authorize you to establish and operate under the Business System and under the terms of this Agreement.

"Franchise Disclosure Document" or **"FDD"** means our current Franchise Disclosure Document and its Exhibits.

"Franchisee" means the individuals or Business Entity upon signing this Agreement or another person who is a party with us under another Franchise Agreement.

"Franchise Owner" means any individual that owns an equity interests in the Business Entity signing this Agreement as Franchisee.

"Franchised Unit" means a Franchise Business owned and operated under the Business System by a Franchisee.

"Generally Accepted Accounting Principles" mean those standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. The generally accepted accounting principles are derived, in order of importance, from: (i) issuances from an authoritative body designated by the American Institute of Certified Public Accountants ("AICPA") Council; (ii) other AICPA issuances including AICPA Industry Guides; (iii) industry practice; and (iv) accounting literature in the form of books and articles.

"Gross Revenues" mean the entire amount of all of your revenues from the ownership or operation of your Franchise Business including the proceeds of any business interruption insurance, whether the revenues are evidenced by cash, credit, checks, or gift certificates (unless exempted by us) and the fair market value of any services, property or other means of exchange, excepting only the amount of any sales taxes that are collected and paid to the taxing authority (based on the cash method of accounting). We allow the deduction of cash refunded and credit given to customers and receivables uncollectible from customers in computing Gross Revenues to the extent that the cash, credit or receivables represent amounts previously included in Gross Revenues where Royalty Fees and Advertising Contributions were paid. We deem that you have received Gross Revenues at the time the goods, products, merchandise or services from which Gross Revenues are derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first.

"Guarantor" means the person, persons or business entity that signs a Guaranty of Franchisee's Obligations as the Guarantor with us for the purpose of guaranteeing to us and our Affiliates, and their respective successors and assigns, every obligation of the Franchisee to us and our Affiliates and their respective successors and assigns.

"Holidays" mean New Years' Day, Thanksgiving and Christmas.

"Initial Advertising Contribution" means the fee described in Subsection 3.1(e).

"Initial Franchise Fee" means the fee described in Subsection 3.1(a).

"Initial Term" means the term described in Section 16.1.

"Initial Training" means the training described in Subsection 2.10(a).

"Intellectual Property" means the Principal Trademark, other Trademarks, Copyrights, Trade Dress, Patent, and the Confidential Information we or our Affiliates own that you are entitled to use under this Agreement as described in ITEMS 13 and 14 of the FDD.

"Limited Protected Territory" means a 3-mile radius from the Premises as further described on the Map attached as Exhibit A.

"Local Advertising" means (i) advertising, promotion and marketing you undertake in media directed primarily in your local market area including television, radio, newspapers, magazines, billboards, posters, handbills, direct mail, yellow pages, sports program booklet advertising, church bulletins, collateral promotional and novelty items (for example, matchbooks, pens and pencils, bumper stickers, calendars) that prominently display the Intellectual Property; (ii) advertising on public vehicles including cabs and buses; (iii) the cost of producing materials necessary to participate in these media; (iv) agency commissions on the production of the advertising; and (v) amounts paid to an approved regional advertising cooperative or to a merchant's association for advertising where you are a member. Local Advertising does not include: (i) payments to the Media Fund; (ii) payments for permanent on-premises signs; (iii) purchasing or maintaining vehicles even though the vehicles display in some manner the Intellectual Property (except the cost of the materials displayed are included); (iv) contributions or sponsorships (unless the Intellectual Property are prominently displayed by the group or activity receiving the contribution or sponsorship); (v) premium or similar offers including discounts, price reductions, special offers, free offers and sweepstake offers (except that the media costs associated with promoting the premium offers are included); (vi) employee incentive programs; and (viii) other similar payments that we may determine in our sole discretion should not be included in determining whether you have met your obligation for Local Advertising.

"Manager" means you unless you hire another person to act as the Manager. You or the Manager must be a Certified Stretch Zone Practitioner.

"Media Fund" means the fund described in Section 7.3 into which Advertising Contributions described in Subsection 3.1(e) will be deposited to purchase various advertising, marketing, and promotional materials.

"Media Rebates" mean the payments described in Subsection 7.3(d).

"Network" means the group of Company-Owned Units and Franchised Units each operating a Franchise Business.

"Non-Traditional Site" means a Unit that serves primarily the customers located within the facility, including: (i) captive audience facilities (examples include parks charging admission, stadiums, amusement parks and centers, and theaters); (ii) limited purpose facilities (examples include airports,

transportation centers, department stores, indoor malls and shopping centers, business and industrial complexes, museums, educational facilities, hospitals, and recreational parks); (iii) limited access facilities (examples include military complexes, buyer club businesses, educational facilities, and business and industrial complexes); (iv) other types of institutional accounts; and (v) health clubs, hotels and resorts.

"Notice of Default" means the notices described in Section 11.4.

"Opening Date" means the date your Franchise Business is first opened for business to the general public.

"Operations Manual" means all manuals produced by, or for the benefit of, us and loaned to you and any revisions prepared for your internal use involving the operation and management of the Franchise Business. The Operations Manual may comprise printed text, computer disks, other electronically stored media, and DVDs.

"Unit" means either a Company-Owned Unit or a Franchised Unit.

"Patents" mean the patent rights described in ITEM 14 of our FDD.

"Payment System" means the system created by you to make payments to us as described in Section 3.3.

"POS System" means the point of sale system.

"Premises" means the leased property located at _____.

"Principal Trademark" means "Stretch Zone[®]," the name under which every Unit does business.

"Renewal Fee" means the fee described in Subsection 3.1(g).

"Renewal Franchise Agreement" means our then-current form of Franchise Agreement for new Franchisees at the time you elect to renew the franchise relationship in accordance with Section 16.2.

"Renewal Term" means the term of the Renewal Franchise Agreement signed at the time the parties renew the franchise relationship.

"Royalty Fee" means the fee described in Subsection 3.1(b).

"Secured Assets" mean (a) all of your accounts receivable arising out of, or in connection with, the operation of the Franchise Business existing as of the date of this Agreement and which came into existence during the Initial Term, including notes, negotiable instruments and contracts (the "Accounts Receivable"); (b) all books and records pertaining to the Accounts Receivable; (c) all Assets; and (d) all proceeds upon sale or other disposition of any of property.

"Secured Obligations" mean the obligations referred to in Subsection 3.6(a).

"SCORE" means Store Compliance Operational Review and Education.

"Trade Dress" means the distinctive exterior of the Franchise Business, the distinctive interior décor, distinctive uniforms worn by staff, as well as the many other items, which together form the overall look and feel of the Franchise Business and its products and services

"Trademarks" mean the service mark and logo "Stretch Zone[®]" and all other trademarks, service marks, trade names, logos and commercial symbols authorized by us as part of the Business System.

"Trainees" mean the persons approved by us who attend Initial Training.

"Transfer Fee" means the fee described in Subsection 3.1(f).

"Unique Consideration" means the consideration described in Subsection 10.5(c).

"Website" means www.stretchzone.com.

"You" or **"Your"** means the person, persons or Business Entity that signs this Agreement as the Franchisee.

SECTION 18.2 OTHER DEFINITIONAL PROVISIONS

(a) All of the words or terms defined in this Agreement have these defined meanings when used in other documents issued under or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document; and

(b) The term "**person**" includes any limited liability company, limited liability company, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

ARTICLE 19 - GENERAL PROVISIONS

SECTION 19.1 AMENDMENTS

Except as stated in this Agreement including Sections 19.2 and 19.6, a party cannot amend, supplement or change the provisions of this Agreement except by an Amendment to Franchise Agreement signed by the parties. Only our President has the authority to sign an Amendment to Franchise Agreement on our behalf.

SECTION 19.2 MODIFICATION OF THE SYSTEM

YOU AGREE THAT AFTER THE AGREEMENT DATE WE MAY MODIFY THE SYSTEM UNDER THE TERMS OF THIS AGREEMENT. YOU AGREE TO ABIDE BY ANY MODIFICATIONS IN THE SYSTEM AS IF THEY WERE PART OF THIS AGREEMENT AT THE TIME THE PARTIES SIGNED THIS AGREEMENT. YOU WILL MAKE ALL EXPENDITURES AND MODIFICATIONS OF THE SYSTEM, AS WE REQUIRE.

SECTION 19.3 BINDING EFFECT

The provisions of this Agreement binds, benefits and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

SECTION 19.4 COMMUNICATIONS AND NOTICES

(a) **E-Mails.** All electronic business correspondence by you, your Franchise Owners, the Designated Representative or a Manager must be conducted through an approved [name@stretchzone.com] e-mail address. This will be the sole e-mail address on your business cards, stationery, etc.

(b) **Other Writings.** All notices, requests, consents and other written communications required or permitted under this Agreement should be given by e-mail to the e-mail address below or to another e-mail address that one party provides to the other party except for those matters specifically required to be sent USPS, FedEx or UPS addressed to:

If to us:

Stretch Zone Franchising LLC
6700 Cordova Road
Suite 210
Fort Lauderdale, FL 33309
Attn: Tony Zaccario, CEO and President
tzaccario@stretchzone.com

With a copy to:

Keith J. Kanouse, Esquire
Malloy & Malloy, P.L.
6771 N. Federal Highway, Suite 300
Boca Raton, FL 33487
Keith@Kanouse.com

If to you:

With a copy to:

or to any other address a party designates by notice to the other party complying with the terms of this Section. The receiving party will send an e-mail to the sending party acknowledging of receipt of the e-mail and any attachments. The parties agree that each notice is deemed delivered on the date delivered by USPS, FedEx or UPS.

SECTION 19.5 HEADINGS

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and will not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

SECTION 19.6 SEVERABILITY

(a) If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement,

or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

SECTION 19.7 WAIVERS

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

SECTION 19.8 REMEDIES CUMULATIVE

Except as otherwise stated in this Agreement, no remedy in this Agreement for any party is intended to be exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy given under this Agreement, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

SECTION 19.9 EFFECTIVENESS; COUNTERPARTS

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Fort Lauderdale, Florida and our CEO and President signs this Agreement. We advise you not to incur any expenses for opening your Franchise Business until you have received a final signed copy of this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same instrument. Confirmation of signing by sending the signature page by telecopy or e-mail binds any party to the confirmation.

SECTION 19.10 SURVIVAL

The parties' obligations that expressly or by their nature survive the expiration or termination of this Agreement continue in full force after the transfer, expiration or termination of this Agreement until they are satisfied or by their nature expire.

SECTION 19.11 FORCE MAJEURE

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, natural disaster, pandemics or acts of God. Any delay resulting from any of these causes extends

performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

SECTION 19.12 THIRD PARTIES

Except as provided in this Agreement to the contrary for other Franchisees, nothing in this Agreement, whether express or implied, confers any rights or remedies under this Agreement on any person (including other Franchisees) other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Except as provided in this Agreement to the contrary for any Designee, nothing in this Agreement relieves or discharges the obligation or liability of any third person to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

SECTION 19.13 INTERPRETATION

Each of the parties agree that he, she or it has have been or has had the opportunity to be represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other documents be construed against us.

SECTION 19.14 ENTIRE AGREEMENT

This Agreement and all other written agreements involving this Agreement and expressly referenced in this Agreement, represent the entire understanding and agreement between the parties on the subject matter of this Agreement and supersede all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not contained in this Agreement or all other written agreements concerning this Agreement and expressly referenced in this Agreement, are of any effect. Nothing in this Agreement or in any related document is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

SECTION 19.15 ELECTRONIC SIGNATURES

The parties agree that this Agreement and related documents may be signed electronically through DocuSign. A PDF of this Agreement signed by the parties is a valid and enforceable contract.

IN WITNESS WHEREOF, the parties have duly signed this Agreement.

WE, US, or OUR (Franchisor):

Stretch Zone Franchising LLC

By:

Tony Zaccario, CEO and President

YOU or YOUR (Franchisee):

____, LLC

By:

-

_____, Member

EXHIBIT A – MAP OF LIMITED PROTECTED TERRITORY

EXHIBIT D – APPROVED LOCATION ADDENDUM TO FRANCHISE AGREEMENT

4/30/23



APPROVED LOCATION ADDENDUM TO STRETCH ZONE FRANCHISE AGREEMENT

THIS APPROVED LOCATION ADDENDUM is signed on _____ between Stretch Zone Franchising LLC ("we, "us" or "our") and _____ ("you" or "your").

BACKGROUND

A. The parties have signed a Stretch Zone Franchise Agreement on _____ (the "Franchise Agreement") before you selected a location that we had approved for the Franchise Business.

B. You have now selected a location that we have approved and, under Section 1.2 of the Franchise Agreement, the parties are entering into this Addendum.

The parties agree as follows:

TERMS

1. You agree that you will operate the Franchise Business only at _____ (the "Premises").

2. Your Limited Protected Territory is described on the attached Map.

3. Upon any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum supersede and control. In all other respects, the parties ratify and confirm the terms of the Franchise Agreement.

The parties have signed this Addendum.

WE, US, or OUR (Franchisor):

Stretch Zone Franchising LLC

By: _____
Tony Zaccario, CEO and President

YOU or YOUR (Franchisee):

By: _____

EXHIBIT E - AREA DEVELOPMENT AGREEMENT

4/30/23



STRETCH ZONE AREA DEVELOPMENT AGREEMENT

between

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

(Franchisor)

and

a _____
a _____ limited liability company

(Developer)

Dated: _____

Number of Franchise Businesses: __

Development Area: _____

**©2022 Keith J. Kanouse
Kanouse & Walker, P.A.
6879 Giralda Circle
Boca Raton, Florida 33433**

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EXHIBIT A - MAP OF DEVELOPMENT AREA



STRETCH ZONE AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT is signed on _____ between Stretch Zone Franchising LLC, a Florida limited liability company (the "Franchisor") and _____, a _____ limited liability company (the "Developer").

The Franchisor has written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that the Agreement covers before you sign it. In this Agreement, the Franchisor is referred to as "we," "us" or "our." The Developer is referred to as "you" or "your." All capitalized terms are defined in ARTICLE 9.

BACKGROUND

A. Our affiliate, Stretch Zone Holdings, LLC, a Florida limited liability company ("SZH"), has developed and owns a business that offers certified practitioner assisted stretching to individuals, which business operates under the trade name "Stretch Zone® (the "Principal Trademark").

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

C. We have signed a License Agreement with SZH granting us the right to sublicense the use of the Principal Trademark, Patents and other Intellectual Property to our Stretch Zone Franchisees as part of our sale of Stretch Zone Franchises and the initial and ongoing services we provide to you. You understand that SZH does not have any liability to you for our performance under the terms of this Agreement.

D. You recognize the benefits of receiving rights from us to develop __ Franchise Businesses in a given area (the "Development Area") each operating under a Franchise Agreement with us (the "Area Development Rights").

D. We have reviewed your application and have decided to award Area Development Rights to you under the terms of this Agreement.

E. We agree not to offer Area Development Rights and Franchises with anyone other than you within the Development Area, except as provided in this Agreement.

F. You are simultaneously entering into a Franchise Agreement for your first Franchise Business (in the form included in Exhibit C to our Franchise Disclosure Document).

The parties agree as follows:

TERMS

ARTICLE 1 - APPOINTMENT OF THE DEVELOPER

SECTION 1.1 GRANT OF AREA DEVELOPMENT RIGHTS

We grant to you the Area Development Rights, and you undertake the obligation to, construct, open and operate __ Franchise Businesses n [9] (the "Development Area") in accordance with the Development Schedule stated in Section 1.3 and subject to the terms in this Agreement.

SECTION 1.2 DEVELOPMENT AREA

(a) **No Exclusivity.** We do not grant to you exclusive rights within the Development Area. We grant you the right to construct open and operate Franchise Businesses within the Development Area pursuant to a Development Schedule under which you must open __ Franchise Businesses within a specified time.

(b) **Limited Protected Territories.** We will grant each Franchise Business you open within the Development Area a Limited Protected Territory to be described in the Franchise Agreement. For the perimeter of the Development Area, you agree not to select a site that is within the limited protected territory of a Company-Owned Business or Franchise Business that is operating or under construction.

SECTION 1.2 DEVELOPMENT SCHEDULE

(a) **Development Schedule.** You will construct, open and operate __ Franchise Businesses located within the Development Area in accordance with the following Development Schedule:

Date	Number of Franchise Businesses to be Open in Each Year*	<u>Total Franchise Businesses</u>
-------------	--	--

(b) **Additional FranchiseBusinesss.** You agree that the Development Schedule is fixed upon signing this Agreement. You may not open additional Franchise Businesses in excess of the number of Franchise Businesses listed above except upon:

- (i) our consent that may be withheld in our complete discretion;

(ii) your payment of the Initial Franchise Fee and the other fees we are then charging to new Franchisees; and

(iii) your signing of our then-current form of Franchise Agreement.

(c) **No Subfranchise Rights**. You have no authority to, and will not, subfranchise or sublicense your rights under this Agreement to any person.

(d) **Individual Business Entities**. You may form individual business entities to own and operate 1 or more of the Franchise Businesses that you develop, but you must own at least 51% of the voting equity interests in each business entity.

SECTION 1.4 MINIMUM DEVELOPMENT PERFORMANCE

You will submit to us Franchise Applications for each Franchise Business stating the specific site for which a proposed Franchise Business will be located before the time that you acquire any interest in the site. You agree to enter into Franchise Agreements based on our then-current form of Franchise Agreement and have opened in the Development Area the number of Franchise Businesses listed in Section 1.2 on or before the times indicated. If we terminate a Franchise Agreement, we will deduct that Franchise Business from the number of Operating Franchise Businesses and a new Franchise Business must replace it within the time established by the Development Schedule. A Franchise Business remains credited against the Development Schedule if relocated in accordance with Section 1.4 of the Franchise Agreement.

SECTION 1.5 TIME OF THE ESSENCE

Time is of the essence for your obligations under this Agreement.

ARTICLE 2 - OUR DUTIES

We will provide you with the following assistance and services as necessary for the development and operation of the Franchise Businesses if you are not in default under this Agreement:

SECTION 2.1 SERVICES AND SUPPORT

We will provide you the services and continual support for each Franchise Business as stated in ARTICLE 2 of each Franchise Agreement.

SECTION 2.2 DUTIES SOLELY TO YOU

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

SECTION 2.3 OUR RIGHT TO DELEGATE DUTIES

You agree to our right to delegate any of our duties under this Agreement to a Designee. You must discharge your duties with any Designee to the extent we request in the same manner that you must do so with us.

ARTICLE 3 – DEVELOPMENT FEES AND TERM

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will pay to us a Development Fee of \$_____ at the same time this Agreement is signed. This includes the Initial Franchise Fees for your ___ Franchise Business and 50% of the Initial Franchise Fee for your _____ Franchise Businesses. The Development Fee is nonrefundable and we fully earn it upon signing this Agreement. When you are ready to begin work towards your next location you must sign the Franchise Agreement for the next Franchise Business, we will give you a credit of \$_____ against the Initial Franchise Fee for your ___ Franchise Businesses.

SECTION 3.2 TERM

The Term of this Agreement is the earlier of: (i) the date when we approve the site for your ___ Franchise Business or (ii) _____, unless otherwise sooner terminated due to default.

ARTICLE 4 - YOUR DUTIES

SECTION 4.1 ACHIEVEMENT OF DEVELOPMENT SCHEDULE

You will use your best efforts to confine your activities exclusively to constructing, opening and operating the Franchise Businesses contemplated under this Agreement in order to achieve the Development Schedule. You will maintain sufficient financial resources to construct, open and operate the Franchise Businesses. If you fail to achieve the Development Schedule, we have the right to terminate this Agreement and retain the entire Development Fee. If we terminate this Agreement for your failure to meet the Development Schedule, we may immediately grant other individuals and entities the right to develop and open Franchise Businesses in the Development Area, or ourselves open Company-Owned Businesses in the Development Area. You will retain all rights under the Franchise Agreements for the Franchise Businesses you have under lease, construction or in operation, provided you are not otherwise in default under the Franchise Agreements.

SECTION 4.2 REPORTS

You agree to maintain and preserve accurate records for the development and operation of the Franchise Businesses at your principal office. These records and information must include site reports, leases for the Franchise Businesses, supervisory reports on the operation of the Franchise Businesses, records reflecting your financial condition and all other records and reports required under the Franchise Agreements.

SECTION 4.3 COMPLIANCE WITH FRANCHISE AGREEMENTS

You will sign a Franchise Agreement for the first Franchise Business at the same time you sign this Agreement and comply with the duties stated in this ARTICLE. You will develop, institute and maintain all management system, procedures and personnel, as we require, assuring your efficient operation of each of the Franchise Businesses.

ARTICLE 5 - TRANSFER OF INTEREST

SECTION 5.1 TRANSFER BY US

We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent.

