

# FRANCHISE DISCLOSURE DOCUMENT



Discover Strength Franchising LLC  
a Minnesota Limited Liability Company  
4450 Excelsior Blvd., Suite 490  
St. Louis Park, MN 55416  
(763) 317-4343  
<https://www.discoverstrength.com>

Discover Strength Franchising LLC offers individual unit franchises for the development and operation of a Discover Strength™ business (“Studio”) offering no-compromise strength training experiences to customers of all ages through one-on-one and small group training sessions, and other related services and products.

The total investment necessary to begin operation of a Discover Strength™ business ranges from \$463,000 to \$877,000. This includes \$218,000 to \$244,000 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Scott Breimhorst at [franchise@discoverstrength.com](mailto:franchise@discoverstrength.com) or (763) 317-4343.

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

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

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

**Issuance Date: April 26, 2024**

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state in which the Studio is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the state in which the Studio is located than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

## **DISCLOSURES REQUIRED BY MICHIGAN LAW**

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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

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

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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## ITEM 1

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

To simplify the language in this disclosure document, “we” means Discover Strength Franchising LLC, the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

#### The Franchisor

We are a Minnesota limited liability company formed on January 16, 2020. Our principal place of business is at 4450 Excelsior Blvd., Suite 490, St. Louis Park, MN 55416, and our telephone number is (763) 317-4343. Our agents for service of process are disclosed in Exhibit C.

We grant franchises for the operation of Discover Strength™ Studios under the name “Discover Strength” offering no-compromise strength training experiences to customers of all ages through one-on-one and small group training sessions, and other related services and products. We began offering franchises for Discover Strength™ Studios in April 2020. Although we have not directly operated the type of business you will operate, our affiliate, Discover Strength Personal Fitness Center, Inc., currently operates Discover Strength™ Studios as described below.

#### Our Predecessors and Affiliates

Our predecessor, Discover Strength Personal Fitness Center, Inc. (“DSPFC”), created the Discover Strength™ concept and began operating Discover Strength™ Studios in May 2006. DSPFC operates 7 Discover Strength™ Studios in Arizona, Illinois and Minnesota. DSPFC has never offered franchises in any line of business. DSPFC shares our principal business address.

Other than as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

#### Franchise Offered

You will sign a “Franchise Agreement” to receive the right to own and operate a Studio at a location to which we have consented, offering the “Products” and “Services” we approve, and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks (as defined in Item 13), including the Mark “Discover Strength” (collectively, the “System”).

#### Market and Competition

Discover Strength™ Studios offer strength training, one-on-one training, small group training, and other related services and products.

The market for fitness and exercise concepts is well established. Your Studio will compete with other fitness and exercise businesses, some of which may offer similar programs to those offered by a Discover Strength™ Studio. These competitors may include franchise systems, independent gym, chains, and other fitness and exercise businesses offering similar programs. In addition, many of these competitors may have substantial financial, marketing and other resources and they already may be well established in your market. The ability of each Discover Strength™ Studio to compete depends on the market, household income levels, availability of qualified exercise physiologists to deliver sessions, employee selection and



training, customer service, overhead costs, changing local market and economic conditions, and many other factors both within and outside your or our control.

### Laws and Regulations

We are not aware of any laws or regulations applicable to a Discover Strength™ Studio that would not apply generally to fitness and exercise businesses. As a Discover Strength™ franchisee, you must ensure that you comply with all federal, state, county or local laws and regulations generally applicable to the fitness and exercise industry, including health, smoking restrictions, non-discrimination, employment, sexual harassment and advertising laws. In addition, many states and municipalities have laws and regulations that apply to membership contracts, including requiring specific provisions in the contract, limiting the length of the contract, and termination rights. There may be other laws and regulations applicable to businesses generally with which you must comply. You should consult with your attorney or other professionals regarding these and other laws and regulations that may affect the operation of a Discover Strength™ Studio before you sign a Franchise Agreement. You must obtain all applicable permits and licenses necessary to operate your Studio. You must regularly investigate and satisfy all federal, state, and local laws and regulations as they vary from place to place and may change periodically.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Chief Executive Officer and Founder: Luke Carlson

Luke Carlson has been our Chief Executive Officer since our inception in January 2020. Mr. Carlson is also the Founder of DSPFC and currently serves as the Chief Executive Officer of DSPFC in St. Louis Park, Minnesota, and has held this position since May 2006.

#### Vice-President of Finance: Jessica Medvedev

Jessica Medvedev has been our Vice-President of Finance since our inception in January 2020. Ms. Medvedev also currently serves as the Vice-President of Finance of DSPFC in St. Louis Park, Minnesota, and she has held this position since June 2018. From November 2014 to June 2018, Ms. Medvedev served as a Controller for All in One Accounting, Inc. in Eagan, Minnesota.

#### Vice-President of Operations: David Gschneidner

David Gschneidner has been our Vice-President of Operations since our inception in January 2020. Mr. Gschneidner also has held various positions with DSPFC in St. Louis Park, Minnesota since January 2015, including that of Vice-President of Operations since May 2018.

#### Vice-President of Sales and Marketing: Hannah Johnson

Hannah Johnson has been our Vice-President of Sales and Marketing since our inception in January 2020. Ms. Johnson has held various positions with DSPFC in St. Louis Park, Minnesota since March 2010, including that of Vice-President of Sales and Marketing since January 2013.

Vice-President of Franchise Development: Scott Breimhorst

Scott Breimhorst has been our Vice-President of Franchise Development since May 2022. From July 2015 to April 2022, Mr. Breimhorst served as the Vice-President for Enrollment and School Partnerships for Holy Family Catholic High School in Victoria, Minnesota.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

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

**ITEM 5**

**INITIAL FEES**

The “Initial Franchise Fee” for a single Discover Strength™ Studio is \$52,000. The Initial Franchise Fee is paid to us when you sign the Franchise Agreement and is not refundable under any circumstances. For existing Discover Strength™ franchisees, the Initial Franchise Fee for an additional Studio is \$42,000. If you agree to open and operate more than one Studio and sign Franchise Agreements for each Studio at the same time, you will pay the full Initial Franchise Fee for the first Studio (\$52,000) and \$33,500 for each additional Studio you agree to open and operate. If you are an honorably discharged veteran who meets our qualifications for new Discover Strength franchisees, we offer a \$10,000 discount off the full Initial Franchise Fee of \$52,000. For eligible full-time employees of current Discover Strength Studios, the Initial Franchise Fee is \$28,000.

If you do not use our designated architect to design the Studio and submit working drawings, construction and architectural plans and specifications to us, you must pay us a fee of \$2,000 to review your Studio design plans.

At least 120-180 days before you open the Studio and for 30 days after you open the Studio for business, you must spend a minimum amount on a Studio opening marketing campaign (the “Studio Opening Campaign”) that we have approved in advance. The minimum amount that you must spend will range from \$10,000 to \$18,000, as we determine, and will depend on the market in which you operate the Studio. We reserve the right to collect this minimum amount directly from you and spend it on your behalf in connection with the Studio Opening Campaign.