SECTION 5.2 TRANSFER BY YOU

The rights and duties in this Agreement are personal to you. We have granted this Agreement in reliance on your business and personal skills, reputation, aptitudes and financial capacity. Accordingly, you agree that you cannot sell, assign, transfer, convey, give or encumbered (collectively "transfer") this Agreement without our written consent (which may be granted or withheld by us in our sole and absolute discretion). The transfer of Area Development Rights under this Agreement must include all signed Franchise Agreements, unless we otherwise agree in writing. You may transfer this Agreement to a business entity owned by you but you continue to remain personally liable for all of your obligations under this Agreement. Any purported transfer by you, by operation of law or otherwise in violation of this Agreement is ineffective and is a material breach of this Agreement giving us the right to terminate this Agreement without affording you an opportunity to cure.

ARTICLE 6 - DEFAULT AND TERMINATION

SECTION 6.1 TERMINATION BY YOU

If you have substantially complied with this Agreement and we materially breach this Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or within a longer period, if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate this Agreement. You may also terminate this Agreement upon the mutual written agreement with us. Any termination of this Agreement by you other than as stated above is a wrongful termination by you.

SECTION 6.2 TERMINATION BY US WITH NOTICE

If we terminate any Franchise Agreement between the parties due to your default, after we have given you written notice of default if notice is required, and afforded you an opportunity to cure if you have a right to cure, we may terminate this Agreement by giving you written notice of termination.

SECTION 6.3 TERMINATION BY US WITH NOTICE AND OPPORTUNITY TO CURE

You have 30 days or any longer period as applicable law may require, after we deliver you a written notice of default to cure any default under this Agreement and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the right to terminate this Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under this Agreement.

SECTION 6.4 EFFECT OF TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all your Area Development Rights cease rights cease. We are then free to open Company-Owned Businesses or franchise Stretch Zone Franchises to others within your former Development Area but outside any Limited Protected Territories granted to you under Franchise Agreements for Franchise Businesses you are currently operating or are under construction, provided you are not in otherwise in default under any Franchise Agreement.

ARTICLE 7 - DEFINITIONS

SECTION 7.1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"Agreement" means this Stretch Zone Development Agreement, as it may be amended, supplemented or otherwise modified by a written agreement the parties sign.

"Agreement Date" means the date set forth on page 1 of this Agreement.

"Area Development Rights" mean the rights granted to you under ARTICLE 1 to construct and operate __ Franchise Businesses in the Development Area under the terms of this Agreement and the Franchise Agreements.

"Company-Owned Business" means a Stretch Zone business operating pursuant to the Business System owned by us or by any affiliate.

"Designee" means one or more of our representatives who are independent contractors that we appoint to perform certain of our duties under this Agreement as described in ARTICLE 2.

"Development Area" means _____.

"Development Fee" means the fee described in Section 3.1.

"Development Schedule" means the number of Franchise Businesses to be developed and the period in which to open the __ Franchise Businesses as stated in Section 1.3.

"Franchise Agreement" means the then-standard form of Stretch Zone Franchise Agreement we are offering to new franchisees, the current form of which is included in Exhibit C to the Franchise Disclosure Document.

"Franchise Business" means the Stretch Zone Franchise we authorize you to establish and operate under a Franchise Agreement.

"Franchise Disclosure Document" or **"FDD"** means our current Franchise Disclosure Document and all Exhibits.

"Term" means the term of the Agreement described in Section 3.2.

SECTION 7.2 OTHER DEFINITIONAL PROVISIONS

(a) **Same Meanings.** All of the terms defined in this Agreement have these defined meanings when used in other documents issued under, or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document; and

(b) **Person.** The term "person" includes any limited liability company, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

ARTICLE 8 - GENERAL PROVISIONS

SECTION 8.1 DISPUTE RESOLUTION

The parties incorporate the dispute resolution provisions contained in ARTICLE 17 of the Franchise Agreement into this Agreement.

SECTION 8.2 AMENDMENTS

The parties may only amend, supplement or change the provisions of this Agreement by an Amendment to Area Development Agreement signed by the parties except: (a) we may change the contents of the Operating Manual; (b) we may modify the Business System; and (c) a court may modify any provision of the Development Agreement in accordance with applicable law. Only our President has the authority to sign an Amendment to Area Development Agreement on our behalf.

SECTION 8.3 BINDING EFFECT

The provisions of this Agreement bind, benefit and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

SECTION 8.4 NOTICES AND COMMUNICATIONS

All notices, requests, consents and other written communications required or permitted under this Agreement must be in writing and sent by e-mail to the e-mail addresses set forth below:

If to us:

Stretch Zone Franchising, LLC
6700 North Andrews Avenue, # 210
Fort Lauderdale, FL 33309
Attn: Tony Zaccario, CEO and President
tzaccario@stretchzone.com

With a copy to:

Keith J. Kanouse, Esquire
Kanouse & Walker, P.L.
6751 N. Federal Highway, Suite 300
Boca Raton, FL 33487
Keith@Kanouse.com

If to you:

With a copy to:

or to any other e-mail address any party designates by notice to the other parties. The parties agree to confirm receipt of each e-mail notice from another party.

SECTION 8.5 HEADINGS

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

SECTION 8.6 SEVERABILITY

(a) If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable, and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

SECTION 8.7 WAIVERS

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

SECTION 8.8 REMEDIES CUMULATIVE

Except as otherwise stated in this Agreement, no remedy afforded a party in this Agreement is exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

SECTION 8.9 EFFECTIVENESS; COUNTERPARTS

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Fort Lauderdale, Florida and our CEO and President signs this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same document. Confirmation of signing by sending a PDF version of the signature page by e-mail binds the party to the confirmation.

SECTION 8.10 INTERPRETATION

Each of the parties agree that has had the opportunity to have been represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other document be construed against us.

SECTION 8.11 ENTIRE AGREEMENT

This Agreement represents the entire understanding and agreement between the parties on the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied in this Agreement are of any effect. Nothing in the Agreement disclaims the representations we made in the Franchise Disclosure Document and Exhibits that we furnished to you.

SECTION 8.12 SURVIVAL

All obligations of the parties that expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after its expiration or termination and until they are satisfied or by their nature expire.

SECTION 8.13 FORCE MAJEURE

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, pandemic, natural disaster or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

EXHIBIT A – MAP OF DEVELOPMENT AREA

EXHIBIT F – STATE ADDENDA TO AGREEMENTS

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

This California Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we," "us" or "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. **Deferral of Initial Fees**

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

2. **No Disclaimer**

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise."

3. **California Law**

The California Department of Financial Protection and Innovation requires that certain provisions contained in the Franchise Agreement be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

(a) **Nonrenewal and Termination**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of a Franchise. The Federal Bankruptcy Code also provides rights to you concerning termination of the Franchise Agreement upon the occurrence of certain bankruptcy-related events. If the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.

(b) **General Releases**

You must sign a Franchise Termination and Release Agreement if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(c) **Liquidated Damages**

If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damages clauses may be unenforceable.

(d) **Covenants Not to Compete**

If the Franchise Agreement contains a covenant not to compete that extends beyond the termination of the Franchise Agreement, the covenant may be unenforceable under California law.

(e) **Venue**

If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(f) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(g) **Arbitration**

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

4. **Alternate Channels of Distribution**

The Franchisor reserves the right to establish alternatives channels of distribution within the Franchisee's Limited Protected Territory without compensation.

5. **Website**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT www.dfpi.ca.gov.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

The parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This California Addendum to Area Development Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we," "us" or "our") and _____ ("you" or "your") to amend the Area Development Agreement as follows:

1. **Deferral of Initial Fees**

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

2. **California Law**

The California Department of Financial Protection & Innovation requires that certain provisions contained in the Area Development Agreement be amended to be consistent with California law, including the California Franchise Investment Law. CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Area Development Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

(a) **Nonrenewal and Termination**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of an Area Development Agreement. The Federal Bankruptcy Code also provides rights to you concerning termination of the Area Development Agreement upon the occurrence of certain bankruptcy-related events. If the Area Development Agreement contains a provision that is inconsistent with these laws, these laws will control.

(b) **General Releases**

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

(c) **Venue**

If the Area Development Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(d) **Governing Law**

If the Area Development Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(e) **Arbitration**

The Area Development Agreement requires binding arbitration. The arbitration will occur at Broward County, Florida with the costs being born by the non-prevailing party. Prospective developers are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of an Area Development Agreement restricting venue to a forum outside the State of California.

(g) **Alternate Channels of Distribution**

We reserve the right to establish alternatives channels of distribution within your Development Area without compensation.

(h) **Modification of System**

Section 19.2 of the Franchise Agreement may not be enforceable in California pursuant to California Corporations Code Section 31125.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

The parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

This Hawaii Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we," "us" or "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

HAWAII ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Hawaii Addendum to Area Development Agreement is signed on _____
between Stretch Zone Franchising, LLC ("we," "us" or "our") and _____
("you" or "your") to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will not pay to us the Development Fee until we have complied with all of our pre-opening obligations to you under a Franchise Agreement for the 1st Franchise Business and you are open for business.

IN WITNESS WHEREOF, the parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is agreed to on _____ between Stretch Zone Franchising, LLC (we," "us," or "our") and _____ ("you" or "your").

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

6. This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

In witness whereof, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

ILLINOIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT

This Addendum to the Area Development Agreement is agreed to on _____ between Stretch Zone Franchising, LLC ("we," "us" or "our") and _____ ("you" or "your").

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act any provision in an Area Development Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, an Area Development Agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any Area Development Rights to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. All initial fees are deferred until we have performed all of pre-opening obligations and you are open for business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Development Agreement and the Franchise Agreement for the 1st Franchise Business, and you are open for business. This is in addition to the deferral of the Initial Franchise Fee for the 1st Franchise Business.

6. This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is agreed to on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company (“we,” “us,” or “our”) and _____ (“you” or “your”) to amend the Franchise Agreement as follows:

1. Section 3.1 of the Franchise Agreement is amended as follows:

INITIAL FEES

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

2. Subsection 10.2(f)(iv), **TRANSFER BY YOU**, is amended to add:

The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 15.1, **NO RELIANCE**, is amended to add:

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

4. Subsection 16.2(a)(v), **RENEWAL**, is amended to add:

The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Section 17.3, **ARBITRATION**, is amended to add:

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

6. Section 17.5, **JURISDICTION AND VENUE**, is amended to add the following paragraph:

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

7. Section 17.7, **GOVERNING LAW**, is amended to add:

Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the Franchise.

8. Section 19.14, **ENTIRE AGREEMENT**, is amended to add:

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

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

MARYLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is agreed to on _____ between Stretch Zone Franchising, LLC (“we,” “us,” or “our”) and _____ (“you” or “your”) to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

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

2. Section 5.2, **TRANSFER BY YOU**, is amended to provide that any Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 9.1, **DISPUTE RESOLUTION**, is amended to add the following paragraph:

A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the franchise.

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

4. Section 9.11, **ENTIRE AGREEMENT**, is amended to add:

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

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company ("us" "we" and "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Franchise Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.*, (the "Minnesota Franchise Act") and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the provisions are amended:

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

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

(c) The Franchisor will protect the Franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

(d) Minnesota considers it unfair to not protect the Franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

(e) Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Franchisee to assent to a general release.

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

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

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

In witness whereof, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

MINNESOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is signed on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company ("us" "we" and "our") and _____ ("you" or "your") to amend the Area Development Agreement as follows:

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Area Development Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.*, (the "Minnesota Franchise Act") and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Area Development Agreement contains provisions that are inconsistent with the following, the provisions are amended:

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

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

(c) The Franchisor will protect the Developer's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

(d) Minnesota considers it unfair to not protect the Developer's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

(e) Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Developer to assent to a general release.

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

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

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this

Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

In witness whereof, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is agreed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. New York Law Modifications

The New York Department of Law requires that certain provisions contained in the Franchise Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

(a) **Release of Claims**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

(b) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Jurisdictional Requirements

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

The parties have signed and delivered this Amendment on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

NEW YORK ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is agreed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Area Development Agreement as follows:

1. New York Law Modifications

The New York Department of Law requires that certain provisions contained in the Area Development Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Area Development Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

(a) **Release of Claims**

If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

(b) **Governing Law**

If the Area Development Agreement requires that it be governed by a state's law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Developer under the New York General Business Law, Article 33, Sections 680 through 695.

2. Jurisdictional Requirements

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

The parties have signed and delivered this Amendment on the day and year first written.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario President & CEO

YOU or YOUR:

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your").

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$ _____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

2. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) Covenants not to compete during the term or upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete, which is inconsistent with North Dakota law, the covenant may be unenforceable.

(c) If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota. The requirement is void as to any claims under the North Dakota Franchise Investment Law.

(d) If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(e) If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a Franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(f) If the Franchise Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(g) Any provision in the Franchise Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Franchise Agreement, the terms of this Addendum govern.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

NORTH DAKOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is signed on _____ between Stretch Zone Franchising, LLC (“we” “us” or “our”) and _____ (“you” or “your”).

1. Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will not pay to us the Development Fee until we have complied with all of our pre-opening obligations to you under a Franchise Agreement for the 1st Franchise Business and you are open for business.

2. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Area Development Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) If the Area Development Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void as to any claims under the North Dakota Franchise Investment Law.

(c) If the Area Development Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(d) If the Area Development Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving Area Development Rights purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(e) If the Area Development Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(f) Any provision in the Area Development Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

3. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Area Development Agreement, the terms of this Addendum govern.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

SOUTH DAKOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Area Development Agreement for your 1st Franchise Business.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is agreed to on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company ("we" "us" or "our") and _____ ("you" or "your").

1. The Rhode Island Securities Division requires that certain provisions contained in the Franchise Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the "Act"). To the extent that the Franchise Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Franchise Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

RHODE ISLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to the Area Development Agreement is agreed to on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your").

1. The Rhode Island Securities Division requires that certain provisions contained in the Area Development Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the "Act"). To the extent that the Area Development Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Area Development Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Area Development Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Area Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Franchise Agreement as follows:

1. Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

2. Section 17.6 is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq.*), this Agreement and any other agreement involving this Agreement and all transactions contemplated by this Agreement and any other agreement involving this Agreement shall be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

VIRGINIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

This Addendum to Area Development Agreement is signed on _____ between Stretch Zone Franchising, LLC ("we" "us" or "our") and _____ ("you" or "your") to amend the Area Development Agreement as follows:

1. Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

In consideration of the rights granted to you, you will pay to us a Development Fee when we have complied with all of our pre-opening obligations to you under the Area Development Agreement

2. Section 9.2 is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq.*), the Area Development Agreement and any other agreement involving the Area Development Agreement and all transactions contemplated by the Area Development Agreement and any other agreement involving the Development will be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

Each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms.

WE, US, or OUR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President & CEO

YOU or YOUR:

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT,
FRANCHISE CLOSING QUESTIONNAIRE AND RELATED AGREEMENTS**

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

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Franchise.

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

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

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

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

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

Section 3.1(a) of the Franchise Agreement is amended as follows:

(a) **Initial Franchise Fee.** You must pay to us an Initial Franchise Fee of \$_____. The Initial Franchise Fee will be deferred and is not payable to us until we have complied with all of our pre-opening obligations to you under this Agreement and you are open for business. The Initial Franchise Fee is uniform as to all Franchisees currently purchasing a Franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated _____

FRANCHISOR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President and CEO

FRANCHISEE:

WASHINGTON ADDENDUM TO AREA DEVELOPMENT AGREEMENT AND RELATED AGREEMENTS

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

RCW 19.100.180 may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Area Development Rights. There may also be court decisions which may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your Area Development Rights.

In any arbitration or mediation involving Area Development Rights 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 Area Development Agreement, a Developer may bring an action or proceeding arising out of or in connection with the sale of Area Development Rights, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

Section 3.1 of the Area Development Agreement is amended as follows:

SECTION 3.1 DEVELOPMENT FEE

Because we have material pre-opening obligations with respect to each Franchise Business the Developer opens under the Area Development Agreement,

payment of the Development Fee will be released proportionately with respect to each Franchise Business opened and is deferred until we have met all our pre-opening obligations under the Franchise Agreement and the Franchisee is open for business with respect to each such location.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated _____

FRANCHISOR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, President and CEO

DEVELOPER:

EXHIBIT G – GUARANTY OF DEVELOPER’S/FRANCHISEE’S OBLIGATIONS



GUARANTY OF DEVELOPER’S/FRANCHISEE'S OBLIGATIONS

THIS GUARANTY OF DEVELOPER’S/FRANCHISEE'S OBLIGATIONS (this "Guaranty") is signed on _____ by _____ (the "Guarantor").

INTRODUCTION

- A. Stretch Zone Franchising, LLC (the "Franchisor") is granting to _____, a _____ (the "Franchisee") Stretch Zone Area Development Rights for __ Franchise Businesses and the 1st Stretch Zone Franchise.
- B. The Guarantor represents and warrants to the Franchisor that he will benefit by the grant to the Franchisee of Stretch Zone Area Development Rights and Stretch Zone Franchises.
- C. The Franchisor has declined to enter into the Stretch Zone Area Development Agreement, Franchise Agreements and other agreements (collectively, the "Agreements") with the Franchisee unless the Guarantor signs and delivers this Guaranty to the Franchisor.

TERMS

The Guarantor agrees for the benefit of the Franchisor and its affiliates as follows:

- 1. **Guaranteed Obligations.** The Guarantor absolutely and unconditionally, guarantees to the Franchisor and its affiliates, and their respective successors and assigns, for the respective terms of the Agreements and thereafter as provided in the Agreements, that the Franchisee will punctually pay and perform every obligation stated in the Agreements and agrees to be personally bound by, and personally liable for the breach of, every term of the Agreements, together with charges, fees and all expenses including attorneys' fees and costs incurred in enforcing the terms of the Franchise Agreement or this Guaranty through litigation, arbitration, appellate, bankruptcy and post-judgment proceedings (the "Guaranteed Obligations").
- 2. **Incorporation of Terms.** The terms of the Agreements are incorporated in this Guaranty as if stated in full, including the covenants stated in ARTICLE 13 and the dispute resolutions provisions stated in ARTICLE 17 of the Franchise Agreement by which Guarantor agrees to be bound. The Guarantor has had an opportunity to read, and to receive advice by his or her counsel of, the terms of the Agreements and the Franchisor’s Franchise Disclosure Document.
- 3. **Guaranty Absolute and Irrevocable.** The obligation of the Guarantor is absolute and unconditional irrespective of the validity or enforceability of any of the Agreements. This is an irrevocable and continuing guaranty. This Guaranty covers and secures any amount at any time owing on the Guaranteed Obligations and remains in full effect until all Guaranteed Obligations have been satisfied and all amounts due have been paid in full to the Franchisor or its affiliates. The

Guarantor waives the benefit of any circumstance, defense or statute of limitations affecting his liability that might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty. The Guarantor irrevocably waives any requirement that the Franchisor must proceed against or exhaust any collateral or security that the Franchisor may now hold or obtain for any of the Guaranteed Obligations before collecting from the Guarantor. The Franchisor is under no obligation to keep the Guarantor informed of the Franchisee's financial condition.

4. **Payment.** If the Franchisee fails to make any payment when due or otherwise defaults under the terms of any of the Guaranteed Obligations, the Guarantor will pay to the Franchisor immediately upon demand the full amount of the Guaranteed Obligations then due (by acceleration or otherwise), in immediately available funds. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of the Guarantor except the defense that the Franchisee has paid in full all Guaranteed Obligations.

5. **Enforcement.** In any proceeding under this Guaranty, the Franchisor may act against the Guarantor separately, or against 2 or more Guarantors jointly, or against some separately and some jointly. In any action or proceeding to enforce this Guaranty against the Guarantor, the Franchisor is not required to join the Franchisee, or any other Guarantor, unless it elects to do so in its sole discretion.

6. **Waiver.** The Guarantor irrevocably waives notice of the extension of any Guaranteed Obligation, or of the acceptance of this Guaranty, and protest, presentment, diligence, demand for payment, notice of default, nonpayment or dishonor of any Guaranteed Obligation, and any other notice except as expressly provided in this Guaranty.

7. **Consent to Certain Actions.** Without in any way affecting or impairing the liability of the Guarantor and, without notice to or additional consent from the Guarantor:

(a) the Guaranteed Obligations may be renewed, extended, modified (in time for payment or the terms of indebtedness or otherwise), compromised, settled, released or discharged by the Franchisor, whether by agreement with the Franchisee or under any insolvency, bankruptcy or similar proceeding;

(b) any security or collateral for the Guaranteed Obligations may be assigned, exchanged, sold, released or surrendered by the Franchisor, and the Franchisor may abstain from perfecting its security interest in any security or collateral, or from taking upon new security or collateral;

(c) the Franchisor may exercise or refrain from exercising any right against the Franchisee or any other person or entity;

(d) the Franchisor has sole discretion to apply any payments received by the Franchisee or any Guarantor to the Franchisee's past due indebtedness including Royalty Fees, E-Mail/Home Page Fees, Advertising Contributions, purchases from the Franchisor or its Affiliates, interest, NSF charges, or any other indebtedness of the Franchisee to the Franchisor, its affiliates, lessor, vendor, taxing authority or third party creditor, in any manner the Franchisor chooses regardless of the Franchisee's designation;

(e) the Franchisor may consent to or waive any breach of, or any act, omission or default of, the Guaranteed Obligations; and

(f) the Franchisor may agree to any amendment to or modification of, any of the Agreements, applicable to the Guaranteed Obligations.

The Franchisor has no duties to the Guarantor except as expressly provided in this Guaranty.

8. **Continuing Guarantee.** The guarantee of the Guarantor under this Guaranty continues to be effective, or is reinstated, as the case may be, if at any time any payment to the Franchisor of the Guaranteed Obligations is rescinded or must otherwise be returned for any reason, including the insolvency, bankruptcy or reorganization of the person or entity making the payment, all as though the payment had not been made.

9. **Successors and Assigns.** The Guarantor cannot delegate any of his obligations under this Guaranty. This Guaranty is binding upon the heirs, personal representatives, successors and assigns of the Guarantor, and inures to the benefit of the Franchisor, its affiliates, and their respective successors and assigns. The Franchisor may at any time, without notice to the Guarantor, transfer or assign to any person or entity any of the Guaranteed Obligations, or any interest in the Guaranteed Obligations. In this event, the assignee or transferee of the Guaranteed Obligations, or any interest in the Guaranteed Obligations is, to the extent of its interest, is entitled to the benefits of this Guaranty to the same extent as if the assignee or transferee were the Franchisor.

10. **Representations and Warranties.** The Guarantor represents as follows:

(a) The Guarantor has the capacity to enter into, perform and deliver this Guaranty.

(b) This Guaranty is the legal, valid, binding and enforceable obligations of the Guarantor.

(c) There is no litigation or governmental proceeding pending or threatened against the Guarantor, nor has there occurred any event, nor does there exist any condition, on the basis of which any litigation or proceeding might be begun, which litigation or proceeding, if adversely determined, could have a material adverse effect on the respective properties, operations, assets, condition (financial, business, labor or otherwise) or prospects of the Guarantor.

(d) The Guarantor has independent means of obtaining reports and financial information about the Franchisee and the Franchisor has no obligation, either before the signing of this Guaranty or any time thereafter, to notify the Guarantor concerning the Franchisee's financial condition or of any event or occurrence affecting the Franchisee's financial condition or business operation.

(e) Any financial statements previously delivered by the Guarantor to the Franchisor were true and correct in all respects as of the date delivered. At any time this Guaranty is in effect, Guarantor will, upon 7-days prior written notice from the Franchisor, provide the Franchisor with a current financial statement and such other financial information as the Franchisor may reasonably request (including copies of Guarantor's filed federal and state income tax returns for the most recent taxable year). The Franchisor agrees to keep confidential and not use such financial statements and information, except in connection with the administration or enforcement of the

Franchise Agreement or this Guaranty. The financial statements must be prepared in accordance with generally accepted accounting principles.

11. **Notices.** Any notice or demand required or permitted to be given under this Guaranty to the Guarantor must be in writing and must be either: (a) personally delivered; or (b) by FedEx or UPS to the following address for the Guarantor:

12. **Subordination and Subrogation.** Until the Guaranteed Obligations are paid in full, the Guarantor subordinates and assigns all direct or indirect claims and rights that he may have against the Franchisee, now existing or later arising, to all claims by the Franchisor for amounts owing from the Franchisee to the Franchisor or its affiliates for the Guaranteed Obligations.

13. **Miscellaneous.** This Guaranty contains the entire agreement of the Guarantor and is not subject to any oral conditions. Time is of the essence for the terms of this Guaranty. This Guaranty cannot be changed or modified orally. Upon request from the Franchisor, the Guarantor will provide to the Franchisor all information regarding his financial condition and business operations as the Franchisor requests including personal financial statements. This Guaranty is deemed and treated as being drafted jointly by the Guarantor and the Franchisor. No term of this Guaranty is construed more strictly against the Guarantor or the Franchisor because the Franchisor, or its counsel, was responsible for the physical preparation of this Guaranty.

IN WITNESS WHEREOF, the Guarantor signed this Guaranty on the date stated above.

EXHIBIT H – AGREEMENT WITH LANDLORD



AGREEMENT WITH LANDLORD

THIS AGREEMENT is signed on _____ among Stretch Zone Franchising LLC (the "Franchisor"); _____, a _____ limited liability company (the "Landlord") and _____, LLC, a _____ limited liability company (the "Tenant/Franchisee").

BACKGROUND

A. The Tenant/Franchisee is a franchisee of the Franchisor under a Stretch Zone Franchise Agreement between the Franchisor and the Tenant/Franchisee dated _____ (the "Franchise Agreement") for the operation of a Stretch Zone (the "Franchise Business").

B. The Landlord and the Tenant/Franchisee are parties to a Lease Agreement dated _____ (the "Lease") for the premises located at _____ (the "Premises") that has been approved by the Franchisor on condition that all the parties sign this Agreement.

C. In order to assure that a Franchise Business continues to operate at the Premises, the Landlord grants certain rights to the Franchisor under the Lease to protect the Franchisor's interest under the Franchise Agreement.

The parties agree as follows:

TERMS

1. **Signage.** The Landlord agrees to the Franchisor's signage requirements for the Tenant/Franchisee, subject to local signage ordinances and approval by local governmental agencies, if necessary.

2. **Use of Premises.** The Landlord and the Tenant/Franchisee agree that the Tenant/Franchisee may only use the Premises for the operation of the Franchised Business, unless the Franchisor otherwise approves in writing. The Landlord agrees that the Tenant/Franchisee may sell all products and/or provide all services that are part of the Franchisor's Business System now or hereafter changed. The Landlord acknowledges that this use does not violate any zoning restrictions, restrictive covenants or existing exclusive uses granted to any other tenant of the Landlord in the building/center or adjacent outparcel owned by the Landlord in which the Premises are located. The Landlord further acknowledges that during the term of the Lease or any extension of the Lease, the Landlord will not lease space within the building/center or outparcel to a business similar to the Franchised Business, or permit an existing tenant to offer products that compete with the Franchised Business. Competitive business means any business that operates, or franchises or licenses others to operate, a business that provides stretching services to individuals.

3. **Tenant Information; Notices of Default.** The Landlord will send to the Franchisor at the address set forth below by regular U.S. mail copies of all sales reports, financial information,

correspondence and other communications sent by the Landlord to the Tenant/Franchisee or sent by the Tenant/Franchisee to the Landlord. The Landlord will overnight to the Franchisor at the address below by USPS, FedEx or UPS copies of all written notices of default sent by the Landlord to the Tenant/Franchisee. The Landlord acknowledges that the Franchisor is not responsible for any actions of the Tenant/Franchisee or any of its employees, agents, suppliers or customers.

Stretch Zone Franchising, LLC
6700 North Andrews Avenue, # 210
Fort Lauderdale, FL 33309
Attn: Tony Zaccario, CEO and President

4. **Right to Cure and Take Occupancy.**

(a) If the Tenant/Franchisee defaults under the Lease, the Franchisor may (but is under no obligation to), within 30 days after receipt of written notice from the Landlord, cure the default (or a longer period of time if the default is not capable of being cured within 30 days and the Franchisor is diligently proceeding to cure the default). If the Franchisor cures the Tenant/Franchisee's default, the Franchisor has the right to occupy the Premises and operate the Franchise Business. The Tenant/Franchisee is deemed to have assigned the Lease to the Franchisor, but the Tenant/Franchisee and any guarantors are not released from their obligations under the Lease. From and after the deemed assignment, the Franchisor will assume and perform all of the obligations of the Tenant/Franchisee under the Lease until the Franchisor is released in accordance with Subsection 4(b).

(b) The Franchisor may assign the Lease to another Stretch Zone Franchisee with the Landlord's written approval of the new tenant/franchisee. The Landlord will not unreasonably withhold, delay or condition its approval of the new tenant/franchisee. Upon the permitted assignment by the Franchisor to the new tenant/franchisee, the Franchisor is released from all further obligations under the Lease.

5. **Franchisor's Rights Upon Termination or Expiration of Franchise Agreement.**

The Landlord acknowledges that any landlord's lien or security interest does not include any property of the Tenant/Franchisee that includes any items bearing the Franchisor's trademarks including the signage and proprietary trade dress. If the Franchisor does not take occupancy of the Premises and does not assume the Lease, the Landlord agrees to the Franchisor's rights under the Franchise Agreement, upon reasonable notice to the Landlord, to enter the Premises solely for the purposes of taking all steps necessary to protect its interest under the Franchise Agreement including the removal of all signs and other items bearing the Proprietary Marks of the Franchisor (without damage to the Premises).

6. **Modification of Lease.** The Landlord and the Tenant/Franchisee will not make any material modifications to the Lease without the Franchisor's written consent, which consent the Franchisor will not unreasonably withhold, delay or condition.

7. **Noncompetition.** If the Franchisor does not take over the Lease upon the termination or expiration of the Franchise Agreement and the Tenant/Franchisee remains in possession of the Premises, the Landlord and the Tenant/Franchisee agree that, for a period of 2 years after the expiration or termination of the Franchise Agreement, the Premises will not be used for a business providing stretching services to individuals.

8. **Landlord's Statutory Lien or Security Interest.** The Landlord subordinates its statutory lien or security interest in the Tenant's property to the security interest of the Franchisor. The Landlord will further cooperate in signing all required documents to recognize the subordination.

9. **Non-Disturbance Agreement.** The Landlord will use its best efforts to obtain a non-disturbance agreement from the Landlord's existing mortgagee.

10. **Attorneys' Fees.** If a party institutes any action to enforce any provision of this Agreement, the prevailing party is entitled to recover all attorneys' fees and costs incurred in connection with the action from the non-prevailing party.

11. **Governing Law; Venue.** This Agreement is governed by and construed in accordance with the laws of the state in which the Premises are located. Venue will be in the county in which the Premises are located.

12. **Conflict.** Upon any inconsistency between this Agreement and the terms of the Lease, this Agreement supersedes and controls.

13. **Binding Effect.** This Agreement is binding upon the personal representatives, heirs, successors and assigns of the parties.

This Agreement has been signed the date and year first above written.

FRANCHISOR:

Stretch Zone Franchising LLC

By: _____
Tony Zaccario, CEO and President

LANDLORD:

_____, LLC

By: _____
Its:

TENANT/FRANCHISEE:

_____, LLC

By: _____
_____, Member

**EXHIBIT I – TELEPHONE NUMBER AND DIRECTORY ADVERTISING
ASSIGNMENT AGREEMENT**



**TELEPHONE NUMBER AND DIRECTORY ADVERTISING
ASSIGNMENT AGREEMENT**

THIS ASSIGNMENT AGREEMENT is signed on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company ("we," "us" or "our") and _____ ("you" or "your").

BACKGROUND

A. The parties are entering into a Stretch Zone Franchise Agreement on _____ (the "Franchise Agreement").

B. As a condition to signing the Franchise Agreement, we have required that you assign to us all of your right, title and interest in the telephone numbers, telephone listings, facsimile numbers, and telephone directory advertisements relating to the Stretch Zone Franchise (the "Franchise Business") upon the expiration or termination of the Franchise Agreement

The parties agree as follows:

TERMS

1. **Assignment.** In order to secure continuity and stability of our operation of the Franchise Business, immediately upon the expiration or termination of the Franchise Agreement, this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, facsimile numbers, telephone listings and telephone directory advertisements, whether on the Internet or in print, pursuant to which you operate your Franchise Business in accordance with the terms of the Franchise Agreement without further action on your part.

2. **Assumption.** Immediately upon the expiration or termination of the Franchise Agreement, in consideration of the transfer of telephone service for the telephone numbers, we may assume and pay all future obligations for the telephone numbers, including the payment of all charges for future local and long distance service, telecommunications equipment, toll credit cards, public telephone service and equipment and directory advertising existing.

3. **Your Representation and Warranties.** You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone services, telephone listing services and telephone directory advertisement services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal and binding obligation enforceable in accordance with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers, telephone listings and telephone directory advertisements, and you have obtained all necessary consents to this Assignment.

4 **Other Documents.** You agree to sign any other documents required by the telephone service provider and/or publisher required to make the assignment effective.

5. **Miscellaneous.** The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (currently, Florida). All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

IN WITNESS WHEREOF, each of the parties has signed this Assignment as of the day and year first written above.

YOU or YOUR:

WE, US, or OUR:

Stretch Zone Franchising LLC

By: _____
Tony Zaccario, CEO and President

EXHIBIT J – SECURITY AGREEMENT, UCC-1 FINANCING STATEMENT AND RIDER



SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is signed on _____ between Stretch Zone Franchising LLC, a Florida limited liability company (the "Franchisor/Secured Party") and _____, _____ (the "Franchisee/Debtor").

BACKGROUND

To secure all of the Franchisee's/Debtor's obligations to the Franchisor/Secured Party pursuant to that certain Stretch Zone Area Development Agreement and/or Franchise Agreement between the Franchisor/Secured Party and the Franchisee dated the same date as this Security Agreement (the "Franchise Agreement"), the Franchisee/Debtor grants to the Franchisor/Secured Party a security interest in certain of the assets of the Franchisee/Debtor as set forth in this Security Agreement. All capitalized terms not specifically defined in this Agreement have the same meaning as contained in the Franchise Agreement.

The parties agree as follows:

1. Creation of Security Interest

The Franchisee/Debtor grants to the Franchisor/Secured Party a security interest in the following described property used in the operation of the Franchise Business (collectively, the "Collateral"):

- (a) All of the Franchisee/Debtor's Inventory, of whatever type or description, wherever located and whether now owned or later acquired;
- (b) All of the Franchisee/Debtor's Accounts, which include all notes receivable, accounts receivable, and all other forms of customer obligations now existing and that may at any time later come into existence;
- (c) All of the Franchisee/Debtor's vehicles, equipment, machinery, furniture, fixtures and other items of personal property, whether now owned or later acquired;
- (d) All of the Franchisee/Debtor's permits, licenses and other governmental approvals;
- (e) The Franchisee/Debtor's business on an ongoing basis including contract rights, customer lists and routes;
- (f) All of the Franchisee/Debtor's cash, certificates of deposit, securities, instruments and general intangibles;

(g) The right to all insurance proceeds of all insurance covering the Collateral as later defined; and

(h) All proceeds, products, replacements, additions, substitutions and accessions of and to all of the foregoing

The Debtor's personal assets including consumer goods are not subject to this security interest.

2. Obligations Secured.

The security interest secures the payment and performance of all indebtedness, obligations and liabilities of any kind of the Franchisee/Debtor to the Franchisor/Secured Party now or later existing, arising directly between the Franchisee/Debtor and the Franchisor/Secured Party including the Franchisee's/Debtors obligations under the Area Development Agreement and Franchise Agreement (collectively, the "Obligations").

3. Franchisee/Debtor's Warranties.

The Franchisee/Debtor warrants that:

(a) The Franchisee/Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance other than the security interest granted by this Security Agreement and the Permitted Encumbrances stated in Schedule A. The Franchisee/Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest on the assets, except for the liens described in this Section or otherwise permitted under the Franchise Agreement.

(b) None of the Collateral is subject to a purchase money security interest other than that of the Franchisor/Secured Party or otherwise permitted under the Franchise Agreement.

(c) The Franchisee/Debtor will keep the Collateral at the Franchise Business where the Franchisor/Secured Party may inspect it at any reasonable time. The Franchisee/Debtor will not remove the Collateral from this location without the written consent of the Franchisor/Secured Party. The Franchisee/Debtor will not allow the Collateral to be wasted, misused, abused or deteriorate, except for ordinary wear and tear, and will not be used in violation of any law, ordinance or regulation of any governmental authority.

(d) The Franchisee/Debtor will insure the Collateral with carriers in the amounts and against all risks as satisfactory to the Franchisor/Secured Party, with policies payable to the Franchisor/Secured Party as its interest may appear. All policies of insurance must provide for 30 days' written notice of cancellation, modification, termination or expiration to the Franchisor/Secured Party. The Franchisee/Debtor will furnish the Franchisor/Secured Party a copy of the policies or other evidence of compliance with these insurance provisions.

(e) The Franchisee/Debtor will pay, when due, all taxes and assessments upon the Collateral or its operation or use and discharge or pay any taxes, liens, security interest or other encumbrances at any time levied or placed on or against the Collateral of the Franchisee/Debtor.

(f) The Franchisee/Debtor will not sell, lease, transfer, dispose or substantially modify the Collateral without the written consent of the Franchisor/Secured Party except for the sale,

replacement or other disposition of the Collateral in the ordinary course of the operation of the Franchise Business.

(g) The Franchisee/Debtor will sign, alone or with the Franchisor/Secured Party, any financing statements or other documents and do any other act or acts considered by the Franchisor/Secured Party to be necessary or desirable to perfect or protect the security interest created by this Agreement, and will pay all costs and expenses (including reasonable fees and expenses of counsel and filing fees) for the preparation and filing of any financing statements, continuation statements or other documents for the perfection or protection of the security interest created by this Agreement.

4. Rights of the Franchisor/Secured Party Prior to Default

(a) The Franchisor/Secured Party may enter upon the Franchisee/Debtor's premises at any reasonable time to inspect the Franchisee/Debtor's books and records pertaining to the Collateral or its proceeds, and the Franchisee/Debtor will assist the Franchisor/Secured Party in all ways necessary to make any inspection.

(b) The Franchisee/Debtor agrees that, upon 5 days' written notice from the Franchisor/Secured Party, it will deliver to the Franchisor/Secured Party lists or copies of all accounts, that are proceeds of the Franchisee/Debtor's Collateral, promptly after they arise.

5. Rights of Franchisee/Debtor Prior to Default.

Until an Event of Default occurs or as otherwise provided in this Agreement, the Franchisee/Debtor may use the Collateral in any lawful manner consistent with this Agreement, the Franchise Agreement and with the terms of insurance on the Collateral.

6. Events of Default.

The Franchisee/Debtor is in default under this Agreement upon the happening of any of the following events ("Events of Default"):

(a) The occurrence of an Event of Default under the Franchise Agreement or any other document between the Franchisor/Secured Party and the Franchisee/Debtor; or

(b) Loss, theft, substantial change or destruction to a substantial portion of the Collateral unless replaced immediately or covered by insurance.

Upon the happening of any Event of Default or whenever the Franchisor/Secured Party deems itself insecure for any reason, the Obligations become immediately due and payable. The Franchisee/Debtor expressly waives any presentment, demand, protest or other notice of any kind.

7. Franchisor/Secured Party's Remedies and Additional Rights After Default.

Upon the occurrence of an Event of Default, the Franchisor/Secured Party has the rights and remedies of a Franchisor/Secured Party under the Florida Uniform Commercial Code or any other applicable law. The Franchisor/Secured Party may exercise the following rights and remedies:

(a) The Franchisor/Secured Party may peaceably, or by its own means or with judicial assistance by injunction or otherwise, enter the Franchisee/Debtor's premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on the Franchisee/Debtor's premises, and the Franchisee/Debtor will not resist or interfere with this action.

(b) The Franchisor/Secured Party may notify all account debtor's and other contracting parties of the Franchisor's/Secured Party's security interest in the accounts and demand payment directly to the Franchisor/Secured Party instead of paying the Franchisee/Debtor directly.

(c) The Franchisor/Secured Party may, with judicial assistance by injunction or otherwise, require the Franchisee/Debtor, at the Franchisee/Debtor's expense, to assemble the Collateral and make it available to the Franchisor/Secured Party at any place designated by the Franchisor/Secured Party. The Franchisee/Debtor agrees that any place designated by the Franchisor/Secured Party within Broward County, Florida, is a place reasonably convenient to Franchisee/Debtor to assemble the Collateral.

(d) The Franchisee/Debtor agrees that a notice to the Franchisee/Debtor, at least 5 days before the time of any intended sale or of the time after which any public or private sale or other disposition of the Collateral may be made, is reasonable notice of the sale or other disposition.

(e) Without precluding any other methods of sale, the sale of the Collateral has been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices, however, the Franchisor/Secured Party may sell on terms as it may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind.

(f) The Collateral need not be present at any public or private sale or in view of the purchaser or purchasers. Title passes upon sale wherever the property is located with like effect as though all the property were present and in the possession of the person conducting the sale and where physically delivered to the purchaser. The Franchisor/Secured Party may bid for and purchase all the Collateral or any part of the Collateral, and by purchase, becomes the owner of the Collateral.

(g) Upon the exercise of any of the rights or remedies of the Franchisor/Secured Party under this Agreement, the Collateral may be offered for sale for one total price, and the proceeds of the sale accounted for in one account without distinction between items of security or without assigning to them any proportion of the proceeds of the sale. The Franchisee/Debtor insofar as it legally may do so waives the application of any doctrine of marshalling. At the option of the Franchisor/Secured Party, the Collateral may be offered for sale separately at different times and/or locations. A separate sale does not preclude later sales of the Collateral or the exercise by the Franchisor/Secured Party of any other right or remedy under this Agreement.

(h) The Franchisor/Secured Party may deduct from the gross proceeds of any public or private sale the expenses incurred by the Franchisor/Secured Party in the sale, including any broker's commission and its reasonable attorneys' fees, legal expenses including appellate, bankruptcy and post-judgment proceedings, incurred or expended by the Franchisor/Secured Party in connection with this Agreement and other agreements involving the Collateral, the enforcement of any of the obligations or the administration, preservation or protection of or realization upon the Collateral or any part of the Collateral. Any amount then remaining will be returned to the Franchisee/Debtor.