In addition, you must purchase all of the strength training equipment, you will need to operate the Studio from us before you open your Studio. We estimate that the cost for these items will range from \$156,000 to \$172,000 (“Opening Equipment Fee”). The Opening Equipment Fee will vary depending on the square footage of your Studio. You must pay the initial installment of \$75,000 for the Opening Equipment Package when you sign the Franchise Agreement, and the remaining balance for the Opening Equipment Package before delivery of the equipment. The amounts paid are not refundable

**ITEM 6**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount (See Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of “Gross Sales” (See Note 2)	Payable monthly on 10 <sup>th</sup> of each month for the prior month by electronic funds transfer (“EFT”).	Royalty Fees are based on the Gross Sales for the preceding month, or as described in the Operations Manual. You also must make any applicable reciprocity payments to other Discover Strength™ studios when a member of your Studio receives Services at another studio.
System Marketing Fund Fee	2% of Gross Sales	Due and payable by EFT monthly with the Royalty Fee	See Item 11 for further description.
Local Marketing Spend	2% of Gross Sales during the previous calendar quarter	Minimum amount must be spent on approved marketing and promotional activities in your local geographic area each calendar quarter	If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent for deposit into the System Marketing Fund.  We may increase the minimum monthly amount you must spend on local marketing to the greater of \$12,000 per quarter or 3% of monthly Gross Sales upon 60 days’ notice to you.
Advertising Cooperative	Currently not collected	Established by us.	We may require you to participate in local or regional advertising cooperatives in the future. Your contributions to any regional or local advertising cooperatives will be credited toward your local marketing obligations and will not exceed your Local Marketing Spend.
Technology Fee	Currently, \$350 per month	Due and payable by EFT within 10 days of each calendar month	You must pay this fee beginning 1 to 2 months before opening. We may increase the Technology Fee no more than once every 12 months, and will not increase more than 10% in any 12 month period. (See Note 3)
Scheduling App Fee	Currently \$199 per month	Due and payable by EFT within 10 days of each calendar month	We can increase the Scheduling App Fee no more than once each month to reflect cost increases we incur as a result of fee increases imposed by the third-party supplier of the Scheduling App.
Software License Fees	We may in the future charge you an initial or recurring license fee related to your use of any Designated Software.	When incurred	As of the issuance date of this disclosure document, we do not charge any software licensing fees.
Studio Opening Campaign	You must spend a minimum of \$10,000 to \$18,000 (as we determine) on the Studio Opening Campaign.	Minimum amount must be spent during the period beginning 120-180 days before and ending 30 days after the Studio opens	If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent for deposit into the System Marketing Fund.  We reserve the right to determine the minimum amount you must spend, and to collect this amount and spend it on your behalf.

<b>Type of Fee</b>	<b>Amount (See Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Initial Training Program	Our then-current fee (currently \$2,000) plus other costs and expenses we incur	When incurred	If you appoint a new General Manager, such individual must attend our initial training program. In addition to our fees, you also must pay any related travel, room and board expenses incurred during training.
Exercise Physiologist Onboarding	Currently \$500 for a 3-day training period	When incurred	Due only if you elect to participate in this optional training program.
Training Reimbursement Fee	20% of the exercise physiologist's annual salary	When incurred	If you hire one of our (or our affiliate's) exercise physiologists, you must reimburse us or our affiliate for training-related expenses.
Supplemental or Refresher Training	Our then-current fee (currently \$1,000) plus other costs and expenses we incur	When incurred	We may require your General Manager to attend all supplemental and refresher training programs that we designate for up to 5 days each calendar year. In addition to our fees, you also must pay any related travel, room and board expenses incurred during training.
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Studio is located, as well as any assessment on fees and any other income we receive from you.	When applicable, payable within 15 days after invoiced by us	Only imposed if state collects these taxes or assessments
Approved Supplier/Product Testing Fee	Our reasonable and actual costs incurred	Payable when you request our approval of a proposed supplier or product	We may require you to pay us our then-current inspection and evaluation fee, plus our cost incurred evaluating the alternative product or supplier.
Relocation Fee	25% of our then-current standard initial franchise fee	Payable before we review the proposed new Studio site	Payable if you must relocate the Studio because the Studio was destroyed, condemned or became untenable by fire, flood or other casualty or otherwise.
Transfer Fee	50% of then-current standard initial franchise fee if the transferee is a new Discover Strength™ franchisee, or 25% of our then-current standard initial franchise fee if the transferee is an existing Discover Strength™ franchisee  If the transfer involves less than a "controlling interest" in you (as defined in the Franchise Agreement), the fee will be reduced to \$2,000.	Before completion of transfer	You pay this fee upon the transfer of the Studio, substantially all or all of the assets of the Studio, the Franchise Agreement, or any interest in you.
Renewal Fee	\$5,000	When you provide notice of your intent to renew	
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 4
Costs and Attorneys' Fees	Reasonable costs and expenses	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us.
Audit	Cost of audit plus interest from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Interest Expenses	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay all Royalty Fees, System Marketing Fund Fees, Technology Fees or other amounts owed to us or our affiliates
Insufficient Fund Fee	Up to \$250 for each delinquent payment	When due	In addition to interest charges on late fee payments, you must pay to us a service charge of up to \$250 for each payment that we do not receive on or before the date due, or if there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.
Insurance	Cost of insurance	Payable before opening	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for the cost of the insurance, together with late charges and an administrative fee equal to 5% of the insurance premium.
Operating Assistance	Currently \$500 per day plus reimbursement of our related travel, room and board expenses	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance.
Mystery Shopper or Compliance Assessment Program Expenses	Cost of third party mystery shopper or other compliance assessment services	When incurred	Payable if we establish a mystery shopper or compliance assessment program and seek reimbursement for third-party fees related to your Studio.
Management Services	Our then-current fee, which is currently \$400 per day	When incurred	If at any time the General Manager does not manage the Studio, we immediately may appoint a manager to manage the Studio for you and charge you a reasonable fee for these management services.
Franchise Convention Fee	Up to \$500 per attendee	When incurred	You must pay the convention fee even if you do not attend.

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) “Gross Sales” means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Studio, including off-premises sales and monies derived at or away from the Studio. Gross Sales includes reciprocity revenue received when a member at another Discover Strength™ studio receives Services at your Studio. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee, the sale is made at the earlier of delivery of the service or product, or receipt of payment.
- (3) We require you to pay us a “Technology Fee” to reimburse us for expenses we and our affiliates incur for certain technology-related services, including website or email hosting, software or website development. The email portion of the Technology Fee allows up to five users. You will pay us \$12 per month for each additional user. The components included under the Technology Fee are: (1) HubSpot; (2) Apiant; (3) Listen360; (4) Google Workspace; (5) Canva; (6) Absorb

Learning Platform; and (7) ProfitKeeper. As further described in Item 11, you will incur other expenses related to certain other components of the Management System provided by third parties.

- (4) You must make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Studio premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Studio so that your Studio reflects the then-current physical appearance of new Discover Strength™ businesses. We may require you to take such action: (1) 5 years after the date of the Franchise Agreement; (2) as a condition of transfer; (3) as a condition of renewal; and (4) otherwise during the term of the Franchise Agreement as further described in the Operations Manual. We cannot estimate the current cost for a remodeling project because remodeling requirements will vary. You may make these payments in whole or in part to various third parties.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee See Note 3	\$52,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent (3 months) See Note 4	\$18,000 to \$36,000	As agreed upon	As incurred	Landlord
Lease, Utility and Security Deposits	\$0 to \$10,000	As agreed upon	As incurred	Landlord, various third parties
Design and Architectural Fees See Note 5	\$7,000 to \$20,000	As agreed upon	As incurred	Various third parties
Leasehold Improvements See Note 6	\$175,000 to \$480,000	As agreed upon	As incurred	Landlord, various third parties
Equipment See Note 7	\$156,000 to \$172,000	As agreed upon	Before opening	Our Predecessor
Fixtures & Furniture See Note 8	\$6,000 to \$9,000	As agreed upon	Before opening	Various suppliers
Supplies See Note 9	\$3,000 to \$5,000	As agreed upon	As ordered	Us, various suppliers
Management System and Designated Software See Note 10	\$3,000 to \$5,000	Lump sum	Before opening	Us, various suppliers
Signage See Note 11	\$15,000 to \$30,000	As incurred	As incurred	Third party vendors
Training Expenses See Note 12	\$2,000 to \$8,000	As incurred	Before opening	Various third parties
Opening Advertising and Promotion See Note 13	\$10,000 to \$18,000	As incurred	As ordered	Third party advertising service vendors
Licenses, Permits and Professional Fees See Note 14	\$3,000 to \$5,000	As incurred	Before opening	Local government agencies; various third parties