(i) If the proceeds from the sale of the Collateral are not sufficient to satisfy the indebtedness of the Franchisee/Debtor to the Franchisor/Secured Party, the Franchisor/Secured Party may proceed against the Franchisee/Debtor for any deficiency.

8. Miscellaneous.

(a) No failure on the part of the Franchisor/Secured Party to exercise and no delay in exercising any right or remedy under this Agreement operates as a waiver of this Agreement, nor will any single or partial exercise by the Franchisor/Secured Party of any right or remedy under this Agreement preclude any other or future exercise of that right or remedy or the exercise of any other right or remedy.

(b) The dispute resolution provisions contained in ARTICLE 17 of the Franchise Agreement are incorporated by reference into this Agreement and are part of this Agreement.

(c) Upon a conflict between the terms of this Agreement or the Franchise Agreement between the parties, the terms of the Franchise Agreement prevails.

(d) All of the terms and covenants of this Agreement inure to the benefit of and bind the heirs, legal representatives, successors and assigns of the respective parties to this Agreement.

(e) This Security Agreement may not be changed orally, but only by an instrument in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

(f) Upon full performance under the Franchise Agreement without renewal, this Security Agreement automatically terminates. The Franchisor/Secured Party will sign and send to the Franchisee/Debtor a UCC-3 Statement of Termination.

IN WITNESS WHEREOF, the parties have signed this Agreement this day and year first above written.

FRANCHISOR/SECURED PARTY:

Stretch Zone Franchising LLC

By: _____
Tony Zaccario, CEO and President

FRANCHISEE/DEBTOR:

____, LLC

By: _____

SCHEDULE A TO SECURITY AGREEMENT

PERMITTED ENCUMBRANCES

1. Tangible commercial personal property taxes for the year 2023 and subsequent years.

<u>Date of Filing</u>	<u>File #</u>	<u>Franchisor/Secured Party</u>	<u>Collateral</u>
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2. None

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION 1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID #, if any

NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION 2f. JURISDICTION OF ORGANIZATION 2g. ORGANIZATIONAL ID #, if any

NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION [if applicable]: LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG. LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable] 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA

RIDER TO UCC-1 FINANCING STATEMENT

The Debtor/Franchisee grants to the Secured Party/Franchisor a security interest in the following described property owned by the Debtor/Franchisee and constituting all of the assets used in the operation of a Stretch Zone Franchise (collectively, the "Collateral):

(a) All of the Franchisee/Debtor's Inventory, of whatever type or description, wherever located and whether now owned or later acquired;

(b) All of the Franchisee/Debtor's Accounts, which include all notes receivable, accounts receivable, and all other forms of customer obligations now existing and that may at any time later come into existence;

(c) All of the Franchisee/Debtor's vehicles, equipment, machinery, furniture, fixtures and other items of personal property, whether now owned or later acquired;

(d) All of the Franchisee/Debtor's permits, licenses and other governmental approvals;

(e) The Franchisee/Debtor's business on an ongoing basis including all Area Development Agreements, Franchise Agreements and related agreements with the Secured Party

(f) All other contract rights, customer lists and routes;

(g) All of the Franchisee/Debtor's cash, certificates of deposit, securities, instruments and general intangibles;

(h) The right to all insurance proceeds of all insurance covering the Collateral as later defined; and

(i) All proceeds, products, replacements, additions, substitutions and accessions of and to all of the foregoing

The Debtor's personal assets including consumer goods are not subject to this security interest.

EXHIBIT K – SOFTWARE SUBLICENSE AGREEMENT



SOFTWARE SUBLICENSE AGREEMENT

THIS SOFTWARE SUBLICENSE AGREEMENT ("Agreement") is signed on _____ between Stretch Zone Franchising, LLC, a Florida limited liability company ("we," "us" and "our") and _____ ("you" or "your").

1. **General.** This Agreement is being entered into pursuant to Section 2.16 of the Stretch Zone Franchise Agreement between the parties dated the same date as this Agreement (the "Franchise Agreement"). All capitalized terms used in this Agreement have the same definitions as set forth in ARTICLE 18 of the Franchise Agreement, unless otherwise expressly defined in this Agreement.

2. **Grant of Sublicense.** Subject to the terms of this Agreement, we agree to: (a) furnish the use the Stretch Net, Career Plug, Office 365, KnetK, Factor 4, Perksville and QuickBooks Online Software (collectively, the Software) to you; (b) furnish Related Materials including any printed material not consisting of Software programs, like Software user instructions in support of the Software (the "Related Materials"); (c) grant you a nontransferable and nonexclusive sublicense to use the Software and Related Materials; and (d) provide Software maintenance, all as described in this Agreement. The Software does not include any source code.

3. **Terms of Use.** The Software (including any changes to the Software made by the licensors) may be used by you only in connection with the operation of the Franchise Business. The licensors have the title and full ownership rights to their respective Software. You may not enhance or modify the Software in any manner without our written consent. The rights granted under this Agreement authorize you to utilize the Related Materials in printed form, in support of your use of the Software in machine readable form. You will maintain no more than 1 copy of the Software at any time except with our written consent.

4. **Technology Fee.** The Technology Fee for the use of the use the Stretch Net, Career Plug, Office 365, KnetK, Factor 4, Perksville and QuickBooks Online Software is \$320 per month payable on the 1st of each month. The Technology Fee is subject to change upon 30 days' written notice from us.

5. **Taxes.** You will declare and pay when due all assessments, charges and taxes, including sales, use, excise and property taxes, and penalties and interest with respect to this Agreement, imposed in connection with this Agreement, if any; excluding, however, any taxes based on or measured solely by our net income.

6. **Technical Services, Updates and Enhancements.** During the Term, we will, from time to time, as we deem necessary, forward to you any technical bulletins and updated user guides, and supply you with updates and enhancements. You are responsible for the costs of postage, insurance and handling. In addition, if we determine that the Software update or enhancement

significantly improves the function or performance of the Software you use, and you elect to or are required to obtain the update or enhancement, you will be required to pay a reasonable fee as we specify.

7. **Warranties.** We warrant that the Software will be free of defects in materials and perform the functions we specify in writing in applicable user manuals or as otherwise provided in writing. We do not warrant that the functions contained in the Software will meet all of your requirements or will operate with hardware we have not approved, or that the operations will be uninterrupted or error free or that all program defects, if any will be corrected. **EXCEPT AS PROVIDED IN THIS SECTION, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, INCLUDING THOSE OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SOFTWARE AND SERVICES FURNISHED UNDER THIS AGREEMENT, AND EXPRESSLY DISCLAIMS THEM.**

8. **Termination.** The license granted under this Agreement for the Software terminates at the expiration or termination of the Franchise Agreement, or as otherwise provided in this Agreement. Upon expiration or termination of this Agreement, you will immediately deliver to us all Software. This requirement will apply to all copies in any form including translations, compilations or partial copies within modifications, derivative works, and updated works, whether partial or complete, and whether modified or merged into other programs or materials (collectively, the "Modifications").

9. **Hardware.** It is your obligation to obtain the computer hardware required for the operation of the Software.

10. **Confidentiality.** Without limiting any of your other confidentiality requirements under the Franchise Agreement, you agree not to provide or otherwise make available any portion of the Software, including documentation and machine readable code, in any form to any person other than you or your employees without our prior written consent. You will not reverse assemble or reverse compile the Software in whole or in part. You may not copy the Software in any manner without our prior written consent. The Software is our proprietary information and trade secrets whether any portion is or may be validly copyrighted or patented. The Software will be treated by you as proprietary information and trade secrets. We may enforce independently all our rights under this Agreement against you. In order to protect our trade secrets and copyright notices with respect to the Software, you agree to reproduce or incorporate our trade secret and copyright notices, if any, in any copies, modifications or partial copies of the Software.

11. **Assignment.** Without our prior written consent and only in connection with a permitted transfer or sale of the Stretch Zone Franchise, you will not: (a) assign, transfer, or grant a security interest in this Agreement, the Software or any part of the Software or any interest in the Software; (b) sublicense or lend the Software or any part of the Software, or any interest in the Software; (c) permit the Software or any part of the Software to be used by anyone other than by you and your employees; or (d) change the location of the Software. We may assign or otherwise transfer all or a portion of our respective interests in the Software or this Agreement. You: (i) consent to our assignment or transfer; (ii) agree to sign and deliver promptly any further acknowledgements, agreements and other instruments as may be reasonably requested by our assignee or transferee (the "Transferee") to effect the assignment or transfer; and (iii) agree to comply fully with the terms of any assignment or transfer. Upon an assignment or transfer, we will notify you and thereafter all references to us includes the Transferee; provided, however, that the Transferee will not be obligated

to perform our obligations under this Agreement unless the Transferee expressly agrees in writing to do so.

12. **Limitation of Liability.** Our entire liability and your exclusive remedy are as follows:

(a) In all situations involving performance or nonperformance of the Software or services furnished under this Agreement, provided you have paid all amounts due pursuant to the applicable Schedule, your remedies are:

(i) the correction by us of the Defects (as defined later in this Agreement), or

(ii) if, after repeated efforts, we are unable to correct the Defects, you are entitled to recover actual damages from us up to the limits set forth in this Section; and

(b) For any other claim concerning performance or nonperformance by us pursuant to, or in any other way related to, the subject matter of this Agreement, you are entitled to recover actual damages up to the limits set forth in this Section.

(c) Our liability for damages to you for any cause whatsoever, and regardless of the form of action, whether in contract or in tort including negligence, is limited to the amount of the charge set forth on any Schedule to this Agreement which is paid for use of the Software, or for the services provided by or on our behalf that caused the damages or that is the subject matter of, or is directly related to the cause of action. **IN NO EVENT WILL WE BE LIABLE FOR ANY DAMAGES CAUSED BY YOUR FAILURE TO PERFORM YOUR RESPONSIBILITIES OR FOR ANY LOST PROFITS, LOST SAVINGS OR OTHER CONSEQUENTIAL DAMAGES, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF THESE DAMAGES, OR FOR ANY CLAIM AGAINST YOU BY ANY OTHER PARTY.**

(d) Our liability for any payments under this Section is contingent upon your delivery to us of a disk containing a copy of the defective Software from which we are able to reproduce the reported defect. If we verify the reported defect (the "Defect"), at our request, you will immediately return to us the defective Software and all Modifications, if any. If any reported Defect is found to be caused by your negligence, error, mistake or modification, by the data you supply, equipment or operator failure, or by any other cause not inherent to the Software we furnish, we reserve the right to charge you for time and materials, if any, incurred by us or on our behalf in connection with responding to the reported Defect.

13. **Default.** Any default under the Franchise Agreement or other agreement between the parties is deemed a default under this Agreement.

14. **Remedies.** Upon any default under this Agreement, we may, by written notice to you, terminate this Agreement. This remedy is not exclusive, but is cumulative and in addition to any other remedy referred to in this Agreement or otherwise available to either party.

15. **Schedules.** The Schedules are considered incorporated by reference and deemed a part of this Agreement. No Schedule is effective until properly signed by the parties.

16. **Incorporation Into Franchise Agreement.** This Agreement is deemed incorporated into and made a part of the Franchise Agreement including the Franchise Agreement's Dispute Resolution provisions.

The parties have signed this Agreement as of the day and year first above written.

FRANCHISOR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, CEO and President

FRANCHISEE:

EXHIBIT L – LIST OF FRANCHISEES

(a) **Operational Franchisees.** The following are the names, addresses and telephone numbers of the 240 Franchise Businesses in the United States as of December 31, 2022 that are operational:

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Steel City Stretch LLC Lori Gordon and Kenneth Gordon	3056 Healthy Way Birmingham, AL 35243	(205) 509-2349
Bend Wellness, LLC Andrew Crowell	4650 W. Main Street Suite 607 Dothan, AL 36305	(334) 475-7930
Hampton Cove Stretch LLC Paul Powell	6501 Highway 431 Suite E Hampton Cove, AL 35763	256-270-1300
Madison Stretch LLC Paul Powell	1079 Balch Road Suite F Madison, AL 35758	(256) 459-9300
Crimson Tide Stretch LLC Paul Powell	2370 Jack Warner Parkway Tuscaloosa, AL 35401	(205) 526-4030
Life Force 1 LLC* Ray and Suzanne Hickel	1320 Huffman Park Drive Unit 140 Anchorage, AK 99515	(907) 644-2955
Life Force 1 LLC Ray and Suzanne Hickel	11901 Business Boulevard Suite 103 Eagle River, AK 99577	907-600-3200
North-South 40, LLC Ray and Suzanne Hickel and Charlie Elliott	3204 North Recker Road # 104 Mesa, AZ 85215	(480) 590-1133
SZ Madison Village LLC Roy Switzer	742 East Glendale Avenue # 170 Phoenix, AZ 85020	(602) 612-3031
North-South 40, LLC Charlie and Victoria Elliott and Ray and Suzanne Hickel	4855 E. Warner Road Suite D9 Phoenix, AZ 85044	(480) 696-7566
North-South 40, LLC Ray and Suzanne Hickel and Charlie Elliott	14676 N. Frank Lloyd Wright Boulevard, Suite 125 Scottsdale, AZ 85260	(480) 687-1874
SZ Kierland LLC Roy Switzer	Kierland Village 6501 E. Greenway Parkway Suite B151 Scottsdale, AZ 85254	(480) 265-9810
SZ Scottsdale LLC Roy Switzer	32531 N Scottsdale Road Suite 111 Scottsdale, AZ 82566	(480) 306-7822

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Fighting Bear Stretch Arizona LLC Chris Duda	7352 North Oracle Road Tucson, AZ 85704	(520) 395-0753
Fighting Bear Stretch Tucson Chris Duda	5575 E. River Road Suite 151 Tucson, AZ 85750	(520) 638-5167
Stretch Memphis LLC John Boyd	14300 Cantrell Road Suite 101 Little Rock, AR 72223	501-812-3931
Stretch Washington LLC* Michelle Ginn	191 North El Camino Real Encinitas, CA 92024	(858) 247-3539
Stretch Washington LLC* Michelle Ginn	73563 Highway 111 Palm Desert, CA 92260	(760) 565-6091
Dash Enterprises LLC Deborah Ashley	28901 South Western Avenue Suite 229 Rancho Palos Verdes, CA 90275	(424) 224-7124
BALS Wellness LLC Seth Nehrke and Amy Nehrke	13730 West 85th Drive Unit 102 Arvada, CO 80005	(720) 398-8889
S1 Stretch Aspen LLC Tom Perry	601 E. Hopkins Avenue # 203 Aspen, CO 81611	(970) 710-7402
Stretch Investments- Boulder LLC Guy Clayton and David Pikoff	1855 29th Street # 1168 Boulder, CO 80301	(303) 442-0361
BALS Wellness LLC Seth Nehrke and Amy Nehrke	2255 W. 136th Avenue # 142 Broomfield, CO 80023	(303) 451-9869
West Range Capital LLC* Eric Holmes	2504 East Arapahoe Road Centennial, CO 80122	(303) 800-4934
BALS Wellness LLC Seth and Amy Nehrke	7476 East 29th Avenue Denver, CO 80238	(720) 519-0785
Stretch Investments-Fort Collins LLC Guy Clayton and David Pikoff	238 E. Harmony Road Fort Collins, CO 80525	(970) 226-8685
SZ Littleton, LLC Eric Holmes	8116-G West Bowles Ave Littleton, CO 80123	(720) 778-0370
Stretch Investments- Parker CO LLC Guy Clayton and David Pikoff	17051 Lincoln Avenue # A Parker, CO 80134	(720) 851-5932

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
StretchCT LLC Kyle Hargett	417 Post Road East Westport, CT 06880	(203) 557-6810
STRETCH 1, LLC Clarence Carter	4120 B Concord Pike, Wilmington, DE 19803	(302) 575-9230
HMWB, Inc. Helen Martin	1906 Clint Moore Road # 6 Boca Raton, FL 33496	(561) 419-7895
HMJBII LLC Helen Martin	2621 North Federal Highway Boca Raton, FL 33431	(561) 465-3730
SHM Advisors, Inc. Helen Martin and Michael Harrick	7036 West Palmetto Park Road # 59 Boca Raton, FL 33433	(561) 419-7906
HMBBE, Inc. Helen Martin	311 E. Woolbright Road Boynton Beach, FL 33435	(561) 739-8040
HMJBSW, LLC Helen Martin	6609 Woolbright Road #412 Boynton Beach, FL 33437	(561) 413- 5160
HMR Management, LLC Greg Hendrix	8203 Tourist Center Drive Bradenton, FL 34201	(941) 351-7952
Gables Stretch, LLC Steve Montalto	3138 Ponce De Leon Boulevard Coral Gables, FL 33134-5212	(786) 636-1306
HJJE LLC Helen Martin	4686 Coral Ridge Drive Coral Springs, FL 33076	(954) 866-4540
HMDB, Inc. Helen Martin	15065 S. State Road 7 Building B, Suite 700 Delray Beach, FL 33446	(561) 359-2838
Bend Wellness, LLC Andy Crowell	4507 Furling Lane Unit 114 Destin, FL 32541	(850) 407-8088
Stretch By Doral LLC Adrian Garcia	9585 NW 41st Street Doral, FL 33178	(305) 629-8249
Stretch 2 LLC Joe Morrissey	1705 Main Street Dunedin, FL 34698	(727) 371-0091
ATS Zone, LLC Ashley and James Seaman	1476 Sadler Road Fernandina Beach, FL 32034	(904) 326-5374

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
JBHMII LLC Helen Martin	1702 Cordova Road Fort Lauderdale, FL 33316	(954) 779-6960
SHM Advisors, Inc. Helen Martin and Michael Harrick	5975 North Federal Highway # 109 Fort Lauderdale, FL 33308	(954) 793-4385
Martiny LLC* Lynn Domenech	3832 West Newberry Road Suite 1A Gainesville, FL 32607	(352) 451-4107
Mandarin Stretch LLC Tom Parker	11362 San Jose Boulevard Unit 6 Jacksonville, FL 32223	(904) 329-1603
MBBDD, LLC Helen Martin	1695 W. Indiantown Road Suite 17 Jupiter, FL 33458	(561) 529-2272
Stretch Kendall Lakes LLC Adrian Garcia	13421 SW 51 st Street Kendall, FL 33175	(305) 253-6434
Stretchology LLC Nichole Demesmin and Ursule Bisserseth	2113 East County Road 540A Lakeland, FL 33813	(863) 563-9663
HMLHP, Inc. Helen Martin	3640 N. Federal Highway Suite # 4 Lighthouse Point, FL 33064	(754) 666-4726
SHMMEL, LLC Tom Parker	5555 North Wickham Road, #104 Melbourne, FL 32940	(321) 622-6330
Stretch Brickell LLC Mike Gorman	1390 Brickell Avenue, Suite 107 Miami, FL 33131	(305) 235-1999
The Funway Company Inc. Eric Fundora	12959 SW 112 Street Miami, FL 33186	(305) 338-4932
Grove Stretch LLC Steven Montalto	2829 Bird Avenue Unit 6 Miami, FL 33133	(786) 636-1306
Stretch South Beach LLC Adrian Garcia	735 5th Street Miami Beach, FL 33139	(305) 235-1999
Stretch3 LLC Joe Morrissey and Steve Cox	327 11 TH Avenue North Saint Petersburg, FL 33701	(727) 290-9730
HMR Management, LLC Greg Hendrix	2446 Laurel Road East North Venice, FL 34275	(941) 483-3900

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Stretch For Proffitt LLC Wanda Simpson	2370 SW College Road Unit 102 Ocala, FL 34471	(352) 421-5610
Stretch for Proffitt II LLC Wanda Simpson	6998 North US Highway 27 Suite 104 Ocala, FL 34482	(540) 272-7951
NonaPopp LLC Kevin Poppenberg	9145 Narcoossee Road Orlando, FL 32832	(407)440-4678
SZ Ormond Beach, LLC Landon Cheviron, Mike Carrier, and Alex White	254 N. Nova Road Ormond Beach, FL 32174	(386) 492-7082
Stretch Zone Enterprises II LLC Helen Martin	945 City Plaza Way Oviedo FL 32765	(407) 542-5118
DDBBM LLC Helen Martin	6271 PGA Boulevard Palm Beach Gardens, FL 33418	(561) 619-6029
HMJB LLC Helen Martin	11940 U.S. Highway 1 Unit 145 Palm Beach Gardens, FL 33408	(561) 644-2970
Stretch Pinecrest LLC Jason M. Levine and Michael Gorman	14465 South Dixie Highway Palmetto Bay, FL 33176	(305) 235-1999
Pinnacle Wellness Pembroke Pines, LLC Ryan Mancebo and Josh Thanos	14826 Pines Boulevard Pembroke Pines, FL 33028	(954) 507-3793
Pinnacle Wellness Plantation LLC Josh Thanos	10031 Cleary Boulevard Plantation, FL 33324	(954) 990-4179
Jacksonville Stretch, LLC Tom Parker	266 Solana Road Ponte Vedra Beach, FL 32082	(904) 834-6396
Stretch Zone Treasure Coast Inc. Helen Martin	1631 St. Lucie West Boulevard Port St. Lucie, FL 34986	(772) 212-7317
JBHM LLC Helen Martin	155 South State Road 7 Royal Palm Beach, FL 33411	(561) 249-0020
Stretch Miami LLC Jason M. Levine and Michael Gorman	7308 SW 57th Avenue South Miami, FL 33143	(786) 636-1300
Stretch Zone Treasure Coast Inc. Helen Martin	2885 SE Ocean Boulevard Stuart, FL 34996	(772) 708-5188
Belletto Enterprises Inc. Katie Belletto	1845 Thomasville Road Suite 120 Tallahassee, FL 32303	(850) 825-1951

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Stretch 1 LLC Joseph Morrissey and Steve Cox	107 South Cedar Avenue Tampa, FL 33606	(813) 816-0345
Stretch Pinellas Plaza LLC Dennis Rosen	2516 Burnsed Boulevard The Villages, FL 32159	(352) 626-1812
R & R Enterprises The Villages, LLC Dennis Rosen	974 Del Mar Drive The Villages, FL 32159	(352) 753-4554
D&W Hayes LLC Dylan and William Hayes	3478 Lithia Pinecrest Road Valrico, FL 33596	(813) 381-4626
HMJB SWII LLC Helen Martin	5240 U.S. Highway 1 Unit-A119 Vero Beach, FL 32967	(772) 217-3707
Health Zone 941 LLC Maria Macarena Peleaez Alacala	5917 Manatee Avenue West # 611 West Bradenton, FL 34209	(941) 281 2673
Pinnacle Wellness Weston LLC Josh Thanos	2230 Weston Road Weston, FL 33326	(954) 916-7092
Stretch WPB Inc. Helen Martin	731 Village Boulevard # 109 West Palm Beach, FL 33409	(561) 323-2731
Stretch Enterprises I LLC Helen Martin	4750 The Grove Drive # 156 Windermere, FL 34786	(407) 217-2959
Stretch Enterprises III LLC Helen Martin	501 N. Orlando Avenue Suite 209 C Winter Park, FL 32789	(407) 335-4804
Rock Bros, LLC Lane Fenner and Gabe Cocco	3450 Cobb Parkway Suite 2-190 Acworth, GA 30101	(770) 485-7508
Velocity Enterprises LLC Andrea Longfellow	2095 S Milledge Avenue Suite B7 Athens, GA 30605	(706) 850-6884
Velocity Enterprises LLC Andrea Longfellow	6323 Grand Hickory Drive Suite 100-F Braselton, GA 30517	(678) 804-9067
ELW Foods LLC Paul Weatherholt	550 Lakeland Plaza Cumming, GA 30040	(470) 655-2121
Rock Bros, LLC Lane Fenner and Gabe Cocco	9700 Medlock Bridge Road Suite 188 Duluth, GA 30097	(770) 696-5595

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Rock Bros, LLC Lane Fenner and Gabe Cocco	1600 Kennesaw Due West Road NE Suite 404 Kennesaw, GA 30152	(770) 485-7333
STRETCH PTC, LLC Susan Black	315 B Commerce Drive Peachtree, GA 30269	(770) 282-6531
Pooler Stretch Corp Amanda Stewart	1 N. Godley Station Boulevard Unit C103 Pooler, GA 31322	(912) 255-3758
Rock Bros, LLC Lane Fenner and Gabe Cocco	1115 Woodstock Road # 210 Roswell, GA 30075	(470) 385-6580
Stretch SSI Corp. Kelly Hanrahan	600 Sea Island Road Suite 9B St. Simons Island, GA 31522	(912) 268-2495
Velocity Enterprises III LLC Andrea Longfellow	208 Johnson Ferry Road NE Suite 208 Sandy Springs, GA 30328	(470) 823-4786
Savannah Stretch LLC Amanda Stewart	1909 East Victory Drive # 106 Savannah, GA 31404	(912)-239-6973
K1 Stretch LLC Thomas Kamplain	1575 Scenic Highway S. Suite 300 Snellville, GA 30078	(678) 615-3377
Velocity Enterprises LLC Andrea Longfellow	425 Buford Highway Suite 106 B Suwanee, GA 30024	(678) 541-5956
Rock Bros, LLC Lane Fenner and Gabe Cocco	1426 Towne Lake Parkway Suite 100 Woodstock, GA 30189	(470) 499-3539
Stretch Boise LLC James Li	113 South 6 th Street Boise, ID 83702	(208) 993-7979
Rage44, LLC Rasheen Hartwell	6844 Championship Drive Bettendorf, IA 52722	(563) 200-1503
FlexZone Inc. Waqas Abassi	1628 S, Randall Road Unit 33 Algonquin, IL 601021	(224) 678-7015
SZ Glenview LLC Ben Smith	2671 Navy Boulevard Glenview, IL 60026	(847) 904-2786
FlexZone Incorporated Waqas Abassi	20771 N. Rand Road Suite K-2 Kildeer, IL 60047	224-677-6961

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
FlexZone Inc. Waqas Abbasi	450 S Rand Road Lake Zurich, IL 60047	(224) 662-4185
F Six Holdings II-Naperville LLC Jim Fitzpatrick	2775 Showplace Drive Unit 111 Naperville, IL 60564	(630) 995-3690
F Six Holdings III LLC Jim Fitzpatrick	4700 Gilbert Avenue Unit 43B Western Springs, IL 60558	(708) 469-7388
F Six Holdings LLC* Jim Fitzpatrick	876 75th Street Willowbrook, IL 60527	(630) 323-9983
SZ Carmel LLC Ben Smith	31 W. City Center Drive Suite 109 Carmel, IN 46032	(317) 564-4374
SZ Fishers LLC Ben Smith	11398 Olio Road Fishers, IN 46037	(463) 234-7275
SZ Zionsville LLC Ben Smith	10725 N. Michigan Road # 130 Zionsville, IN 46077	(317) 344-3082
KBIZ INC* Kelly Harrick	9464 Renner Boulevard Lenexa, KS 66219	(913) 735-3778
KBIZ 1 INC Kelly Harrick	14559 Metcalf Avenue Overland Park, KS 66223	(913) 766-1638
KBIZ 2 INC. Kelly Harrick	4165 Somerset Drive Prairie Village, KS 66208	(913) 232-7237
Stretch Bowling Green LLC Brad Cannon	1132 Fairview Avenue Suite 102 Bowling Green, KY 42103	(270) 238-5504
Triple L Holdings # 2 LLC Roy Switzer	2927 Richmond Road Lexington, KY 40509	(859) 368-7841
SZ St. Matthews LLC Roy Switzer	4404 Shelbyville Road Louisville, KY 40207	(502) 916-4041
SZ Springhurst, LLC Roy Switzer	10542 Fischer Park Drive Louisville, KY 40241	(502) 398-5595

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
SZ Bocage Center BR LLC Jason Loerzel	7575 Jefferson Highway Suite E Baton Rouge, LA 70806	(225) 456-2734
SZ Highland BR LLC Jason Loerzel	19970 Highland Road Suite B-5 Baton Rouge, LA 70809	(225) 478-3780
SZ City Square BR LLC Jason Loerzel	9730 Bluebonnet Boulevard Suite 4 Baton Rouge, LA 70810	(225) 930-5833
SZ Mandeville LLC Jason Loerzel	3403 North Highway 190 Pontchartrain Square Mandeville, LA 70471	(985) 778-0252
SZ Metairie LLC* Jason Loerzel	701 Metairie Road Suite 1B 105 Metairie, LA 70005	(504) 302-7118
SZ Uptown LLC Jason Loerzel	5300 Tchoupitoulas Street New Orleans, LA 70115	(504) 766-9886
SZ Lake Falls LLC Andy John	6080 Falls Road Suite 106 Baltimore, MD 21209	(410) 853-7168
Native Stretch LLC Ken Maynor	12165 Clarksville Pike Suite 3-07 Clarksville, MD 21029	(410) 531-7021
Stretch Kentlands LLC David Drykerman	251 Kentlands Boulevard Unit 13 Gaithersburg, MD 20878	(301) 798-7376
SZ Severna Park LLC Joe and Devon Magretti	550 Governor Ritchie Hwy Unit M Severna Park, MD 21146	240-749-8269
Maynor Enterprises, LLC Ken Maynor	25 Hooks Lane Suite 103 Pikesville, MD 21208	(410) 970-9250
Stretch Potomac LLC David Drykerman	7919 Tuckerman Lane Suite 485 Potomac, MD 20854	(301) 637-0889
Palmer River LLC Greg Vaslet	1200 Fall River Avenue Unit 3 Seekonk, MA 2771	(508) 557-0912
CPA Enterprises LLC* Charles Arakelian	75 Andrew Avenue Wayland, MA 01778	(617) 360-7004

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
CPA 2 Enterprises LLC Charles Arakelian	99 Commerce Way Suite D Woburn, MA 01801	(617) 706-3575
SZ Bloomfield, LLC Howard Luckoff	1083 W. Long Lake Road Bloomfield Hills, MI 48302	(248) 594-7400
SZ Detroit, LLC Howard Luckoff	17386 Haggerty Road Livonia, MI 17386	(734) 805-1500
SZ Royal Oak LLC Howard Luckoff	31996 Woodward Avenue Royal Oak, MI 48073	(248) 554-9800
SZ West Bloomfield LLC Howard Luckoff	6385 Orchard Lake Road West Bloomfield, MI 48304	(248) 626-6000
WelchZone, LLC Carter and Corey Welchlin	8250 Commonwealth Drive Eden Prairie, MN 55344	(952) 236-7313
Maypage, LLC John Mayfield	163 Turtle Creek Drive Suite # 60 Hattiesburg, MS 39402	(601) 602-2971
Stretch Memphis LLC Jon Boyd	1636 Clarkson Road Chesterfield, MO 63017	(610) 574 – 9885
KBIZ 4, INC Kelly Harrick	6129 NW 63 rd Terrace Building 609 Kansas City, MO 64151	816-621-3333
KBIZ 3 INC. Kelly Harrick	940 NW Pryor Road Suite B Lee's Summit, MO 64081	(816) 434-5103
Bendy LLC Randy Baylor	16920 Wright Street # 162 Omaha, NE 68130	(402) 885-8805
Stretch Investments-Henderson LLC Guy Clayton and David Pikoff	55 South Valle Verde Drive # 430 Henderson, NV 89012	(702) 954-4924
Stretch Investments-Trails Village NV, LLC Guy Clayton and David Pikoff	1930 Village Center Circle Suite 1 Las Vegas, NV 89134	(702) 462 5811
Stretch Investments-Blue Diamond NV LLC David Pikoff	4945 Blue Diamond Road Suite # 120 Las Vegas, NV 89139	(725) 204-6738
Stretch Investments-Centennial NV LLC David Pikoff	8675 W. Rome Boulevard # 150 Las Vegas, NV 89149	(702) 268-7932
Go Stretch 1 LLC Leigh-Ann Draper	9809 W. Flamingo Road Suite 6 Las Vegas, NV 89147	(702) 330-0062
Stretch Reno LLC Alex Tirion	8175 S. Virginia Street Suite B350 Reno, NV 89511	(775) 900-0274

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Coastal Stretch LLC Michael Schradin	849 W. Bay Avenue Unit 12 Barnegat, NJ 08005	(609) 339-2707
STRETCHME Cherry Hill LLC Mark Auerbach	486 Evesham Road Suite 101 Cherry Hill, NJ 08003	(856) 685-7848
STRETCHME LLC* Mark Auerbach	1205 Tilton Road Northfield, NJ 08225	(609) 867-9182
SZ ABQ ALPHA, LLC Rob Salek and Erik Cala	6271 Riverside Plaza Lane Suite D-112A Albuquerque, NM 87120	(505) 318-0701
Stretch City LLC John Bladek	54 Crossing Boulevard Clifton Park, NY 12065	(315) 542-5098
Manhasset Stretch LLC* Ahmed Mohammad	981 Northern Boulevard Manhasset, NY 11030	(516) 600-0167
Union Square Stretch LLC David Ganjei and Ahmed Mohammad	134 5 th Avenue New York, NY 10011	(917) 780-4756
Woodbury Stretch LLC Ahmed Mohamed	8025 Jericho Turnpike Woodbury, NY 11797	516-699-2491
Trifecta Stretch LLC Judithe Andre	2038 Creekside Landing Drive Apex, NC 27502	(919) 267-4007
Trinity Stretch Chapel Hill LLC* Judithe Andre	604 Meadowmont Village Circle Chapel Hill, NC 27517	(919) 525-2507
Queen City Stretch LLC Joe Morrissey	10822 Providence Road # 200 Charlotte, NC 28277	(980) 262-3026
KFNF Corp. Karen and Keith Filter	20545 Torrence Chapel Road Unit B Cornelius, NC 28031	(704) 237-4700
Fighting Bear Stretch Greensboro LLC* Cynthia Duda	1310 Westover Terrace Unit 106 Greensboro, NC 27408	(336) 617-3074
Stretch of Greenville NC Inc. Susan Black and Terri Reiff	1909 E. Fire Tower Road Suite G Greenville, NC 27858	(252) 689-6691
SZ High Point LLC Landon Cheviron, Mike Carrier, and Alex White	5872 Samet Drive Unit 127 High Point, NC 27265	(336) 803-4082
Mooresville Stretch LLC Karen and Keith Filter	591 S. River Highway Mooresville, NC 28117	(704) 677-7656
Stretch All, Inc. Eric Cudal	3325 Rogers Road Suite 105 Wake Forest, NC 27587	(984) 235-4037

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Fighting Bear Stretch Winston LLC Chris Duda	205 South Stratford Road Winston Salem NC 27103	(336) 829-5909
RLSJ LLC Spencer Jacobs	1274 W. 5th Avenue Columbus, OH 43212	(614) 401-4200
RLSJ LLC Spencer Jacobs	3967 Presidential Parkway Powell, OH 43065	(614) 402 - 4176
STRETCHME Exton LLC Mark Auerbach	153 West Lincoln Highway Exton, PA 19341	(484) 872-8320
STRETCHME Feasterville LLC Mark Auerbach and Jason Abrams	124 East Street Road Feasterville, PA 10953	(215) 322-2418
STRETCHME Haverford LLC Mark Auerbach	379 West Lancaster Avenue Store # 14 Haverford, PA 19041	(610) 448-9900
STRETCHME Red Lion LLC Mark Auerbach	10050 Roosevelt Boulevard Unit 7 G Philadelphia, PA 19116	(215) 856 - 3658
STRETCHME Washington Ave LLC Mark Auerbach	2501 Washington Avenue Suite 102 Philadelphia, PA 19146	(267) 519-8892
STRETCHME Devon Village LLC Mark Auerbach	841 Lancaster Avenue Unit 845 Wayne, PA 19087	(484) 367-7344
Lowcountry Stretch, LLC Todd Blackwell	22 Plantation Park Drive Unit 102 Bluffton, SC 29910	(843) 706-3259
Clemson Stretch LLC* Karen and Keith Filter	133 Thomas Green Boulevard # 205B Clemson, SC 29631	(864) 643-0271
Carolina Stretch LLC* Ernie Teague	3000 Rosewood Drive Columbia, SC 29205	(803) 834-6124
Stretch 430 LLC Dan Johnston	1365 Broadcloth Street Suite 103 Fort Mill, SC 29715	(803) 548-0015
Greenville Stretch LLC* Karen and Keith Filter	67 Woodruff Industrial Lane, Suite 301 A Greenville, SC 29607	(864) 373-9044
GBJOE LLC Graham Greenlee	479 Bypass 72 NW Suite 103 Greenwood, SC 29649	(864) 531-5440
Lowcountry Stretch, LLC Todd Blackwell	1509 Main Street Hilton Head, SC 29926	(843) 715-9352
Carolina Stretch LLC Amy Kitching	5580 Sunset Boulevard Unit E Lexington SC 29072	(803) 399-8315

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Coleman Stretch LLC Brooke McCoy	320 W. Coleman Boulevard Suite # M Mt. Pleasant, SC 29464	(843) 388-3331
North Mt. Pleasant Stretch LLC Brooke McCoy	3381 S. Morgan Point Road Suite 505 Mt. Pleasant, SC 29466	(843) 388-3059
Stretch Myrtle Beach LLC William Sturm	7825 North King's Highway Myrtle Beach, SC 29572	(843) 808-9004
Stretch MB2 LLC William Sturm	651 Main Street North Myrtle Beach, SC 29582	(843) 663-3539
Stretch Old Hickory LLC Josh Travis and Rob Rhoads	710 Old Hickory Boulevard Suite 306 Brentwood, TN 37027	(615) 891-1600
Scenic City Stretch, LLC David Neff and Paul Weatherholt	419 N. Market Street Chattanooga, TN 37405	(423) 591-9663
Stretch Brentwood Inc. Terri Reiff	330 Mayfield Drive Suite C-9 Franklin, TN 37067	(615) 721-5190
Stretch Memphis LLC* Jonathan Boyd	2037 Exeter Road Suite 9 Germantown, TN 38138	(901) 480-8981
Johnson City Stretch LLC Kristy Dunn	3020 Franklin Terrace Johnson City, TN 37604	(423) 430-6869
Stretch Memphis LLC* Jonathan Boyd	5101 Sanderlin Avenue Suite 115 Memphis, TN 38137	(901) 207-2553
Stretch Murfreesboro LLC Josh Travis and Rob Rhoads	1144 Fortress Boulevard Suite G Murfreesboro, TN 37128	(615) 900-3290
JLS Heights LLC Joslin Sansom	204 Central Expressway S Suite 11 Allen, TX 75013	(214) 785-7028
Big Stretch Four Points LLC Tab Barker	7301 North FM 620 Suite 115 Austin, TX 78730	(512) 992-0415
SZ Circle C LLC Thomas Barker	4220 W. William Cannon Drive Suite 130 Austin, TX 78749	(512) 300-0619
Semper Gumby LLC* Seth Parker	4843 Colleyville Boulevard Suite 201 Colleyville, TX 76034	(561) 465-3730
Catch A Stretch, LLC Ichan Stall	110 W. Sandy Lake Road Unit 124 Coppell, TX 75019	(469) 506-1717

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
SZ Kerr, LLC-Corpus Christi Series* Mike Krause	4938 S. Staples Street Suite C-11 Corpus Christi, TX 78412	(361) 452-0007
SZ Preston LLC Michelle Sepulveda	8307 Preston Road Dallas, TX 75225	(214) 396-3989
SZ Stretch Four LLC Michelle Sepulveda	6959 Arapaho Road Suite 113 Dallas, TX 75248	(214) 396-9344
Inertia Health and Wellness LLC Kent Miller	5850 N. Mesa Street El Paso, TX 79912	(915) 493-8685
Inertia Health and Wellness, LLC Kent Miller	1605 George Dieter Drive # 306 El Paso, TX 79936	(915) 493-8685
Catch A Stretch LLC Ichan Stall	6101 Long Prairie Road Suite 748 Flower Mound, TX 75028	(972) 928-9488
SZ Stretch Five LLC Michelle Sepulveda	5730 Lebanon Road Frisco, TX 75034	(972) 787-0043
SZ GCS, LLC Dean Allen	1240 William D. Tate Avenue Grapevine, TX 76051	(817) 722-6150
SHM Holdings, Inc. Helen Martin Scott Harrick	9630 Westheimer Road Suite 800 Houston, TX 77063	(832) 831-3946
SHM Holdings, Inc. Helen Martin Scott Harrick	1860 Fountain View Drive Houston, TX 77057	(832) 804-9876
SHM Advisors Inc. Roy Switzer	10850 Louetta Road Suite 300 Houston, TX 77070	(832) 639-8826
SZ Kerr LLC* Mike Krause	317 Sidney Baker Street S. Suite 500 Kerrville, TX 78028	(830) 377-3206
Big Stretch – Lakeway LLC Tab Barker	2009 Main Street # 300 Lakeway, TX 78734	(512) 368-5099
Small Village Stretch LLC Christine Tanner	8222 Agora Parkway Suite 108 Live Oak, TX 78233	(210) 272-0033
4D Stretch LLC Chris Davis	3415 N. Loop 250 W Suite 304 Midland, TX 79707	(432) 360-2207
SZ Plano LLC Michelle Sepulveda	5809 Preston Road # 586 Plano, TX 75093	(972) 797-9663