<b>Type of Expenditure</b> (See Note 1)	<b>Amount</b> (See Note 2)	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Insurance See Note 15	\$3,000 to \$7,000	As incurred	Before opening	Various third parties
Additional Funds - 3 months See Note 16	\$10,000 to \$20,000	As incurred	As incurred	Employees, suppliers
<b>TOTAL</b> See Note 17	<b>\$463,000 to \$877,000</b>			

Notes:

- (1) Type of Expenditure. The typical size of a Discover Strength™ Studio is approximately 1,800 to 2,200 square feet. For several items discussed below, your cost will increase as the number of square feet increases. A variety of factors may impact the size of your Studio such as landlord, municipality or zoning board requirements or restrictions and availability and cost of leased or purchased space. This Table reflects your estimated initial investment for a single Studio operated under a Franchise Agreement and assumes that you will lease the premises for your Studio. We do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.
- (2) Amount. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) Initial Franchise Fee. You will pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) Rent. Depending on the market conditions and other factors in your geographic area, the rental expense associated with the Studio premises may vary from the estimates provided in this Item 7. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Studio and other economic factors.
- (5) Design and Architecture Fees. If you do not use our designated architect to design your Studio and submit working drawings, construction and architectural plans and specifications to us, you must pay us a \$2,000 fee to review your architect's Studio design plans.
- (6) Leasehold Improvements. You will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include all internal, installed elements of the building, gym area and locker room areas. We anticipate that you likely will negotiate certain landlord tenant improvements as part of your rental expense to help offset the cost of leasehold improvements. The exact cost of leasehold improvements or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to make certain tenant improvements or reimburse you for those improvements, the size and location of the premises for your Studio and other economic factors. The higher end of the range of estimated expenses is more likely to be experienced in major metropolitan areas such as Chicago and Washington, D.C., among others. The exact amount of rental expense will vary greatly, depending on the location of the Studio premises, the size of the premises, the portion of rent representing the value of leasehold improvements at the Studio premises, local market conditions and other factors.

- (7) Equipment. This amount includes estimated expenses for the then-current strength training equipment. As described in Item 5, you must purchase this equipment and other items from us, our affiliate, or our designated suppliers.
- (8) Fixtures and Furniture. This amount includes estimated expenses for furniture and fixtures required at your Studio.
- (9) Supplies. You will need to purchase an opening inventory of retail, gym, janitorial and promotional items and supplies. We may be an approved supplier for certain items. See Item 8 for additional information. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (10) Management System and Designated Software. We require you to purchase the “Management System” (as defined in Item 11), which we have developed or selected for the System. The Management System may include “Designated Software” (as defined in Item 11). The Management System includes certain computer hardware and software, and costs to subscribe to required business software, including membership management, accounting, payroll, and communication software.
- (11) Signage. We require you to purchase and install exterior and interior signage that meets our specifications. Local sign codes will dictate the type of signage permitted on certain properties and in certain areas.
- (12) Training Expenses. Estimated training expenses include salaries, benefits, lodging, meals and travel expenses for up to 3 people to attend the initial training program.
- (13) Opening Advertising and Promotion. This amount includes estimated expenses for additional print media, neighborhood marketing, and other initial marketing efforts beginning 120-180 days before and for 30 days after you open the Studio for business. We will determine the minimum required amount based on the market in which the Studio is located and whether other Discover Strength™ Studios are located in the market.
- (14) Licenses, Permits, and Professional Fees. This amount includes expenses related to legal and financial advisor fees, and local license and permit fees.
- (15) Insurance. This amount estimates the expenses you will incur for insurance premiums during the first 3 months of Studio operations.
- (16) Additional Funds – Three Months. This amount estimates the expenses you will incur during the first 3 months of Studio operations, including initial wages and fringe benefits (for staff only), taxes, repairs, utilities, interest payments on any business loans as well as on any interim financing or construction loans and other miscellaneous expenses. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for the Discover Strength™ concept and services, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
- (17) Total. The total above is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Studio operations. This total is based on our estimate of regional (Midwest) average costs and prevailing market conditions, our predecessor’s (DSPFC’s)



15+ years of experience in developing and operating company-owned Studios and our management team's experience operating Studios. You should review this amount carefully with a business advisor before deciding to purchase the franchise.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of Products and Services throughout the System, you must maintain and comply with our quality standards.

#### Designated Products and Services

You must purchase for use or sale at your Studio those products used in or sold at your Studio and other services or products we designate from us, our designees or from other suppliers we approve. Currently, you must purchase all strength training equipment from us. In addition, we or our designees may be the designated or sole source of supply for certain other products and services. As of the date of this disclosure document, you must use the third-party firms we designate for social advertising management and membership management, which includes the use of Strength Portal, QuickBooks Online and Mindbody.

#### Location of your Studio

You must locate your Studio at a site that we consent to, and you may not sign a lease for the site until we have given our consent in writing. We approve locations on a case-by-case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms (including those that we require to be in the lease). You are not required to purchase, lease or sublease the Studio premises from us or our affiliate.

#### Building Construction; Fixtures, Equipment, Furniture & Signs

You must satisfy our specifications and standards in constructing and developing your Studio. We recommend that you use a site location specialist to assist you in finding potential sites for your Studio, and we reserve the right to require that you use an approved site location specialist or obtain our written acceptance of the site location specialist you use. We will furnish to you prototypical drawings and specifications for your Studio, including requirements for overall dimensions, interior and exterior materials, decor, fixtures, equipment, furniture and signs. You must retain a licensed architect we designate or approve and submit working drawings, construction and architectural plans and specifications to us for our approval before you begin construction of your Studio. You also must submit all revised plans and specifications to us during the course of construction. You will contract with a qualified, licensed, insured and bonded general contractor and a qualified construction project manager (if those services are not handled by the general contractor), each of which we approve, to supervise the planning, permitting and construction of the Studio. You must ensure that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Studio, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or our affiliate(s) may be an approved supplier of one or more of these items.

## Computer Hardware and Software

We currently require you to purchase the Management System we designate from our designated third-party supplier or other approved suppliers (if any).

## Insurance

You must purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and having an A.M. Best rating of A or higher; (2) name us and our affiliates, and their respective officers, directors and employees, as additional insured parties; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each Studio that you operate; and (5) provide that we will receive 30 days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If you fail to maintain any insurance coverage we require, or to provide satisfactory evidence of such coverage, we may obtain insurance coverage for you and require you to reimburse us for all premiums and other costs we incur, together with an administrative fee of 5% of the insurance premium. You must provide us with copies of the certificate of insurance and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Studio premises and at such other times as we may require.

## Advertising and Promotional Approval

We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Studio or otherwise develop, and obtain our advance written approval for, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Studio.

## Supplier and Product Approval

We will provide you with lists of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved products and services, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Studio ("Approved Supplies List"). The Approved Suppliers List may specify the specific manufacturer of a specific product, service or piece of equipment, in which case you can purchase those products only from a source identified on the Approved Suppliers List. The lists specify the suppliers and the products and services that we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any product, service, material, fixture, equipment, sign or other item that we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples photographs, drawings or other information to permit us to determine whether the product, service, material, fixture, equipment, sign or other item (or brand of such item) complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable time following our receipt of all information requested. You must pay the reasonable cost of the inspection and evaluation and the actual cost of the test we conduct. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier failing to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as

insurance, product quality, trademark use, and indemnification. We, an affiliate of ours or a third-party vendor or supplier periodically may be the only approved or designated supplier for certain products as described elsewhere in this Item 8 and will not entertain proposals for additional suppliers or products. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier’s quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

We will notify you in writing if we revoke our approval of a supplier. If we do so, you will have 30 days to stop offering, selling or using those suppliers, products or other items or services in your Studio.