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Stretch Assistance, LLC Xiomara Thomas	11619 Bandera Road Suite 104 San Antonio, TX 78250	(210) 998-2001
Stretch Relief at Lincoln Heights, SA, LLC Kathryn Comfort	999 E. Basse Road Suite 196 San Antonio, TX 78209	(210) 267-5487
Stretch Relief SA LLC Kathryn Comfort	946 North Loop 1604 W. Suite 150 San Antonio, TX 78232	(210) 369-9888
Full Life SA LLC Jennifer Steger	23110 W. IH-10 Suite 207 San Antonio, TX 78257	(210) 698-7725
Full Life 281, LLC Jennifer Steger	3111 TPC Parkway Suite 104 San Antonio, TX 78259	(210) 757-3379
Allen Chiropractic LLC Dean Allen	405 North Carroll Avenue Southlake, TX 76092	(817)612-1666
Stretch Relief Tyler LLC Kathryn Comfort	130 E. Ninth Street Tyler, TX 75701	(903) 630-3782
Big Stretch – Westlake LLC Tab Barker	701 South Capital of Texas Highway Suite F630 West Lake Hills, TX 78746	(512) 294-2390
StretchCenterville, LLC Doug Gillespie	330 N. Marketplace Drive Suite B800 Centerville, UT 84014	(360) 910-3413
StretchEmigration, LLC Richard Gillespie	1844 E. Fort Union Boulevard Suite 7 Cottonwood Heights, UT 84121	(801) 679-1655
StretchOlympus LLC Richard Gillespie	196 West 12300 South Suite 102 Draper, UT 84020	(801) 251-0791
Stretch Zion, LLC Doug Gillespie	1165 S. State Street Orem, UT 84097	(385) 375-2900
StretchEnsign LLC* Richard Gillespie	1440 S. Foothill Drive Suite 160 Salt Lake City, UT 84108	(385) 270-5865
Stretch Ashburn LLC David Drykerman	44050 Ashburn Shopping Plaza # 171 Ashburn, VA 20147	(703) 721-8401
SZ Reston, LLC David Drykerman	1468 North Point Village Center Reston, VA 20194	(703) 822-5296

Name of Franchisee	Address of Franchise Business	Telephone Number of Franchise Business
Stretch Washington LLC* Michelle Ginn	19111 Southeast 34th Street # 105 Vancouver, WA 98683	(360) 984-3636
Stretch Jones, LLC Andrew Jones	3440 W College Avenue Appleton WI 54914	(920) 903-1255
ROM Brookfield LLC Beckie and Tony Kaczkowski	95 N. Moorland Road Unit E5 Brookfield, WI 53005	(262) 794-3462
ROM Delafield LLC Beckie and Tony Kaczkowski	3272 Gold Road Unit A Delafield, WI 53018	(262) 303-4032
ROM Glendale, LLC Beckie and Tony Kaczkowski	385 W. Fountainview Drive Suite F-120 Glendale, WI 53217	(414) 321-7027
ROM Madison LLC Beckie and Tony Kaczkowski	114 West Towne Mall Suite C-60 Madison, WI 53719	(608) 824-2098
ROM M Falls LLC Beckie and Tony Kaczkowski	W176 N 9356 Rivercrest Drive Unit 200 Menomonee Falls, WI 53051	(262) 293-3519
ROM Oak Creek LLC Beckie Kaczkowski	8907 S. Howell Avenue Unit 100 Oak Creek, WI 53154	(414) 301-4950

FRANCHISES EXECUTED BUT NOT YET OPERATIONAL

The following are the names, states and cities where franchises are to be located and business telephone numbers or e-mail addresses of the 60 Franchise Businesses in the United States as of December 31, 2022 that are not yet operational but have signed a Franchise Agreement:

Name of Franchisee	State and City Where Franchise Is To Be Located	Business Telephone Number or E-mail Address of Franchisee
Susan Black	Daphne, Alabama	(404) 401-1441
Mary Lawrence	Decatur, Alabama	(256) 755-1008
Deborah Ashley and David Throckmorton	Redondo Beach, California	(305)283-2543
Denise Mehr *	Santa Rosa, California	(707) 508-5260
Amy and Seth Nehrke	Cherry Creek, Colorado	(954) 547-4784
SZ Kerr LLC * Mike and Jeana Krause	Colorado Springs, Colorado	(830) 377-2588
RNR Stretch Bonita LLC * Phil Chun	Bonita Springs, Florida	(305) 885-3493

Name of Franchisee	State and City Where Franchise Is To Be Located	Business Telephone Number or E-mail Address of Franchisee
Pinnacle Wellness Coral Springs, LLC Josh Thanos and Ryan Mancebo	Coral Springs, Florida	(954) 610-9264
Martiny LLC * Lynn Domenech	Gainesville, Florida	(352) 316-5510
SZ High Point LLC Landon Cheviron and Mike Carrier	Lake Mary, Florida	(336) 899-5022
SZCELEPOPP LLC Kevin and Bethany Poppenberg	Lake Nona, Florida	(407) 803-3493
Adrian Garcia and Evelyn Allende	Miami, Florida	(305) 218-8380
Stretch 24 LLC Sachin Kumar, Andrew Stuart and Alina Pitsika	Pinecrest, Florida	(786) 842-5210
Bastian Enterprises LLC * Helen and John Bastian	Saint Augustine North, Florida	(404) 630-6943
Stretch Sarasota LLC Maria Alcalá	Sarasota, Florida	(941) 345-9986
Sean Fransk *	Sun City, Florida	(813) 390-1600
Stretch Trinity David Zamikoff	Trinity, Florida	(941) 232-3333
Ben Kleiman	Winter Garden, Florida	(484) 620-9693
Terri Reiff	Canton, Georgia	(404) 386-9121
Paul Weatherholt	Dawsonville, Georgia	(407) 616-7596
Richard Yarbrough*	Macon, Georgia	(478) 747-5341
James Li and Regan Young	Orchard, Idaho	(408)981-8187
FlexZone, Inc * Waqas Abbasi	Geneva, Illinois	(616) 654-5750
FlexZone, Inc * Waqas Abbasi	Hoffman Estates, Illinois	(616) 654-5750
FlexZone, Inc * Waqas Abbasi	Lincolnshire, Illinois	(616) 654- 5750
James Hammond	Bloomington, Indiana	(843) 384-7808
Joe Magretti and Devon Magretti *	Annapolis, Maryland	(410) 693-8162
Gregory Vaslet	Seekonk, Massachusetts	(401) 265-7600
CPA Enterprises LLC * Charles Arakelian	Seugus, Massachusetts	(617) 777-7000
Nathan Johnston and Ryanne Johnston	Kalamazoo, Michigan	(517) 206-3405
Corey and Carter Welchlin *	Woodbury, Minnesota	(507) 399-9862
Stephen Boyd and John Shaw	Colony Crossing, Mississippi	(901) 461-8689
KBIZ Inc * Kelly Harrick	Brookside, Missouri	(913) 620-3284

Name of Franchisee	State and City Where Franchise Is To Be Located	Business Telephone Number or E-mail Address of Franchisee
Stretch Reno LLC Alex Tirion	Northwest Reno, Nevada	(415) 606-1308
Houssam Nasser	Franklin Lakes, New Jersey	(347) 419-6737
Stretch Ventures LLC Javier Valencia	Montvale, New Jersey	(678) 451-7979
John Bladdek *	Delmar, New York	(315) 542-5098
SZ High Point LLC * Landon Cheviron and Mike Carrier	Cary, North Carolina	(336) 899-5022
Carolina Stretch LLC * Tara Teague and Amy Klare	Gastonia, North Carolina	(803) 834-6124
Margaret Edwards *	Wilmington, North Carolina	(919) 344-9199
Frances Lynch and Melissa McClellan *	Gaillardia, Oklahoma	(970) 581-1221
Beaverton SZ LLC* Michelle Ginn	Beaverton, Oregon	(760) 815-0369
Jay Hopson and Chad McManamon *	Bend, Oregon	(503) 957-8980
Jay Hopson and Chad McManamon *	Irvington, Oregon	(503) 957-8980
StretchME Upper Dublin LLC Mark Auerbach and Jason Abrams	Dublin, Pennsylvania	(610) 724-7204
Brandy and Graham Greenlee	Anderson, South Carolina	(864) 940-8587
William Sturm	Coventry Place, South Carolina	(843) 338-1730
Scott and Heidi Burkett	Florence, South Carolina	(803) 983-0408
Brooke McCoy	Summerville, South Carolina	(843) 534-3146
Scott Burkett	Sumter, South Carolina	(803) 983-0408
Stretch Bellevue LLC * Rob Rhoads and Josh Travis	Bellevue, Tennessee	(843) 819-0519
Terri Reiff	Thompson Station, Tennessee	(404)386-9121
The Salt Haven LLC Garnett Brooks	Conroe, Texas	(915) 539-0171
Michelle Sepulveda	Lakewood, Texas	(713) 962-1944
T & D Endeavors LLC Tracy Ankenman	Pearland, Texas	(281) 216-6133
Brenda Sansom	Rockwall, Texas	(972) 281-9330
Heath Gaedke Jones	Waco South, Texas	(254) 716-2095
McReynolds Solutions Inc. Amber McReynolds	Waxahachie, Texas	(559) 261-5751
Deanna and Ram Mahanand *	Manassas, Virginia	(301) 370-8024
Andrew and Jennifer Jones	Green Bay, Wisconsin	(608) 359-0120

* Area Developer

FORMER FRANCHISEES.

The following are the names, last known cities and states, and current business telephone numbers or cell numbers of the -0- Franchisees in the United States that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year (since January 1, 2022) or who have not communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document:

NONE

TRANSFERRED FRANCHISES

The following are the names, last known home addresses and home telephone or cell numbers of the -29- Franchisees in the United States that have sold their Franchise to another during the most recently completed fiscal year (since January 1, 2022) and until the effective date of this Franchise Disclosure Document:

Name of Transferor/Former Franchisee	City and State	Current Business Telephone Number or Last Known Cell or Home Telephone Number
Tuscaloosa Stretch LLC	Tuscaloosa, Alabama	(205) 242-3642
SZ Horizon LLC	Horizon, Arizona	(859) 582-4300
SZ Longbow LLC	Longbow, Arizona	(859) 582-4300
Encinitas SZ LLC	Encinitas, California	(424)903-5990
Boca Stretch LLC	Boca Raton, Florida	(561) 313-8757
Boynton Stretch LLC	Boynton Beach, Florida	(561) 313-8757
Stretch Coral Gables LLC	Coral Gables, Florida	(788) 234-7246
Delray Stretch LLC	Delray Beach, Florida	(561) 313-8757
Stretch Doctor Doral P.A.	Doral, Florida	(305) 218-8380
SZ North Federal LLC	Fort Lauderdale, Florida	(859) 582-4300
Lighthouse Stretch LLC	Lighthouse Point, Florida	(561) 313-8757
Stretch Sobe LLC	Miami Beach, Florida	(305) 218-8380
SZ Palmetto, LLC	Palmetto, Florida	(859) 582-4300
HMJBSWII, LLC	Vero Beach, Florida	(772) 349-8780
Stretch of Acworth Inc	Acworth, Georgia	(401) 401-1441
Stretch of Johns Creek LLC	Johns Creek, Georgia	(401) 401-1441
Stretch of Kennesaw LLC	Kennesaw, Georgia	(401) 401-1441
Stretch of Roswell LLC	Roswell, Georgia	(401) 401-1441
Stretch of Roswell LLC	Woodstock, Georgia	(401) 401-1441
M&S Stretch Enterprises LLC	Chesterfield, Missouri	(610) 574-9885
Stretch Bluffton LLC	Bluffton, South Carolina	(404) 386-9121
Stretch Hilton Head LLC	Hilton Head, South Carolina	(404) 386-9121
The Giving Tree LLC	El Paso West, Texas	(915) 539-0171
The Salt Haven LLC	El Paso, Texas	(915)539-0171

Name of Transferor/Former Franchisee	City and State	Current Business Telephone Number or Last Known Cell or Home Telephone Number
Stretch Investments – Four Points, LLC	Four Points, Texas	(512) 589-9477
Stretch Investments- Georgetown, LLC	Georgetown, Texas	(512) 589-9477
Stretch Holdings of Texas LLC	Lakeway, Texas	(512)589-9477
SZ Vintage LLC	Vintage, Texas	(859) 582-4300
Stretch Investments – Westlake, LLC	West Lake, Texas	(512) 589-9477

YOUR CONTACT INFORMATION

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

EXHIBIT M - FINANCIAL STATEMENTS

Attached are:

1. Unaudited¹ Balance Sheet dated May 31, 2023 and Unaudited¹ Profit and Loss Statement for the 5-month period from January 1, 2023 to May 31, 2023; and
2. Audited financial statements for fiscal years ending December 31, 2022, December 31, 2021 and December 31, 2020.

¹ **THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

Our fiscal year ends December 31.

Stretch Zone Franchising, LLC
Balance Sheet
As of May 31, 2023

	<u>May 31, 23</u>
ASSETS	
Current Assets	1,968,251.96
Fixed Assets	34,966.16
Other Assets	152,888,155.64
TOTAL ASSETS	<u>154,891,373.76</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	279,845.55
Long Term Liabilities	
ADA	3,518,987.50
Debt Discount	-972,564.00
Deferred Revenue	10,563,669.41
Lease Liability	632,058.00
LT Debt (Term Loan)	40,000,000.00
Total Long Term Liabilities	<u>53,742,150.91</u>
Total Liabilities	54,021,996.46
Equity	<u>100,869,377.30</u>
TOTAL LIABILITIES & EQUITY	<u>154,891,373.76</u>

Stretch Zone Franchising, LLC

Profit & Loss

07/25/23

January through May 2023

Accrual Basis

	<u>Jan - May 23</u>
Ordinary Income/Expense	
Income	
Billable Expense Income	0.00
Club Ready - Royalties	2,446,728.83
Franchise Fee	486,098.54
Media Fund	828,019.95
Miscellaneous Income	250.00
Rebate Income	2,480.00
SCORE Audit Program	50,500.00
Store FAD Revenue	147,226.26
Technology Fee	369,920.00
Training SZ	185,983.34
Total Income	<u>4,517,206.92</u>
Cost of Goods Sold	<u>134,603.63</u>
Gross Profit	4,382,603.29
Expense	
(A) Other G&A	1,483,307.68
Advertising & Marketing	1,012,800.55
Bank Charges	0.00
Charitable Contributions	3,750.00
Commission - MIA	154.16
Dues & Subscriptions	17,682.49
FAC Expenses	25,142.83
Insurance	103,090.84
Interest Expense	811,279.70
Legal & Professional Fees	207,120.69
Meals and Entertainment	14,237.63
Office Equipment	6,806.21
Office Expenses	3,322.57
Office Supplies	14,216.98
Other General and Admin Expense	11,266.51
Payroll Expenses	82,752.06
Payroll Service	14,177.80
Payroll Taxes	95,064.29
Real Estate Discovery	12,500.00
Reimbursable Zee Expense	260,287.96
Rent or Lease	89,126.20
Repair & Maintenance	688.20
Shipping, Delivery and Postage	9,975.40
Taxes & Licenses	2,375.00
Travel	2,754.15
Utilities	5,181.65
Website	156,361.57
Total Expense	<u>4,445,423.12</u>
Net Ordinary Income	<u>-62,819.83</u>
Net Income	<u><u>-62,819.83</u></u>

EISNERAMPER

STRETCH ZONE FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



STRETCH ZONE FRANCHISING, LLC

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INDEPENDENT AUDITORS' REPORT

To the Member of Stretch Zone Franchising, LLC:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stretch Zone Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in member's deficit, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stretch Zone Franchising, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note G to the financial statements, in 2022, the Company adopted new accounting guidance for lease accounting in accordance with Accounting Standards Codification Topic 842, *Leases*. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
April 28, 2023



STRETCH ZONE FRANCHISING, LLC

Balance Sheets

	Year Ended December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash	\$ 6,160,442	\$ 3,230,237
Accounts receivable	639,602	153,798
Furniture inventory	51,091	-
Due from related parties	48,182	15,561
Contract asset	3,700	-
Celebrity endorsement and marketing, net	106,650	106,650
Prepaid expenses	55,276	78,000
Total current assets	7,064,943	3,584,246
Property and equipment, net	34,966	9,117
Celebrity endorsement and marketing, net, long-term	213,300	319,950
Contract asset, long-term	29,600	-
Right of use assets, net	780,911	-
Security deposits	36,155	36,155
Total assets	\$ 8,159,875	\$ 3,949,468
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities:		
Accounts payable	\$ 401,780	\$ 402,409
Accrued expenses	9,424	8,887
Deferred revenue, current	1,395,170	836,154
Due to related party	11,021	2,489
Lease liabilities, current	161,310	-
UAR liability	17,897,523	-
Total current liabilities	19,876,228	1,249,939
Lease liabilities, long-term	687,811	-
Deferred rent, long-term	-	44,620
Deferred revenue, long-term	11,438,985	6,980,525
Total liabilities	32,003,024	8,275,084
Commitments and contingencies (Note H)		
Member's deficit	(23,843,149)	(4,325,616)
Total liabilities and member's deficit	\$ 8,159,875	\$ 3,949,468

The accompanying notes are an integral part of these financial statements

STRETCH ZONE FRANCHISING, LLC

Statement of Operations

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
Revenues:		
Royalties	\$ 4,723,154	\$ 2,644,508
Franchise and ADA fees	911,918	428,078
Media fund	1,497,709	803,371
Equipment	364,423	212,283
Training	352,917	237,700
Technology	611,550	198,250
Miscellaneous	128,862	66,306
	<u>8,590,533</u>	<u>4,590,496</u>
Total revenues		
	<u>8,590,533</u>	<u>4,590,496</u>
Operating expenses	<u>7,690,543</u>	<u>4,832,218</u>
Other income (expense):		
Forgiveness of PPP loan	-	221,808
UAR expense	(17,897,523)	-
	<u>(17,897,523)</u>	<u>221,808</u>
Total other (expense) income		
	<u>(17,897,523)</u>	<u>221,808</u>
Net loss	<u>\$ (16,997,533)</u>	<u>\$ (19,914)</u>

The accompanying notes are an integral part of these financial statements

STRETCH ZONE FRANCHISING, LLC

Statements of Changes in Member's Deficit Years Ended December 31, 2022

Member's deficit, January 1, 2021	\$ (2,896,454)
Net loss	(19,914)
Distributions to member	<u>(1,409,248)</u>
Member's deficit, December 31, 2021	(4,325,616)
Net loss	(16,997,533)
Distributions to members	<u>(2,520,000)</u>
Member's deficit, December 31, 2022	<u><u>\$ (23,843,149)</u></u>

STRETCH ZONE FRANCHISING, LLC

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (16,997,533)	\$ (19,914)
Reconciliation of net loss to net cash provided by operating activities:		
Depreciation expense	6,531	2,533
Bad debt expense	8,351	14,373
Amortization of celebrity endorsement	106,650	106,650
Amortization of contract asset	3,700	-
Forgiveness of PPP loan	-	(221,808)
Amortization of operating lease right-of use asset	158,817	-
UAR liability	17,897,523	-
(Increase) decrease in:		
Accounts receivable	(494,155)	7,837
Contract asset	(37,000)	-
Due from/to related party, net	(24,089)	(44,563)
Furniture inventory	(51,091)	-
Prepaid expenses	22,724	(67,884)
Security deposit	-	(30,623)
Increase (decrease) in:		
Accounts payable	(629)	202,259
Accrued expenses	537	(11,090)
Deferred revenue	5,017,476	4,230,150
Operating lease liability	(135,227)	-
Deferred rent	-	41,405
	<u>5,482,585</u>	<u>4,209,325</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Property and equipment purchases	<u>(32,380)</u>	<u>(6,305)</u>
Net cash used in investing activities	<u>(32,380)</u>	<u>(6,305)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	-	221,808
Distributions to member	<u>(2,520,000)</u>	<u>(1,409,248)</u>
Net cash used in financing activities	<u>(2,520,000)</u>	<u>(1,187,440)</u>
Net increase in cash	2,930,205	3,015,580
Cash, beginning of year	<u>3,230,237</u>	<u>214,657</u>
Cash, end of year	\$ <u>6,160,442</u>	\$ <u>3,230,237</u>
Franchise and area development agreements issued for celebrity endorsements/marketing	\$ -	\$ 533,250
Celebrity endorsement issued for franchise and area development agreements/marketing	\$ -	\$ (533,250)

The accompanying notes are an integral part of these financial statements

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - NATURE OF BUSINESS

The accompanying financial statements include the accounts of Stretch Zone Franchising, LLC (the "Company"). The Company is a wholly owned subsidiary of Stretch Zone Holdings, LLC (the "Parent"). The Company was organized on November 15, 2015, in the state of Florida. The Company's only business is to offer and sell franchises under the Stretch Zone name and to provide support to its health clubs across the United States.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[3] Accounts receivable:

The Company's accounts receivable is recorded at amounts billed to customers, net of allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of probable credit losses in the Company's existing accounts receivable. Accounts are written off when they are deemed uncollectible. As of December 31, 2022 and 2021, the allowance for doubtful accounts amounted to \$0. As of December 31, 2020, accounts receivable amounted to \$176,008.

[4] Furniture inventory:

The Company's furniture inventory is recorded at cost on first in first out basis. Costs of furniture inventory includes all costs incurred, including inbound freight. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and non-sellable inventory and records the necessary provision to reduce such inventory to net realizable value. Any provision is recorded in operating expenses. No provision expense was recorded for the year ended December 31, 2022. There was no inventory at December 31, 2021.