During our last fiscal year ending December 31, 2023, we received revenues of \$359,403 as a result of franchisee purchases of strength training equipment, which represents 39% of our total revenue in 2023 (\$915,239).

One or more of our officers have an interest in us and our affiliates. No officer owns a material interest in any other supplier.

Miscellaneous

We may negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative in the System. We may, however, attempt to negotiate and enter into purchasing agreements for the System.

We (directly or through an affiliate) may derive revenue directly or in the form of rebates or other payments from suppliers, based directly or indirectly on sales of products, advertising materials and other items to franchisees, and from other service providers. These payments may range from less than 1% up to 10% or more of the total purchase price of those items.

We estimate that the purchase or lease of products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items meeting our specifications will represent approximately 70% to 90% of the cost to develop the Studio and 20% to 40% of the cost to operate your Studio.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

**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 other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 2 and 6(A)	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Section 6	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6, 7(A) and 7(B)	Item 5, 7, and 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
d. Initial and ongoing training	Sections 1(D), 2(D), 3(B)(4), 7(B), 7(F), 14(B)-(C) and 15(A)	Items 5, 7 and 11
e. Opening	Sections 6(F)-6(G), 7(C) and 15(A)	Items 5 and 11
f. Fees	Sections 3(B), 4, 5, 6(D), 6(G)-(H), 7(B), 7(D), 7(F), 9(G), 9(M), 9(N), 11(C), 14(C), 14(D), and 19(D)	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 3(B), 4(E), 5(B)-(C), 6(C)-(H), 7(B), 7(D)-(F), 8(A)-(C), 9 and 14(C), 15(A)	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(A)-(B), 1(F), 1(L), 2, 6(D)-(E), 7(E), 8, 9(K)-(M), 9(O) 12, 13(C)-(D) and 17(A)-(C)	Items 13 and 14
i. Restriction on products/services offered	Sections 2, 9(C), 9(E) and 9(G)	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(G)-(J)	Items 11 and 16
k. Territorial development and sales quotas	Sections 2(B)-(D)	Items 11 and 12
l. Ongoing product/service purchases	Sections 6(C)-(D), 9(A)-(D), 9(G), 9(J)-(K) and 9(N)	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(A)-(D) and (K)	Items 6 and 11
n. Insurance	Section 9(N)	Items 6, 7 and 8
o. Advertising	Sections 5, 6(G), 9(K)	Items 6, 7 and 11
p. Indemnification	Sections 4(J) and 18	None
q. Owner's participation/management/ staffing	Sections 9(F) and (M)	Items 11 and 15
r. Records and reports	Section 10	Item 6
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 3(B)	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 17	Item 17
w. Non-competition covenants	Sections 13(B)-(E)	Item 17
x. Dispute resolution	Section 19	Item 17
y. Personal Guaranty	Sections 13(A) and 14(F); Exhibit D	Item 15

## **ITEM 10**

### **FINANCING**

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

## **ITEM 11**

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

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

Pre-Opening Assistance. Before you open your Studio, we will:

- (1) Provide reasonable consulting services in your evaluation and selection of a site for the Studio and consent to the Studio site if it meets our minimum standards (Franchise Agreement – Section 7(A) and Exhibit B).

- (2) Provide you with prototype drawings and specifications for your Studio, reflecting our requirements for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 7(A)).
- (3) Provide you with a list of approved and designated suppliers (Franchise Agreement – Section 7(A)).
- (4) Provide the initial training program described below to your “General Manager” (as defined in Item 15) (Franchise Agreement – Section 7(B)).
- (5) Provide you with at least one of our representatives for a minimum of 2 days and up to 3 days to assist you in the opening and initial operations of the Studio (Franchise Agreement – Section 7(C)).
- (6) Provide you with access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).
- (7) Make available to you the Management System that we have selected for the System as described further below (Franchise Agreement – Section 6(D)).

We are not required to provide you any assistance with conforming your Studio to any ordinances or codes, or hiring any employees.

Ongoing Assistance. During the operation of your Studio, we will:

- (1) Provide advisory services relating to Studio operations, including Products and Services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance and sales promotion programs, staff member clinical rotation program and general administrative and operating procedures (Franchise Agreement – Section 7(D)).
- (2) Make available one or more of our representatives to assist you during the initial stages of Studio operation at our then-current fees and expenses (Franchise Agreement – Section 7(D)).
- (3) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).
- (4) Determine the content and use of a Discover Strength™ website and intranet system, and establish rules under which you may or will participate (Franchise Agreement – Section 9(O)).
- (5) Operate the System Marketing Fund (Franchise Agreement – Section 5(A)).

We are not required to provide you any assistance with hiring of any employees.

Advertising Programs. We establish and conduct certain advertising programs as follows:

We intend to establish and operate a production and marketing fund (the “System Marketing Fund”) to promote Discover Strength™ Studios in the System and conduct other promotional and marketing activities. You will pay us a monthly marketing fee equal to 2% of Gross Sales during the previous calendar month (the “System Marketing Fund Fee”). We will deposit the System Marketing Fund Fee in the System Marketing Fund that we manage.

Disbursements from the System Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of

formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the System Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Discover Strength™ Studios and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the System Marketing Fund. We will determine the methods of advertising, media employed and the geographic scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. The System Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the System Marketing Fund.

We are not required to spend any particular amount on marketing, advertising or production in the area in which your Studio is located. System Marketing Fund Fees not spent in any fiscal year will be carried over for future use. System Marketing Fund Fees will not be used for advertising principally directed at the sale of franchises. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recently completed calendar year.

Discover Strength™ Studios that we operate in the United States will contribute to the System Marketing Fund at the same percentage rate as Discover Strength™ franchisees must pay to the System Marketing Fund. During our fiscal year ending December 31, 2023, 42% of that Fund was used for public relations activities, 31% of the Fund was used for website development, 16% of the Fund was used for in-house administrative expenses and 11% of the Fund was used for social advertising management, videography and other miscellaneous expenses.

During the period beginning 120-180 days before and ending 30 days after you open your Studio, you must spend a minimum amount on a Studio Opening Campaign that we have approved in advance. The minimum amount that you must spend will range from \$10,000 to \$18,000, as we determine, and will depend on the market in which you operate the Studio and whether other Discover Strength™ Studios are located in your market. We reserve the right to collect this minimum amount directly from you and spend it on your behalf in connection with the Studio Opening Campaign. You will use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Studio Opening Campaign. On or before the last day of each month during the first 4 months of Studio operations, you must provide us with an accurate accounting of the Studio Opening Campaign (advertising and marketing) expenses. If you fail to spend the minimum required amount for the Studio Opening Campaign as we may direct, you must deposit with us the difference of what you actually spent and the minimum required amount, and we will deposit that amount in the System Marketing Fund.

In addition to the System Marketing Fund Fee and beginning the first full calendar quarter following completion of the Studio Opening Campaign, each calendar quarter you will spend at least 2% of the previous calendar quarter's Gross Sales on "approved" Studio marketing and promotional activities in your local geographic area ("Local Marketing Spend"). Within 15 days following the end of each calendar quarter, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar quarter. If you fail to spend the minimum amount on approved local marketing, you must deposit with us the difference between what you should have spent on approved marketing during the calendar quarter and what you actually spent on approved marketing during the calendar quarter. We will deposit that amount in the System Marketing Fund. Studio marketing and promotional activities are "approved" if they comply with the Franchise Agreement and Operating Manual. We may increase the Local Marketing Spend to the greater of \$12,000 per quarter or 3% of quarter Gross Sales upon 60 days' notice to you.

We may in the future require you to participate in, support and contribute a proportionate share of the cost of any regional or other geographic cooperative marketing programs we designate. Each Discover Strength™ Studio located within the designated area of a cooperative will be a member of the cooperative. We or members of the cooperative and their designated officials may be responsible for administering the cooperative. Discover Strength™ Studios that we or our affiliates own and operate are not obligated to participate in any cooperative we form or approve. Each cooperative must adopt written governing documents, which must reflect any form documents that we provide to franchisees or are otherwise approved by us. A copy of the governing documents of the cooperative (if one has been established) for your market area will be available upon request. The cooperative will determine the amount of your contribution; provided that if the cooperative is unable or unwilling to designate the amount of the contribution, we may designate the contribution amount. In addition, we reserve the right to establish minimum and maximum contribution amounts. We reserve the right to designate regional and other geographic marketing or advertising markets, to establish marketing cooperatives and to establish the bylaws and other rules under which such cooperatives will operate. Your contributions to marketing cooperatives will be credited toward your Local Marketing Spend described above. As of the issuance date of this disclosure document, we have not established any advertising cooperatives

We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Studio or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Studio. If you desire to use any advertising or promotional materials in promoting the Studio which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within 15 days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local marketing obligations.

As of the date of this disclosure document, we do not have an advertising council composed of franchisees.

Management System. You will use in the Studio the membership management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (the “Management System”). The Management System may include one or more proprietary or other software programs developed or customized for us (the “Designated Software”). You must use the Designated Software, and the Designated Software will remain the confidential property of us or our third-party supplier. You must enter into our or our designee’s standard form software license agreement in connection with your use of any Designated Software. We reserve the right to charge you initial or recurring license fees related to your use of the Designated Software. You will pay the then-current Software License Fees (if any) for the Designated Software at or before the Designated Software is delivered to you.

As of the date of this Disclosure Document, you will pay us the Technology Fee (currently \$550 per month) to offset our costs related only to certain technology-related services, including website or email hosting, software or website development. The email portion of the Technology Fee allows up to five users. You will pay us \$12 per month for each additional user. The components included under the Technology Fee are: the following components of the Management System: (1) HubSpot; (2) Apiant; (3) Listen360; (4) Google Workspace; (5) Canva; (6) Absorb Learning Platform; (7) Strength Portal; and (8) ProfitKeeper. We may increase the Technology Fee no more than once every 12 months, and will not increase the

Technology Fee by more than 10% in any 12 month period. In addition, you will pay us a Scheduling App Fee (currently \$199 per month) in connection with your use of the required Scheduling App that we make available to you. We may increase the Scheduling App Fee no more than once every 12 months to reflect the costs we incur as a result of fee increases imposed by the third-party supplier of the Scheduling App.

As of the date of this disclosure document, the required Management System also includes QuickBooks Online, Mindbody, and Soundtrack Your Brand. We estimate that there is no initial cost for the Management System, and the monthly expenses you will incur for these other components of the Management System obtained from approved third party suppliers will range from \$340 to \$370, but these expenses may periodically change as third party fees increase.

You must maintain a secure technology infrastructure that meets our then-current requirements. All technology used to support the Management System must comply with the then-current regulations of the Payment Card Industry Data Security Standards (PCI-DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including the Fair and Accurate Credit Transaction Act (FACTA). You will use an e-mail address we designate for communication with us. We have the right to designate a single source from which you must purchase the Management System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System, including any additions or modifications to any Designated Software.

We may independently access financial information and customer data produced by or otherwise located on your Management System (collectively the “Customer Data”). During the term of the Franchise Agreement, we reserve the right to own and control the use of the Customer Data that is stored on the Management System, although you will be responsible for obtaining all customer consents necessary to transfer to us or otherwise allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach or cyber-attack at or in connection with the Studio. You cannot use the Customer Data for any purpose other than the operation of the Studio consistent with our standards of use. There are no contractual limitations on our right to access the information and data.

You may be required to obtain ongoing maintenance and repairs respecting the Management System, as well as upgrades or updates respecting the Designated Software. We estimate the cost of optional or required maintenance, updates and upgrades will be \$0 to \$500 per year. There are no contractual limitations on the frequency and cost of additional maintenance or repair. You must incorporate these upgrades and updates to the Management System. We, our affiliates, and third-party suppliers are not currently required to provide any ongoing maintenance, repairs, upgrades or updates to you.

Site Selection. If you already have a potential site for the Studio, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Studio will be identified in Exhibit A to the Franchise Agreement. If you do not have a proposed site, you will sign Exhibit B to the Franchise Agreement and will have 4 months following the date of the Franchise Agreement to identify a Studio site acceptable to us. We will provide you with our general site selection and evaluation criteria. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. We recommend that you use a site location specialist to assist you in finding potential sites for your Studio, and reserve the right to require that you use an approved site location specialist or obtain our written acceptance of the site location specialist you use. If you sign Exhibit



B to the Franchise Agreement and we cannot agree on a site for a Studio, we can terminate your Franchise Agreement.

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Studio site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Discover Strength™ Studios), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Studio does not represent any recommendation or guaranty as to the success of the proposed site. If you and we are unable to agree on a site for the operation of the Studio, the opening of your Studio may be delayed. If you do not open your Studio within 8 months following the date of the Franchise Agreement, we may terminate the Franchise Agreement if you fail to cure this default.

**Development Time.** The typical length of time between our acceptance of the Franchise Agreement and the opening of your Studio is expected to vary from 4 to 8 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors. You must complete development and open your Studio within 8 months following the date of the Franchise Agreement, or we may terminate the Franchise Agreement. We also may terminate the Franchise Agreement if you do not select a site for your Studio and obtain our consent within 120 days following the date of the Franchise Agreement.

**Training.** Before you open your Studio, your General Manager must attend and complete to our satisfaction the initial training program. If your General Manager is not a Principal Owner, a Principal Owner must also attend and complete the initial training to our satisfaction. Our initial training program is conducted at our training center in St. Louis Park, Minnesota, or another location we designate. We may provide the initial training program over the period of 10 consecutive days, or we may provide the initial training program during two or more separate training sessions, as we determine. We currently plan to offer the initial training program once or more each calendar quarter, or as we determine is necessary during the upcoming year. The initial training program may include online, classroom and on-the-job modules. The initial training program includes instruction relating to Studio operations, understanding the equipment and product use, costs and cash control, customer service, comprehensive marketing and sales programs, accountability for sales and marketing, and methods of controlling operating costs. The General Manager and Principal Owner may be the same person.

You may not open your Studio unless the General Manager (and Principal Owner, if the General Manager is not a Principal Owner) complete the initial training program to our satisfaction. If we determine that the proposed General Manager is not qualified to manage the Studio, we will allow you to select a substitute General Manager to complete the initial training program at an additional expense to you.

The initial training program consists of the following:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Training Hours</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Tour of Discover Strength studio	-	1	St. Louis Park, Minnesota, or a location we designate
Discover Strength Vision Component, Core Values, Core Purpose, Strategic Niche	2	-	St. Louis Park, Minnesota, or a location we designate

<b>Subject</b>	<b>Training Hours</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Overview of the Relationship with the Franchisor	1	-	St. Louis Park, Minnesota, or a location we designate
Pre-Opening Procedures and Grand Opening	2	-	St. Louis Park, Minnesota, or a location we designate
Human Resources Best Practices	2	-	St. Louis Park, Minnesota, or a location we designate
Marketing Best Practices	3	2	St. Louis Park, Minnesota, or a location we designate
Prospecting for New Clients	1	1	St. Louis Park, Minnesota, or a location we designate
Intro Sessions	2	4	St. Louis Park, Minnesota, or a location we designate
Handling Objections and Closing the Sale	2	2	St. Louis Park, Minnesota, or a location we designate
New Client Documentation	1	1	St. Louis Park, Minnesota, or a location we designate
Studio Daily Procedures	2	2	St. Louis Park, Minnesota, or a location we designate
Managing and Delivering Service Excellence	4	4	St. Louis Park, Minnesota, or a location we designate
Facilitating the Training Schedule	2	2	St. Louis Park, Minnesota, or a location we designate
Surgically Clean Studios	2	2	St. Louis Park, Minnesota, or a location we designate
Management and Leadership	4	4	St. Louis Park, Minnesota, or a location we designate
Studio Safety and Security	2	1	St. Louis Park, Minnesota, or a location we designate
Operational and Franchise Reporting	2	2	St. Louis Park, Minnesota, or a location we designate
Using MBO	2	4	St. Louis Park, Minnesota, or a location we designate
Discover Strength Training Program	4	8	St. Louis Park, Minnesota, or a location we designate
<b>TOTAL</b>	<b>40</b>	<b>40</b>	

The instructional materials for all training programs include the Operations Manual, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a Discover Strength™ business.