[5] Property and equipment:

Furniture and fixtures are stated at cost, less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful life of the assets of 60 to 84 months. Maintenance and repairs are expensed as incurred.

[6] Leases:

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") No. 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the standard using the Effective Date Method. Under this method, the Company recognized and measured lease assets and liabilities existing at January 1, 2022 (the beginning of the period of adoption), with certain practical expedients available.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Leases: (continued)

In calculating the related lease liabilities at the time of adoption, the Company utilized historical experience when determining the noncancellable portion of the lease term and elected to use the risk-free rate as the discount rate. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC No. 840. The impact of the adoption of ASC No. 842 on the financial statements is further discussed within Note G.

The Company determines if an arrangement is a lease at inception.

Operating leases are recorded as operating lease ROU assets and operating lease liabilities (current portion and long-term portion) on the accompanying balance sheet. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

[7] Concentrations:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. At times such deposits may be in excess of the FDIC insurance limit. As of December 31, 2022, the Company had \$5.65 million over the stated FDIC insured limit.

The credit risk associated with trade receivables is mitigated due to a large number of customers, generally the Company's franchisees, and their broad dispersion over many different geographic areas. The Company had a concentration with respect to one franchise group which comprised 16% of total revenues for the year ended December 31, 2021 (see Note F). For the year ended December 31, 2022, there was no concentration above 10% of revenues or accounts receivable.

While the Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores from one equipment vendor, they believe other vendors would be available.

[8] Income taxes:

The Company is a limited liability company. The Company is treated as a disregarded entity for income tax purposes, and, as a result, its taxable results are included in the tax return of its Parent. Accordingly, no provision for federal or state income taxes is reflected in the financial statements.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest and penalties on any income tax liability would be reported as income tax expense. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition:

The Company accounts for revenue under FASB ASC Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), and ASC Subtopic 952-605, *Franchisors - Revenue Recognition*.

The Company's revenues are comprised of franchise revenue, equipment sales, training fees, media fund, and other miscellaneous revenue.

Franchise Fees:

Franchise fees consist primarily of initial and successor franchise fees and upfront fees from area development agreements ("ADAs") and transfer fees.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property. As all other services the Company provides under the ADA and franchise agreement are highly interrelated, they are therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use its intellectual property over the term of each franchise agreement.

Royalties:

Royalties are calculated as a percentage of franchise weekly fees over the term of the franchise agreement. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The Company's franchise royalties represent sales-based royalties that are related entirely to its performance obligation under the franchise agreement and are recognized as franchise sales occur.

Additionally, under ASC 606, initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee for the first franchise agreement and half of the initial franchise fee for any subsequent franchise agreements. The Company may pay a commission under an area representative agreement that is amortized straight-line over the term of the respective franchise agreement.

Training Fees:

The Company provides training to franchisees in addition to the initial training included in the franchise agreement upon request. The Company bills training per person per day. Revenue is recognized upon completion of the training.

Media Funds:

During 2021, the Company established a Media Fund. The Company uses the media funds to create various advertising, marketing and promotional materials deemed beneficial. Media Fund revenue is recognized as a percentage of gross sales and is recognized as received throughout the year from the franchisees. An initial amount of \$500 per franchise was required to start the fund and is included in the Deferred Revenue as discussed below.

Equipment Sales:

Equipment revenue consists of the sale of furniture. Equipment revenue is recognized upon transfer of control of the ordered items, generally upon shipment to each store. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in these transactions.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

Management determined the Company to be the principal because the Company is the primary obligor as it has latitude in establishing prices for the equipment sales to franchisees, takes inventory risk, the Company has supplier selection discretion, and is involved in the determination of product specifications, and the Company bears all credit risk associated with obligations to the equipment manufacturers.

The related cost of the equipment is recorded in operating expenses which amounted to \$346,652 and \$165,721 for the years ended December 31, 2022 and 2021, respectively.

Technology Fees:

The Company provides various technology solutions to franchisees in addition to the initial technology implementation included in the franchise agreement, the Company provides ongoing support to the franchisees. Revenues for these services are recognized when provided.

Disaggregated revenues:

For the years ended December 31, 2022 and 2021, respectively, \$7,067,555 and \$3,958,357 of revenues represent performance obligations that were satisfied at a point in time, and \$1,522,978 and \$632,139 of revenues represent performance obligations that were satisfied over time.

[10] Deferred revenue:

Deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees and the initial media fund fee, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deferred revenue represents cash received from franchisees for ADAs and franchise fees for which revenue recognition criteria have not yet been met. As of December 31, 2020, deferred revenue amounted to \$3,053,279.

[11] Unit appreciation rights ("UAR") plan:

The Company has elected to account for unit appreciation rights ("UAR") using the intrinsic value under ASC Topic 718, *Stock-Based Compensation*, and has determined that the awards are liabilities as they can only be settled in cash. Therefore, the intrinsic value is remeasured annually and the liability is adjusted for the vested portion of the awards.

[12] Newly adopted accounting pronouncements:

The Company implemented ASC No. 842 effective January 1, 2022, prospectively. The standard had a material impact on the Company's balance sheets but did not have an impact on its statements of operations, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for operating leases remained substantially unchanged.

[13] Accounting pronouncements to be adopted:

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires the immediate recognition of estimated credit losses that are expected to occur over the life of many financial assets, such as accounts receivable. The new model referred to as the current expected credit losses ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Accounting pronouncements to be adopted: (continued)

This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees, and net investments in leases, as well as trade receivables. Topic 326 is effective for the Company on January 1, 2023. The Company is assessing the impact that ASU 2016-13 will have on the financial statements.

The Company has also evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

[14] Reclassification:

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 50,985	\$ 18,605
Less: accumulated depreciation	<u>(16,019)</u>	<u>(9,488)</u>
	<u>\$ 34,966</u>	<u>\$ 9,117</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$6,531 and \$2,533, respectively.

NOTE D - DEBT OBLIGATIONS

The Company secured a loan through the Paycheck Protection Program ("PPP") that originated from the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This program provided 100 percent federally guaranteed loans with the ability to have all, or a portion of the balance forgiven if the loans are used directly for payroll, rent, and utilities, as defined. In March 2021, the Company received a PPP loan from the CARES Act for \$221,808, which was forgiven in August 2021. The Small Business Administration ("SBA") reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain the PPP loan documentation for six years after the PPP loan was forgiven or repaid in full, and to provide that documentation to the SBA upon request.

NOTE E - CONTRACT ASSETS AND LIABILITIES

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. The Company classified these contract liabilities as deferred revenue in its balance sheet based on its best estimate of when the underlying revenue will be recognized. Contract assets represent commissions paid to an agent of the Company for franchise agreements. Contract asset amortization is classified as commission expense for the years ended December 31, 2022, 2021, and 2020 of \$3,700, \$0, and \$0, respectively.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE F - RELATED PARTY TRANSACTIONS

The Company earns revenues for royalties, training, equipment sales, and other franchise-related transactions from certain franchise stores that are owned by the Parent. Revenues for the years ended December 31, 2022 and 2021 include \$81,323 and \$82,524, respectively, from these stores. Total payments received from these franchises during the years ended December 31, 2022 and 2021 totaled \$69,366 and \$87,475, respectively, and \$13,156 and \$1,200 was receivable from these franchises as of December 31, 2022 and 2021, respectively, and is included in due from related parties on the accompanying balance sheets. During 2021, two stores were sold and are no longer owned by the Parent.

During the fiscal year ended December 31, 2019, the Company received \$50,100 in advances from one of the Parent's members which were non-interest bearing and have no repayment terms. These advances were outstanding as of December 31, 2020. These advances were repaid in full on April 21, 2021.

In January 2021, the Parent added three board members that are franchise holders who they considered influential to the business. The total revenues from these three board members franchises were \$1,217,869, deferred revenues totaled \$713,208, and amounts totaling \$33,399 were included in due from related parties at December 31, 2022 and for the year then ended. The total revenues from the three board members franchises was \$622,033, deferred revenues totaled \$345,291 and accounts receivable due from these board members franchises totaled \$4,698 for the year ended December 31, 2021.

In January 2021, the Company entered into an agreement with a board member whereby a celebrity endorsement contract was established for a term of four years with the ability for the Company to use the celebrity's likeness for an additional twelve months. The celebrity also received a board of directors' position in January 2021. The agreement calls for annual payments relating to increased royalty revenue, with a minimum payment for year one of \$200,000. The Company paid \$725,013 and \$315,646 for the years ended December 31, 2022 and 2021, respectively. The agreement also enabled the celebrity to open up to 20 stores valued at \$533,250, under a consolidated area development agreement, encompassing three development areas at December 31, 2021. The Company determined the value of the 20 stores based on its current arrangements with third-party entities and recorded an asset, celebrity endorsement, and an offsetting deferred revenue for \$533,250. The celebrity endorsement asset is being amortized on a straight-line basis over five years, whereas the deferred revenue is being recognized as revenue ratably upon each store opening. During 2022, the celebrity opened an additional seven stores resulting in revenue on the 12 stores of \$303,988 and a remaining deferred revenue of \$213,300 for nine franchise locations. During 2021, the celebrity opened five stores resulting in revenue of \$133,312 and a remaining deferred revenue of \$399,938 for 15 franchise locations. These franchise locations paid the Company \$303,988 and \$100,582 in total revenue in 2022 and 2021 and there is \$0 and \$6,339 in accounts receivable at December 31, 2022 and 2021, respectively. The amortization of the Celebrity Endorsement was \$106,650 for the year ended December 31, 2022 and 2021, respectively. The Company also issued 100,000 unit appreciation rights to the celebrity in December 2021. As of December 31, 2021, the plan is not required to be funded and is contingent upon a change in control or appreciation in intrinsic value, neither of which has occurred, as such, no liability was recorded. As of December 31, 2022, based on the appreciation in intrinsic value along with the probability of a change in control, which occurred on March 31, 2023 with the sale of the Company described in more detail in Note K, the Company recorded a liability due to the unit appreciation rights to the celebrity of \$12,256,470.

The Company also entered into an agreement in 2021 with a group in Miami, Florida, that is the Company's sole agent to secure franchise agreements within this area. The agreement requires the group to provide training and services or facilitate the services, in exchange for their commissions, for which the group also received an area development agreement to open five locations at no cost. The group opened one location as of December 31, 2022. The value of these locations was determined to be zero, based on the services provided in exchange for the locations.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE G - LEASE COMMITMENTS

In March 2021, the Company commenced a non-cancelable operating lease for office space and a training facility for ninety-one months terminating in 2028. The Company is required to pay a proportionate share of the landlord's operating expenses. Rent for the facility commenced on May 1, 2021 for a total of \$9,873 a month with stated annual increases of approximately three percent, with rent concessions of \$6,037 a month for the first twelve months, \$6,218 for the thirteenth month and \$1,133 a month for an additional thirteen months. The Company also recognized on January 1, 2022 an operating lease liability of \$826,511, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 1.45%, and a right-of-use asset of \$781,891, which represents the operating lease liability of \$826,511 adjusted for deferred rent of \$44,620.

The Company is a party to a lease for the franchise that they acquired and sold in 2020 from a former franchise owner. The franchise location has a five-year lease with the landlord which they have subleased to the franchise owner effective August 2020, on a month-to-month agreement based on the contractual amount plus sales tax and common area maintenance due to the landlord. The lease agreement was signed on February 27, 2020 with a term of five years, starting at \$4,075, plus taxes and common areas maintenance with a three percent rent increase on an annual basis. The Company recognized a right-of-use asset of \$157,837, and an operating lease liability of \$157,837, discounted using the risk-free rate of 0.88% related to the franchise location.

The weighted average years outstanding on the remaining leases at December 31, 2022 is 5.45 years. The weighted average discount rate of the remaining leases at December 31, 2022 is 1.38%.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 170,540
2024	182,660
2025	140,899
2026	135,678
2027	139,748
Thereafter	<u>131,798</u>
Total future minimum lease payments	<u>901,323</u>
Amount representing interest	<u>(52,202)</u>
Present value of net future minimum lease payments	<u>\$ 849,121</u>

Future minimum lease payments under the sublease with the franchise discussed above are as follows:

<u>Year Ending December 31,</u>	
2023	\$ (53,184)
2024	(54,777)
2025	<u>(9,174)</u>
	<u>\$ (117,135)</u>

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE G - LEASE COMMITMENTS (CONTINUED)

Cash paid for amounts related to operating leases during 2022 are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>139,499</u>

Total lease expense for the years ended December 31, 2022 and 2021 was \$183,543 and \$134,219, net of \$54,000 and \$60,000 of sublease revenue, respectively.

NOTE H - COMMITMENTS AND CONTINGENCIES

In 2020 the Parent settled the case of Michael S. Bush (“Bush”) v. Jordan Gold (“Gold”); Bonnie Lane; and Stretch Zone Holdings, LLC, a Florida limited liability company. Pursuant to the terms of the settlement, the Parent made an initial payment in exchange for Bush’s equity ownership of the Parent before the end of the fiscal year of 2020. The settlement also requires additional payments in varying amounts through December 2023 by the Parent or Gold.

At December 31, 2021, the Parent and Gold have made all required payments under the settlement agreement. All required payments have been made at March 2, 2023 by Gold and the Parent.

The Company is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, other than disclosed above, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

NOTE I - UNIT APPRECIATION RIGHTS LIABILITY

On December 28, 2021, the Company adopted a unit appreciation rights plan. The plan provides the right to receive payment in cash based upon varying vesting schedules and only upon a change in control, as defined. The payment is determined upon the fair value appreciation of these rights, as defined, from the date of issue to the date of conversion, and the awards expire upon termination of continuous service, as defined. Since the inception of the plan, 251,081 appreciation rights, as defined in the unit appreciation rights plan agreement, have been granted. As of December 31, 2021, the plan is not required to be funded and is contingent upon a change in control or appreciation in intrinsic value, neither of which had occurred. As such, no liability was recorded at December 31, 2021. At December 31, 2022, the Company recorded a liability of \$17,897,523 based on the appreciation in intrinsic value, the probability of a change in control, and the portion of the vested units. The intrinsic value appreciation was based on the transaction price of the change in control transaction effective March 31, 2023 and represents the actual cash paid at that time under the plan. Vested units as of December 31, 2022 and 2021 were 120,000 and 146,936, respectively. The unvested units vested upon the change in control and the Company recognized an additional liability of \$12,199,919 at March 31, 2023 (see Note K).

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2022 and 2021

NOTE J - DEFINED CONTRIBUTION PLAN

Effective April 1, 2022, the Company formed a 401(k) Plan (the "Plan"), under the provisions of Section 401(a) of the Internal Revenue Code, to provide employees of the Company with retirement benefits. The Plan covers all eligible employees of the Company. All full-time employees who are twenty-one years of age become eligible to participate in the Plan when they complete twelve months and 1,000 hours of continuous service during the Plan year.

The Company may contribute to the Plan at its discretion. For the year ended December 31, 2022, the Company contributed \$85,493 and incurred \$2,242 in plan and administrative expenses.

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 28, 2023, which is the date the financial statements were available to be issued.

On March 31, 2023, the beneficial owners of the Parent entered into a securities purchase agreement with a third party effectively selling approximately an 80% interest in the Company to the third party, with those beneficial owners retaining the approximately 20% rollover interest. This transaction resulted in a change in control of the Company, which triggered the unit appreciation rights (see Note I).

On March 31, 2023, the Company entered into a Senior Credit Facility Agreement (the "Loan Agreement") with two lenders. The Loan Agreement provides for borrowings through March 31, 2028 (the "Maturity Date"). Borrowings will bear interest at the Federal Reserve Bank of New York's daily secured overnight financing rate, plus an additional margin ranging from 6.5 to 7 percent based on a leverage ratio calculated for the Company. Interest is payable monthly, and the principal balance is payable in full at the maturity date. The maximum amount that may be outstanding under the Loan Agreement is \$47,000,000, and consists of a \$40,000,000 senior secured term loan, a \$2,000,000 secured delayed draw term loan, and a \$5,000,000 uncommitted senior secured delayed draw term loan. Interest is payable monthly, and the principal balance is payable in full at the maturity date. In connection with the loan agreement above, the Company must comply with certain financial covenants. As part of the Loan Agreement, the lenders invested \$2,000,000 in the Company's new parent.

From January 1, 2023 through March 31, 2023, the Company distributed \$6,946,081 to its member.

EISNERAMPER

STRETCH ZONE FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



STRETCH ZONE FRANCHISING, LLC

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INDEPENDENT AUDITORS' REPORT

To the Member of Stretch Zone Franchising, LLC:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stretch Zone Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in member's deficit, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stretch Zone Franchising, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
April 4, 2022



STRETCH ZONE FRANCHISING, LLC

Balance Sheets

	Year Ended December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash	\$ 3,230,237	\$ 214,657
Accounts receivable	153,798	176,008
Due from related parties	15,561	19,194
Celebrity endorsement, net	106,650	-
Prepaid expenses	78,000	10,116
Total current assets	<u>3,584,246</u>	<u>419,975</u>
Property and equipment, net	9,117	5,345
Celebrity endorsement, net, long-term	319,950	-
Security deposits	36,155	5,532
Total assets	<u>\$ 3,949,468</u>	<u>\$ 430,852</u>
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities:		
Accounts payable	\$ 402,409	\$ 200,150
Accrued expenses	8,887	19,977
Deferred revenue	836,154	808,588
Due to related party	2,489	50,685
Deferred rent	-	3,215
Total current liabilities	<u>1,249,939</u>	<u>1,082,615</u>
Deferred rent, long-term	44,620	-
Deferred revenue, long-term	6,980,525	2,244,691
Total liabilities	<u>8,275,084</u>	<u>3,327,306</u>
Commitments and contingencies (Note H and I)		
Member's deficit	<u>(4,325,616)</u>	<u>(2,896,454)</u>
Total liabilities and member's deficit	<u>\$ 3,949,468</u>	<u>\$ 430,852</u>

The accompanying notes are an integral part of these financial statements

STRETCH ZONE FRANCHISING, LLC

Statements of Operations

	Year Ended December 31,	
	2021	2020
Revenues:		
Royalties	\$ 2,644,508	\$ 1,254,661
Franchise and ADA fees	428,078	271,070
Media Fund Revenue	803,371	-
Equipment	212,283	281,049
Training	237,700	110,300
Miscellaneous	<u>264,556</u>	<u>252,169</u>
Total revenues	<u>4,590,496</u>	<u>2,169,249</u>
Operating expenses	<u>4,832,218</u>	<u>2,736,300</u>
Other income:		
Forgiveness of PPP Loan	221,808	210,500
Gain on sale of corporate store	-	63,278
Total other income	<u>221,808</u>	<u>273,778</u>
Net loss	<u>\$ (19,914)</u>	<u>\$ (293,273)</u>

STRETCH ZONE FRANCHISING, LLC

**Statements of Changes in Member's Deficit
Years Ended December 31, 2021 and 2020**

Member's deficit, January 1, 2020	\$ (1,884,695)
Net loss	(293,273)
Loss attributed to noncontrolling interest	(12,885)
Gain recognized upon sale of controlling interest	12,885
Contribution from member	100,000
Distributions to member	<u>(818,486)</u>
Member's deficit, January 1, 2021	(2,896,454)
Net loss	(19,914)
Distributions to member	<u>(1,409,248)</u>
Member's deficit, December 31, 2021	<u><u>\$ (4,325,616)</u></u>

STRETCH ZONE FRANCHISING, LLC

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (19,914)	\$ (293,273)
Reconciliation of net loss to net cash provided by operating activities:		
Depreciation expense	2,533	1,879
Gain on sale of corporate store	-	(63,278)
Bad debt expense	14,373	(6,345)
Amortization of celebrity endorsement	106,650	-
Forgiveness of PPP Loan	(221,808)	(210,500)
Loss from corporate store	-	64,423
(Increase) decrease in:		
Accounts receivable	7,837	88,933
Due from/to related party, net	(44,563)	59,931
Prepaid expenses	(67,884)	(2,016)
Security deposit	(30,623)	(5,532)
Increase (decrease) in:		
Accounts payable	202,259	106,649
Accrued expenses	(11,090)	8,921
Deferred revenue	4,230,150	834,088
Deferred rent	41,405	(544)
Net cash provided in operating activities	<u>4,209,325</u>	<u>583,336</u>
Cash flows from investing activities:		
Property and equipment purchases	(6,305)	-
Proceed from sales of corporate store	-	90,000
Investment in subsidiary	-	(91,145)
Net cash used in investing activities	<u>(6,305)</u>	<u>(1,145)</u>
Cash flows from financing activities:		
Proceeds from PPP Loan	221,808	210,500
Contribution from member	-	100,000
Distributions to member	(1,409,248)	(818,486)
Net cash used in financing activities	<u>(1,187,440)</u>	<u>(507,986)</u>
Net increase in cash	3,015,580	74,205
Cash, beginning of year	<u>214,657</u>	<u>140,452</u>
Cash, end of year	\$ 3,230,237	\$ 214,657
Franchise and area development agreements issued for celebrity endorsements	\$ 533,250	\$ -
Celebrity endorsement issued for franchise and area development agreements	\$ (533,250)	\$ -

The accompanying notes are an integral part of these financial statements

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - NATURE OF BUSINESS

The accompanying financial statements include the accounts of Stretch Zone Franchising, LLC (the "Company"). The Company is a wholly-owned subsidiary of Stretch Zone Holdings, LLC (the "Parent"). The Company was organized on November 15, 2015, in the state of Florida. The Company's only business is to offer and sell franchises under the Stretch Zone name and to provide support to its health clubs across the United States.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

[2] Liquidity:

On March 16, 2020, the Company was mandated to close all of its stores pursuant to the exercise of an emergency executive authority invoked by state and local governments in order to combat the spread of the COVID-19 pandemic. The closure of the franchise network had a material adverse effect on revenue and cash flow. All of the franchise locations re-opened between May and June of 2020. As of the date of these financial statements, all of the franchise locations are open. The COVID-19 pandemic remains highly unpredictable and dynamic, and its duration and extent are likely dependent on numerous developments such as the regulatory approval, mass production, administration and ultimate effectiveness of vaccines, as well as the timeline to achieve a level of sufficient herd immunity amongst the general population. While the current state of the pandemic continues to improve there is still significant uncertainty related to the pandemic.