Luke Carlson will oversee the initial training program. Luke is the founder of the Discover Strength™ System and has been our Chief Executive Officer since our inception and has been the Chief Executive Officer of our predecessor DSPFC since 2006. Luke has a Bachelor of Science in Kinesiology from the University of Minnesota, a Master of Science in Kinesiology from the University of Minnesota, an Honorary PhD in Exercise Physiology from Solent University in the United Kingdom, and completed the Executive Leadership, Strategy, and Innovation Program at Stanford Business School. He is an ACSM Certified Exercise Physiologist and is a member of the Board of Directors for the Health and Fitness Association. He also has more than 22 years of experience in the fitness industry.

We do not charge a fee for your initial General Manager (and Principal Owner, if the General Manager is not a Principal Owner) and one additional person to attend the initial training program. You

are, however, responsible for travel and living expenses that your General Manager, Principal Owner (if applicable) and any other employee incurs while attending the initial training program. See Item 7 for additional information on travel and living expenses.

In addition, all new General Managers must complete our designated initial training program. We may charge you a reasonable fee (currently \$2,000 plus our expenses) for those new or additional individuals who attend the initial training program.

We intend to hold an annual "Essentials Training" to refine skills on the basic elements of training clients in the business. This can be virtual or in person. All General Managers and other personnel we designate must participate in this meeting. In addition, we may require the General Manager to attend all other supplemental and refresher training programs that we designate for up to 5 days each calendar year. We may decide the time and place of training and may charge you a reasonable fee (currently \$1,000 plus our expenses) for these supplemental and refresher training programs.

We periodically may hold or sponsor franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, training, business management, sales and sales promotion, or similar topics. These franchise conventions and meetings will be mandatory unless we designate otherwise. Your Principal Owner, General Manager and other personnel we designate must attend, at your expense, the "DS Annual Summit," our annual franchise convention and we reserve the right to charge you a fee for the DS Annual Summit as well as any other convention or meetings that we sponsor or designate, regardless of your attendance.

As of the date of this disclosure document, we also hold "Quarterly Leadership Team Offsite" meetings with the General Manager and Principals of each franchisee to review the performance of the Studio during the previous quarter and set goals for the next quarter. We will charge a fee for your attendees at the quarterly meetings once your Studio has been open more than 24 months.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, supplemental or refresher training programs, and any franchise conventions or meetings. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training or any franchise conventions or meetings.

Operations Manual. During the term of the Franchise Agreement, we will allow you to access our Operations Manual (the "Operations Manual"). The current table of contents of the Operations Manual and the estimated number of pages as of the date of this disclosure document is as follows:

<b>Subject</b>	<b>Estimated Number of Pages</b>
Introduction	20
Pre-opening Procedures	17
Vision	5
Marketing and Promotion	23
Human Resources	51
Leadership and Management	6
Service Excellence	10
Sales	16
Clients for Life	7
Daily Operations	39
World Class Workouts	29
<b>Total</b>	<b>223</b>

## ITEM 12

### TERRITORY

You will receive a “Protected Territory,” which generally will consist of a population containing approximately 100,000 people, as we determine. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Discover Strength™ businesses in the Protected Territory.

You will not receive an exclusive territory. You may face competition from other franchisees, from businesses that we own or from other channels of distribution or competitive brands that we control.

The location of the Studio and the Protected Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a site for your Studio when you sign the Franchise Agreement, you will sign Exhibit B to the Franchise Agreement and will have 120 days after the date of the Franchise Agreement to find a site for the Studio (acceptable to us) within the designated geographic area. Once we approve a location within the geographic area established in Exhibit B, we and you will then sign Exhibit A (which identifies the Protected Territory for your Studio).

The continuation of your territorial protection during the initial term of the Franchise Agreement depends on your achievement of particular sales volume. During the term of the Franchise Agreement, you must maintain the following minimum Gross Sales (the “Minimum Performance Requirement”):

<b>Operations Periods</b>	<b>Minimum Gross Sales</b>
Year 1	\$100,000
Year 2	\$225,000
Year 3	\$350,000
Year 4	\$450,000
Years 5+	\$500,000

The first Operations Period (Year 1) begins the first full month after you open the Studio for business and is for the next 12 calendar months. Each Operations Period is the subsequent 12 months after the prior Operations Period ends. If you do not satisfy the Minimum Performance Requirement for any Operations Period, we may require your General Manager to attend and complete additional training, at your sole expense, reduce the size of your Protected Territory, terminate the Franchise Agreement, or exercise any other rights available to us.

You may only relocate the Studio if it is destroyed, condemned or otherwise becomes untenable by fire, flood or other casualty, and only with our written consent. If we permit you to relocate your Studio, you will pay us a relocation fee equal to 25% of our then-current initial franchise fee for services we will provide in assisting you in relocating your Studio. In addition, you will need to build out the Studio consistent with our then-current standards for new Discover Strength™ Studios.

We (for ourselves and our affiliates) reserve the right, without compensation to you:

1. To directly operate, or to grant other persons the right to operate, Discover Strength™ Studios at locations outside the Protected Territory;
2. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Discover Strength™ Studios under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution, including any national account program;
3. To promote, sell, distribute and license the Services and the Products authorized for sale at Discover Strength™ Studios as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of Discover Strength™ Studios), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;
4. To acquire businesses that are the same as or similar to the Studio or other Discover Strength™ Studios and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Studio or other Discover Strength™ Studios regardless of whether such businesses are located within or outside the Protected Territory; and
5. To promote the System and Discover Strength™ businesses generally, including on the Internet and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

You will concentrate your marketing and advertising efforts within your Protected Territory and will not conduct any advertising or marketing or otherwise solicit potential customers located within the protected territory of any other Discover Strength™ Studio. In addition, you must comply with our then-current member reciprocity policy. This policy may prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, restrict or provide guidelines regarding membership transfers, and address other requirements or suggestions for member reciprocity. You may not offer, promote or sell any Products or Services through any other channels of distribution, including the Internet. You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.


Except as disclosed, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and Services authorized for sale at a Discover Strength™ Studio under any other trademark or service mark.

## ITEM 13

### TRADEMARKS

We grant you the right under the Franchise Agreement to operate your Studio under the name “Discover Strength,” and other trademarks or service marks (the “Marks”).

The following schedule list only the principal Marks that you are licensed to use.

<b>Principal Trademarks</b>	<b>U.S. Registration Or Serial No.</b>	<b>Application or Registration Date</b>	<b>Principal/ Supplemental Register</b>
DISCOVER DS STRENGTH and Design 	Reg No. 6146100	September 8, 2020	Principal

Our predecessor, DSPFC, owns the Marks and has licensed us the right to use the Marks and to sublicense the use of the Marks to operate Discover Strength™ studios under a trademark license agreement dated March 16, 2020 (the “License Agreement”). The License Agreement has an initial 10 year term, which will renew automatically unless one of the parties elects not to renew the License Agreement. DSPFC or we may terminate the License Agreement if the other party fails or refuses to perform any duty under the License Agreement. In addition, DSPFC may terminate the License Agreement if our misuse of the Marks materially impairs the goodwill associated with the Marks or if we do not comply with DSPFC’s instructions concerning the quality of the Marks. If the License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their Franchise Agreements. The License Agreement contains no other material limitations. DSPFC has filed all required affidavits respecting the Marks.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our and our affiliates’ exclusive benefit and you retain no rights in the Marks. You retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We otherwise are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or

unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

#### **ITEM 14**

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

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual as well as our advertising copy and design, written training materials and for certain other written materials we provide to assist you in operating your Studio. In addition, we treat certain portions of our training curriculum as trade secrets.

We own certain proprietary or confidential information relating to the operation of Discover Strength™ Studios, including information in the Operations Manual (“Confidential Information”). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. We reserve the right to own and control the Customer Data stored on your Management System and grant you a license to use the Customer Data during the term of your Franchise Agreement. As the Customer Data is Confidential Information, you must cease to use it when your Franchise Agreement expires or terminates. We will periodically establish policies respecting the Customer Data.

#### **ITEM 15**

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

#### Franchise Agreement

You must designate an individual we approve and who successfully completes our initial training program and other required training as the general manager of the Studio (“General Manager”). If the General Manager is not a “Principal Owner” (as defined below), a Principal Owner also must attend and successfully complete the initial training program. The General Manager is responsible for day-to-day Studio operations, must at all times faithfully, honestly and diligently perform his/her obligations, and must continuously use his/her best efforts to promote and enhance the business of the Studio. The General Manager assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17.

If at any time the General Manager is not managing the Studio or no longer serves as the General Manager, we immediately may appoint a manager to maintain Studio operations on your behalf until you have appointed a successor General Manager who has attended and successfully completed our Initial Training Program.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Studio all, and only, those products and services that we have approved. You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Products or Services that you must offer at or use in your Studio. Our right to modify the Products and Services to be offered at a Studio is not limited.

You also must comply with our then-current reciprocity policy described in the Operations Manual. This policy may prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, restrict or provide guidelines regarding membership transfers, and address other requirements or suggestions for member reciprocity.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

#### THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement or Other Agreement	Summary
a. Length of the franchise term	Section 3	10 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for up to 3 additional 5-year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, have complied with current franchise agreement, your General Manager and a Principal Owner satisfactorily complete any new/refresher training programs, sign new agreement (which may contain materially different provisions than your current Franchise Agreement), remodel, provide proof you will maintain possession of the Studio premises, pay a renewal fee, and sign a general release of claims.
d. Termination by you	Section 16	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice or such additional time as we may reasonably need.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 15	We may terminate the Franchise Agreement only if you default.



Provision	Section in Franchise Agreement or Other Agreement	Summary
g. "Cause" defined – curable defaults	Sections 15(A) and (B)	<p>Curable defaults include the following: (i) the General Manager or Principal Owner (if applicable) fails to meet our then-current requirements or satisfactorily complete the Initial Training Program; (ii) you fail to open and commence full operations of the Studio at such time as provided in the Franchise Agreement; (iii) material violations of the Franchise Agreement; (iv) failure to comply with the material requirements of the System, or material standards of uniformity or quality for the Services and Products; (v) failure to timely pay Royalty Fees, System Marketing Fund Fees, Technology Fees or any other amounts owed to us, our affiliates, or approved suppliers; (vi) you violate any federal, state or local government health code in the operation of the Studio; (vii) an audit discloses an understatement of Gross Sales of 2% or more; or (viii) you do not to satisfy the Minimum Performance Requirement for any Operations Period.</p> <p>The cure period is generally 30 days, except you have only 10 days to cure a failure to pay amounts due, and you have only 72 hours to cure a health code violation (except as described in paragraph h below).</p>
h. "Cause" defined – non-curable defaults	Sections 15(A) and (B)	<p>Non-curable defaults include: (i) failure to comply with one or more material requirement on 3 occasions within 12 months; (ii) non-curable default; (iii) willful and repeated deception of customers; (iv) material misrepresentation or omission in the application for the Franchise; (v) you or any General Manager, director, officer or Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or associated goodwill, or if we have proof that such person has committed such a felony, crime or offense; (vi) insolvency; (vii) assignment for the benefit of creditors; (viii) abandonment; (ix) any act that materially impairs or is prejudicial to the goodwill associated with the Marks or System; (x) unauthorized assignment or transfer; (xi) operation, maintenance or construction of the Studio results in a threat or danger to the public health or safety; (xii) the lease for the Studio premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the Studio premises refuses to renew your lease and you relocate within the Protected Territory to a site we approve within 90 days); or (xiii) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise.</p>
i. Your obligations on termination/nonrenewal	Section 17, 13(B) and 17(D)	<p>Cease operating the Studio and use of the Marks; (ii) pay all amounts due us; (iii) stop using and return Operations Manual and other materials; (iv) assign to us the Studio telephone number and telephone listing or (at our option) disconnect the telephone number, (v) remove all signs and other materials containing any Marks; (vi) comply with all obligations under any proprietary software license/access agreements; (vii) cancel all fictitious or assumed name filings; (viii) cease using Confidential Information; (ix) sell back to us or return all Products; and (x) agree not to divert Studio customers to any competing business for 2 years (also see paragraphs o and r below).</p>
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the Franchise Agreement.
k. "Transfer" by you-defined	Sections 14(B) and (C)	Includes transfer of the Franchise Agreement to a wholly-owned corporation or limited liability company, of the Studio or its assets, or your interest in the Franchise Agreement or any ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers, but will not unreasonably withhold approval.

Provision	Section in Franchise Agreement or Other Agreement	Summary
m. Conditions for our approval of transfer	Sections 14(B) and (C)	<p>Transfer to wholly-owned entity – owners maintain the same proportionate ownership interest in the entity as held before transfer, Studio is actively managed by the General Manager, all Principal Owners of the assignee entity sign the Guaranty Agreement, you provide us 15 days’ written notice before the proposed assignment, provide us with all entity-related organizational documents, stock or membership certificates include legend as to transfer restrictions, and only occurs once.</p> <p>Transfer of controlling interest - all amounts due to us and our affiliates are paid and you are in good standing under the Franchise Agreement, transferee is approved by us and the new General Manager meets our standards, transferee signs our then-current Franchise Agreement and completes our Initial Training Program, landlord consents to transfer of the lease (if applicable), you pay the applicable transfer fee, you and each Principal Owner signs a general release, we approve the sale documents, you agree to comply with all post-termination obligations.</p> <p>Transfer of non-controlling interest – provide 30 days prior written notice, any new Principal Owner signs a personal guaranty, transfer fee of \$2,000, and provide us with information we request.</p>
n. Our right of first refusal to acquire your business	Section 14(F)	We can match any offer for your Studio.
o. Our option to purchase your business	Section 17(D)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our Marks and other intangible assets.
p. Your death or disability	Section 14(D)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Sections 13(B), 13(C) and 13(E)	No involvement in any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Discover Strength™ Studio.
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(B), 13(D), 13(E) and 17(A)	No involvement in any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Discover Strength™ Studio within a 8-mile radius of the former site of the Studio or any other then-existing Discover Strength™ Studio, for 18 months following the termination or expiration of the Franchise Agreement or you cease operating the Studio (whichever is later).
s. Modification of the agreement	Section 20(F)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Studio.
t. Integration/merger clause	Section 20(N)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive relief, or actions involving real estate, all disputes first will be subject to non-binding mediation in the county where our headquarters is located, then (if not resolved) to binding arbitration in the county where our headquarters is located (subject to applicable law).
v. Choice of forum	Section 20(D)	Litigation (to the extent permitted) must be in state or federal court in the in the county where our headquarters is located at the time the suit is commenced (subject to applicable law). We also have the right to file suit where the Studio is located (subject to applicable law).
w. Choice of law	Section 20(E)	Laws of the state where Studio is located applies (subject to applicable law).