For the year ended December 31, 2021, the Company incurred a net loss of \$19,914 but generated cash from operations of over \$4.2 million. Based on the Company's business plan and cash on hand the Company expects its existing and future resources and cash flows generated from operations to satisfy its working capital requirements for at least the next twelve months from the date of these financial statements.

[3] Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[4] Accounts receivable:

The Company's accounts receivable is recorded at amounts billed to customers, net of allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of probable credit losses in the Company's existing accounts receivable. Accounts are written off when they are deemed uncollectible. As of December 31, 2021 and 2020, the allowance for doubtful accounts amounted to \$0.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Property and equipment:

Furniture and fixtures are stated at cost, less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful life of the assets of 60 to 84 months. Maintenance and repairs are expensed as incurred.

[6] Deferred rent:

The Company recognizes the expense for lease obligations on a straight-line basis over the life of the lease. The difference between cash payments and the straight-line expense is recorded as deferred rent on the balance sheet.

[7] Concentrations:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. At times such deposits may be in excess of the FDIC insurance limit.

The credit risk associated with trade receivables is mitigated due to a large number of customers, generally our franchisees, and their broad dispersion over many different geographic areas. We have a concentration with respect to one franchise group which comprised 16% and 10% of total revenues for the years ended December 31, 2021 and 2020, respectively, and the same group comprised 19% of deferred revenue for the year ended December 31, 2020.

While the Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores from one equipment vendor, they believe other vendors would be available.

[8] Income taxes:

The Company is a limited liability company. The Company is treated as a disregarded entity for income tax purposes, and, as a result, its taxable results are included in the tax return of its Parent. Accordingly, no provision for federal or state income taxes is reflected in the financial statements.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest and penalties on any income tax liability would be reported as income tax expense. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

[9] Revenue recognition:

The Company accounts for revenue under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), from ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors - Revenue Recognition*.

The Company's revenues are comprised of franchise revenue, equipment sales, training fees, media fund, and other miscellaneous revenue.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

Franchise Fees:

Franchise fees consist primarily of initial and successor franchise fees, initial media fund contribution and upfront fees from area development agreements ("ADAs") and transfer fees.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property. As all other services the Company provides under the ADA and franchise agreement are highly interrelated, they are therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement.

Royalties are calculated as a percentage of franchise weekly fees over the term of the franchise agreement. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Our franchise royalties represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchise sales occur.

Additionally, under ASC 606, initial and successor franchise fees, media fund, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Our ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee for the first franchise agreement and half of the initial franchise fee for any subsequent franchise agreements. The Company may pay a commission under an area representative agreement that is amortized straight-line over the term of the respective franchise agreement.

Training Fees:

The Company provides training to franchisees in addition to the initial training included in the franchise agreement upon request. The Company bills training per person per day. Revenue is recognized upon completion of the training.

Media Funds:

During 2021, the Company established a Media Fund. The Company uses the media funds to create various advertising, marketing and promotional materials deemed beneficial. Media Fund revenue is recognized as a percentage of gross sales and is recognized as received throughout the year from the franchisees. An initial amount of \$500 per franchise was required to start the fund and is included in the Deferred Revenue as discussed above.

Equipment Revenue:

Equipment revenue consists of the sale of furniture, and in 2020, also included acrylics, and decals. Equipment revenue is recognized upon transfer of control of the ordered items, generally upon shipment to each store. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in these transactions. Management determined the Company to be the principal because the Company is the primary obligor as it has latitude in establishing prices for the equipment sales to franchisees, takes inventory risk, the Company has supplier selection discretion, and is involved in the determination of product specifications, and the Company bears all credit risk associated with obligations to the equipment manufacturers.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

The related cost of the equipment is recorded in operating expenses which amounted to \$165,721 and \$227,980 for the years ended December 31, 2021 and 2020, respectively.

Disaggregated revenues:

For the years ended December 31, 2021 and 2020, respectively, \$4,157,206 and \$1,917,929 of revenues represent performance obligations that were satisfied at a point in time, and \$433,290 and \$251,320 of revenues represent performance obligations that were satisfied over time.

[10] Deferred revenue:

Deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deferred revenue represents cash received from franchisees for ADAs and franchise fees for which revenue recognition criteria have not yet been met.

[11] Unite appreciation rights plan:

On December 28, 2021, the Company adopted a unit appreciation rights plan. The plan provides the right to receive payment in cash based upon varying vesting schedules and only upon a change in control, as defined. The payment is determined upon the fair value appreciation of these rights, as defined, from the date of issue to the date of conversion, and the awards expire upon termination of continuous service, as defined. The Company has elected to account for these units using the intrinsic value under ASC Topic 718, *Stock-based compensation*. Since the inception of the plan, 251,081 appreciation rights, as defined in the unit appreciation rights plan agreement, have been granted. As of December 31, 2021, the plan is not required to be funded and is contingent upon a change in control or appreciation in intrinsic value, neither of which has occurred, as such, no liability has been recorded.

[12] Recent accounting pronouncements:

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for the Company beginning January 1, 2022. The Company anticipates that the implementation of ASU 2016-02 will not have a significant impact on its statement of operations however the recognition of the right-of-use assets and lease liabilities will increase both its assets and liabilities on its balance sheet.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires the immediate recognition of estimated credit losses that are expected to occur over the life of many financial assets, such as accounts receivable. The new model referred to as the current expected credit losses ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost and (2) certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments,

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Recent accounting pronouncements: (continued)

financial guarantees, and net investments in leases, as well as trade receivables. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which makes ASU No. 2016-13 effective for private companies for annual periods beginning after December 15, 2022. The Company is currently assessing the impact that ASU 2016-13 is expected to have on the financial statements.

The Company has also evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

[13] Reclassification:

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 18,605	\$ 12,300
Less: accumulated depreciation	<u>(9,488)</u>	<u>(6,955)</u>
	<u>\$ 9,117</u>	<u>\$ 5,345</u>

Depreciation expense for the year ended December 31, 2021 and 2020 amounted to \$2,533 and \$1,879, respectively.

NOTE D - DEBT OBLIGATIONS

The Company has secured a loan through the Paycheck Protection Program ("PPP") that originated from the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of \$206,500. This program provides 100 percent federally guaranteed loans with the ability to have all, or a portion of the balance forgiven if the loans are used directly for payroll, rent, and utilities, as defined. The Company received forgiveness of \$206,500 in December 2020. The corporate store acquired also received an SBA Grant for \$4,000 that was forgiven during the year ended December 31, 2020.

In March 2021, the Company received an additional PPP loan from the CARES Act for \$221,808 which was forgiven in August 2021.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE E - CONTRACT LIABILITIES

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. We classified these contract liabilities as deferred revenue in our balance sheet based on our best estimate of when the underlying revenue will be recognized.

NOTE F - RELATED PARTY TRANSACTIONS

The Company earns revenues for royalties, training, equipment sales, and other franchise-related transactions from certain franchise stores that are under common control. Revenues for the years ended December 31, 2021 and 2020 include \$82,524 and \$102,859, respectively, from these stores. Total payments received from these franchises during the years ended December 31, 2021 and 2020 totaled \$87,475 and \$114,166, respectively, and \$1,200 and \$6,152 was receivable from these franchises as of December 31, 2021 and 2020, respectively, and is included in due from related parties on the accompanying balance sheets. Two stores were sold and are no longer under common control.

The Company made payments of \$23,934 and \$34,847 on behalf of these franchises for general operating expenses for the years ended December 31, 2021 and 2020, respectively. Total payments received from these franchises during the years ended December 31, 2021 and 2020 were \$33,653 and \$77,637, respectively, and \$3,324 and \$13,042 was receivable from these franchises as of December 31, 2021 and 2020, respectively, and is included in due from related parties on the accompanying balance sheets.

During the fiscal year ended December 31, 2019, the Company received \$50,100 in advances from one of the Parent's members which were non-interest bearing and have no repayment terms. These advances were outstanding as of December 31, 2020. These advances were repaid in full on April 21, 2021.

In January 2021, the Parent added three board members that are franchise holders who they considered influential to the business. The total revenues from two of these board members totaled \$622,033, deferred revenues totaled \$345,291 and accounts receivable due from these board members totaled \$4,698 for the year ended December 31, 2021, respectively.

In January 2021, the Company also entered into an agreement with the third board member whereby a celebrity endorsement contract was established for a term of four years with the ability for the Company to use the celebrity's likeness for an additional twelve months. The celebrity also received a board of directors position in January 2021. The agreement calls for annual payments relating to increased royalty revenue, with a minimum payment for year one of \$200,000. The Company paid \$315,646 for the year ended December 31, 2021 included in operating expenses. The agreement also enabled the celebrity to open up to 20 stores valued at \$533,250, under a consolidated area development agreement, encompassing three development areas at December 31, 2021. The Company determined the value of the 20 stores based on its current arrangements with third-party entities and recorded an asset, celebrity endorsement, and an offsetting deferred revenue for \$533,250. The celebrity endorsement asset is being amortized on a straight-line basis over 5 years, whereas the deferred revenue is being recognized as revenue ratably upon each store opening. During 2021, the celebrity opened five stores resulting in revenue of \$133,312 and a remaining deferred revenue of \$399,938 for 15 franchise locations. These franchise locations paid the Company \$100,582 in total revenue in 2021 and there is \$6,339 in accounts receivable at December 31, 2021. The amortization of the Celebrity Endorsement was \$106,650 for the year ended December 31, 2021. The Company also issued 100,000 unit appreciation rights to the celebrity in December 2021. As of December 31, 2021, the plan is not required to be funded and is contingent upon a change in control or appreciation in intrinsic value, neither of which has occurred, as such, no liability has been recorded.

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE G - GAIN ON SALE OF FRANCHISE STORE

In March 2020, the Company acquired 80% of a franchise location from a former franchise owner, at no cost other than the assumption of liabilities. The location was sold in August 2020 for \$90,000 and the Company recognized a gain on the sale of their interest in the location of \$63,278 during the year ended December 31, 2020. The operating activity during the period that the franchise was owned by the Company was not material. The non-controlling interest for this entity, which was written off, was approximately \$13,000. The Company is subleasing the lease to the new franchise owner effective August 2020. See also Note H.

NOTE H - LEASE COMMITMENTS

As of December 31, 2020, the Company had a non-cancelable operating lease for office space in Florida. In addition to base rent, the Company is required to pay a proportionate share of the landlord's operating costs. The lease expired in September 2020. The Company was on a month-to-month basis on this lease and terminated the lease effective April 2021. The Company also leases its training facilities under a non-cancelable operating lease. In addition to base rent, the Company is required to pay a proportionate share of the landlord's operating costs. The lease expired in April 2021. The Company did not renew this lease and was on a month-to-month basis and terminated the lease effective April 2021.

In March 2021, the Company commenced a non-cancelable operating lease for office space and a training facility for ninety-one months terminating in 2028. The Company is required to pay a proportionate share of the landlord's operating expenses. Rent for the facility commenced on May 1, 2021 for a total of \$9,270 a month with stated annual increases of approximately three percent.

The Company is a party to a lease for the franchise that they acquired and sold in 2020 from a former franchise owner. The franchise location has a five-year lease with the landlord which they have subleased to the franchise owner effective August 2020, on a month-to-month agreement based on the contractual amount plus sales tax and common area maintenance due to the landlord. The lease agreement was signed on February 27, 2020 with a term of five years, starting at \$4,075, plus taxes and common areas maintenance with a three percent rent increase on an annual basis.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 165,099
2023	170,044
2024	175,159
2025	133,185
2026	127,719
Thereafter	<u>267,066</u>
	<u><u>\$ 1,038,272</u></u>

STRETCH ZONE FRANCHISING, LLC

Notes to Financial Statements December 31, 2021 and 2020

NOTE H - LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under the sublease with the franchise discussed above are as follows:

<u>Year Ending December 31,</u>	
2022	\$ (51,630)
2023	(53,184)
2024	(54,777)
2025	(9,174)
2026	-
Thereafter	-
	<hr/>
	<u>\$ (168,765)</u>

Total lease expense for the year ended December 31, 2021 was \$134,219, net of \$60,000 of sublease revenue and for the year ended December 31, 2020 amounted to approximately \$174,000, net of \$22,000 of sublease revenue.

NOTE I - COMMITMENTS AND CONTINGENCIES

On December 14, 2020, the Parent settled the case of Michael S. Bush ("Bush") v. Jordan Gold ("Gold"); Bonnie Lane; and Stretch Zone Holdings, LLC, a Florida limited liability company. Pursuant to the terms of the settlement, the Parent made an initial payment in exchange for Bush's equity ownership of the Parent before the end of the fiscal year of 2020. The settlement also requires additional payments in varying amounts through December 2023 by the Parent or Gold. Furthermore, if payment is not made by the Parent and/or Gold in accordance with the default provisions of the settlement, then on a proportional basis to the payments made to date, the share in the Parent's equity ownership reverts back to Bush.

At December 31, 2021, the Parent and Gold have made all required payments under the settlement agreement. Distributions from the Company may still be used to contribute to the Parent's performance under this settlement, provided that such distributions will always be done pursuant the mandate of the law. The Parent and/or Gold are the only parties against which remedy is provided for under the terms of the agreement.

The Company is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, other than disclosed above, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

NOTE J - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 4, 2022, which is the date the financial statements were available to be issued.

Subsequent to year-end, the Company distributed \$925,000 to its member.

EXHIBIT N – FRANCHISE TERMINATION AND RELEASE AGREEMENT



FRANCHISE TERMINATION AND RELEASE AGREEMENT

THIS FRANCHISE TERMINATION AND RELEASE AGREEMENT (this "Agreement") is signed and effective on _____ among Stretch Zone Franchising, LLC, as the Franchisor ("we," "us" or "our"); _____, LLC, a _____ limited liability company, as the Franchisee and _____, as the Guarantor ("you" or "your").

BACKGROUND

A. We and you entered into a Stretch Zone Franchise Agreement dated _____ and certain ancillary documents thereto (collectively, the "Franchise Agreement"), under which we granted and you accepted a Stretch Zone Franchise at _____.

B. Your obligations under the Franchise Agreement and other agreement with us are guaranteed by the Guarantor under the Guaranty of Franchisee's Obligations dated _____ (the "Guaranty").

C. The parties desire to terminate the Franchise Agreement and the Guaranty and to release us from, and against, all obligations arising in connection with the Franchise Agreement and the Guaranty, except as otherwise provided in this Agreement.

The parties agree as follows:

TERMS

1. **Termination of Franchise Agreement and Guaranty.** The parties agree that the Franchise Agreement and all of the parties' respective obligations under the Franchise Agreement and/or the Guaranty are terminated (except as stated in Section 4).

2. **Release of Franchisor.** You, for yourselves and your legal successors and assigns, releases and forever discharges us and our officers, directors, stockholders, agents and legal successors and assigns releases and forever discharges us and our legal successors and assigns, of and from all manner of actions, causes of action, suits, debts, covenants, agreements, damages, judgments, claims and demands whatsoever, in law or in equity, that either party and/or any of their respective officers, directors, stockholders, agents and legal successors and assigns, ever had, now has, or that they hereafter can or may have for, upon, or by reason of any matter, cause or thing whatsoever involving, directly or indirectly, the Franchise Agreement. However, this Agreement does not discharge or impair any right of indemnity, surety or contribution that we may have against you, your officers, directors, stockholders, agents, legal successors or assigns, in connection with any claim that may later be asserted against us by any third party. All representations requiring franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under state law including the Maryland Franchise

Registration and Disclosure Law. The Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

3. **Warranty of No Prior Assignment.** Each party represents and warrants to the other party that he, she or it has made no prior assignment to any person not a signatory to this Agreement of any claim he, she or it may have against the other party.

4. **Post-Term Covenants.** The termination and release provided in Sections 1 and 2 have no effect on your obligations under the Franchise Agreement that expressly or by their nature survive the termination of the Franchise Agreement. These obligations specifically include obligations of confidentiality, the mutual indemnification provisions for matters arising before the date of this Agreement, and provisions concerning governing law and dispute resolution, that continue in full effect after the termination of the Franchise Agreement and until they are satisfied or by their nature expire.

6. **Return of Confidential Information.** You will immediately return to us all Confidential Information (as defined in the Franchise Agreement) in your possession or control.

7. **Nondisclosure.** You will not discuss with, disclose to or communicate with anyone the terms of this Agreement or the facts surrounding, causing or resulting from the Stretch Zone Franchise including any prospective, existing or former Stretch Zone Franchisee, unless required by legal process. You will only state that you have left the Stretch Zone System. You understand that the FTC Franchise Rule requires us to disclose your name, home address and telephone number in our Franchise Disclosure Document until December 31, 2023.

8. **No Admission of Liability.** By signing this Agreement, no party admits any liability to the other or the truth or falsity of any allegation, statement, communication or fact discussed, disclosed or communicated in any manner, regarding any transaction, communication, contact, statement or action between the parties or in connection with this Agreement, the Franchise Agreement or the Guarantee signed by the parties.

9. **Entire Agreement.** This Agreement represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations if any made by the parties.

10. **Binding Effect.** All of the terms of this Agreement, regardless of whether expressed, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective legal representatives, heirs, successors and permitted assigns.

11. **Interpretation.** Each of the parties agree that they have been or have had the opportunity to have been represented by their own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement, if any. Therefore, the parties agree that the provisions of this Agreement or any of the other documents will not be construed against any party more strictly than against the other.

The parties have signed this Agreement as of the date first above written.

FRANCHISOR:

Stretch Zone Franchising, LLC

By: _____
Tony Zaccario, CEO and President

FRANCHISEE:

_____, LLC

_____, Member

GUARANTOR:

EXHIBIT O – TABLE OF CONTENTS OF OPERATIONS MANUAL

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State Effective Dates

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

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

State	Effective Date
California	July 26, 2023
Hawaii	July 19, 2023
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	June 23, 2023
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

EXHIBIT P - RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Stretch Zone Franchising, LLC offers you a Franchise Business, we must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Franchise Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Stretch Zone Franchising, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Stretch Zone Franchising, LLC, located at 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309. Its telephone number is (954) 799-6419.

The FTC issuance date of this Franchise Disclosure Document is May 1, 2023.

The franchise seller for this offering is (check one):

Dan Collins, CDO, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Tony Zaccario, President & CEO, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

Zack Olson, Manager of Franchise Development, 6700 North Andrews Avenue #210, Fort Lauderdale, FL 33309 and (954) 799-6419

The name and address of the franchisor's registered agent authorized to receive service of process is listed in Exhibit B.

I received this Franchise Disclosure Document dated May 1, 2023 that included the following Exhibits:

A - State Addenda to FDD
B – List of State Administrators and our Agents for Service of Process
C – Franchise Agreement

I – Telephone Number Assignment
J – Security Agreement and UCC-1
K – Software License Agreement
L – List of Franchisees

D – Approved Location Addendum
E – Area Development Agreement
F - State Addenda to Agreements
G – Guaranty of Franchisee’s Obligations
H – Agreement with Landlord

M – Financial Statements
N – Franchise Termination Release Agmt
O – Table of Contents of Manual
P – Receipt

Prospective Franchisee:

Sign _____

Dated: _____, 2023

Print _____

(copy #1 - to be retained for your records)

RECEIPT

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H – Agreement with Landlord

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N – Franchise Termination Release Agmt
O – Table of Contents of Manual
P – Receipt

Prospective Franchisee:

2023 Sign _____

Dated: _____,

Print _____

Please print out the last 2 pages of this FDD (our copy of the Receipt) sign it, print your name and add the date you signed the Receipt. Then do any of the following:

1. You can mail the signed Receipt back to us at:
2. You can e-mail the signed Receipt back to us, by scanning the signed Receipt to create a PDF and e-mail the signed Receipt back to us as an attachment to:

Tony Zaccario, President & CEO
6700 North Andrews Avenue #210
Fort Lauderdale, FL 33309

tzaccario@stretchzone.com