**ITEM 18**

**PUBLIC FIGURES**

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

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The table below presents data we obtained from DSPFC respecting the historic Gross Sales and other information for five company-owned locations and the comparable unaudited data we received from the three franchisee-owned locations that have been in operation for the entire twelve-month period beginning January 1, 2023, and ending December 31, 2023. As of December 31, 2023, DSPFC owned and operated six company-owned locations and franchisees owned and operated three locations. We excluded one company-owned location because the Studio was not in operation during the full 12-month period ended December 31, 2023.

**Unaudited Annual Statements of Company Unit Gross Sales, Selected Expenses and Revenue per Square Foot for the Period January 1, 2023 to December 31, 2023**

	<b>Studio 1</b>	<b>Studio 2</b>	<b>Studio 3</b>	<b>Studio 4</b>	<b>Studio 5</b>	<b>Studio 6</b>	<b>Studio 7</b>	<b>Studio 8</b>
	<i>Plymouth</i>	<i>Downtown Minneapolis</i>	<i>Woodbury</i>	<i>Northeast Mpls</i>	<i>St. Louis Park</i>	<i>Wayzata</i>	<i>Maple Grove</i>	<i>Chanhassen</i>
Open Date	5/22/2006	10/22/2012	5/21/2018	2/28/2019	11/9/2020	12/9/2021	12/15/2021	4/2/12
Years Opened	17.6	11.2	5.6	4.8	3.1	2.1	2.0	11.8
Square Footage	1,640	2,173	1,956	2,126	1,599	1,710	1,982	4,874
Total Revenue	\$1,266,247.69	\$528,752.78	\$1,060,693.34	\$883,420.43	\$1,385,755.22	\$925,361.01	\$809,932.25	\$1,210,121.58
Labor	\$556,131.22	\$236,052.94	\$492,056.97	\$409,815.56	\$570,435.51	\$336,919.42	\$378,962.07	\$501,199.37
Payroll Taxes	\$42,619.84	\$18,421.24	\$38,029.85	\$31,616.13	\$44,493.69	\$33,719.37	\$30,018.18	\$50,490.92
Labor % of Total Revenue	44%	45%	46%	46%	41%	40%	47%	41%
Revenue per Square Feet	\$772.10	\$243.33	\$542.28	\$415.53	\$866.64	\$541.15	\$408.64	\$248.28
Monthly Rent Expense	\$5,183.16	\$7,831.71	\$11,008.85	\$6,615.91	\$6,409.75	\$8,550.00	\$5,047.21	\$8,503.79

Notes:

1. “Open Date” means the date the applicable Studio opened for business to the public.
2. “Years Open” means the total number of years each Studio has been open for business to the public.
3. “Square Footage” means the total square footage of the entire Studio, including all gym space, locker rooms, supply areas, and other areas needed to operate the Studio. Note that the Chanhassen

Studio is an unusually large Studio with Square Footage of over 4,800 square feet (vs. a more typical range of 1,800 to 2,220 square feet) which may impact Revenue per Square Foot.

4. “Gross Sales” means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with each applicable Studio, including off-premises sales and monies derived at or away from the Studio. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales has not been adjusted for uncollected accounts. The average session price generally range from \$45 to \$51 per session.

5. “Labor” means wages for all employees that provide training services, but does not include employee benefits or payroll taxes.

6. “Payroll Taxes” means the taxes each applicable studio pays for its employees.

7. “Monthly Rent Expense” means the total amount of payments to the Studio’s landlords, including base rent, common area maintenance, real estate taxes and insurance.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Written substantiation for the financial performance representation is available to the prospective franchisee upon reasonable request. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any financial performance representations orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet that are available to us on an audited basis. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Luke Carlson, Discover Strength Franchising LLC, 4450 Excelsior Blvd., Suite 490, St. Louis Park, MN 55416, (763) 317-4343, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1  
Systemwide Business Summary  
For Years 2021 to 2023**

<b>Business Type</b>	<b>Year</b>	<b>Businesses at the Start of the Year</b>	<b>Businesses at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	0	2	+2
	2022	2	3	+1
	2023	3	8	+5
Company-Owned*	2021	7	6	-1
	2022	6	5	-1
	2023	5	6	+1
<b>Total Businesses</b>	2021	7	8	+1
	2022	8	8	0
	2023	8	14	+6

\* As described in Item 1, company-owned businesses are owned and operated by our affiliate, DSPFC.

**TABLE NUMBER 2**  
**Transfers of Businesses from Franchisee to New Owners (Other than the Franchisor)**  
**For Years 2021 to 2023**

State	Year	Number of Transfers
<b>TOTAL</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**TABLE NUMBER 3**  
**Status of Franchised Businesses**  
**For Years 2021 to 2023**

State	Year	Businesses at the Start of the Year	Businesses Opened	Terminations	Non-Renewals	Required by Franchisor	Ceased Operations / Other Reasons	Businesses at the End of the Year
Minnesota	2021	0	2	0	0	0	0	2
	2022	2	1*	0	0	0	0	3
	2023	3	4	0	0	0	0	7
Utah	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<b>TOTAL</b>	2021	0	2	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	5	0	0	0	0	8

\* This Studio was acquired from our affiliate, DSPFC in December 2022.

**TABLE NUMBER 4**  
**Status of Company-Owned Businesses\***  
**For Years 2021 to 2023**

State	Year	Businesses at the Start of the Year	Businesses Opened	Businesses Reacquired From Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at the End of the Year
Minnesota	2021	7	0	0	1	0	6
	2022	6	0	0	0	1	5
	2023	5	0	0	0	0	5
Arizona	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
<b>TOTAL</b>	2021	7	0	0	1	0	6
	2022	6	0	0	0	1	5
	2023	5	1	0	0	0	6

\* As described in Item 1, company-owned businesses are owned and operated by DSPFC.

**TABLE NUMBER 5**  
**Projected Openings As of December 31, 2023**  
**As of December 31, 2023**

<b>State</b>	<b>Franchise Agreements Signed But Business Not Opened</b>	<b>Projected New Franchised Businesses in the Next Fiscal Year</b>	<b>Projected New Company-Owned Businesses in the Next Fiscal Year</b>
Arizona	4	3	0
Colorado	4	3	1
Florida	2	1	0
Georgia	0	1	0
Illinois	0	0	1
Iowa	0	0	1
Massachusetts	0	1	1
Minnesota	1	1	0
Tennessee	1	0	0
Texas	9	3	0
Utah	2	1	0
Washington DC	0	0	1
Wisconsin	2	2	0
<b>TOTAL</b>	<b>25</b>	<b>16</b>	<b>5</b>

The names, addresses and phone numbers of Discover Strength® franchisees as of March 1, 2024, as well as former franchisees, or franchisees who have not communicated with us in the previous 10-week period, are listed in Exhibit F. If you buy a Discover Strength™ franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have no trademark-specific franchisee association.

#### ITEM 21

#### FINANCIAL STATEMENTS

Attached as Exhibit A is our audited financial statements as of December 31, 2023, December 31, 2022 and December 31, 2021.

#### ITEM 22

#### CONTRACTS

The Franchise Agreement (including the Personal Guaranty) is attached as Exhibit B. The State Addenda are attached as Exhibit D. The General Release Form is attached as Exhibit E. The Disclosure Acknowledgment Agreement is attached as Exhibit G.

#### ITEM 23

#### RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit H). You should keep one copy as your file copy and return the second copy to us.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**

# **Discover Strength Franchising LLC**

Financial Statements

December 31, 2023, 2022, and 2021



# Discover Strength Franchising LLC

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December 31, 2023, 2022, and 2021

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## **Independent Auditors' Report**

To the Board of Directors of  
Deerfield Imaging Holdings, Inc.

### **Opinion**

We have audited the consolidated financial statements of Deerfield Imaging Holdings, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, shareholders' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **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 Consolidated 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

*Baker Tilly US, LLP*

Minneapolis, Minnesota  
April 26, 2024

## Discover Strength Franchising LLC

### Balance Sheets

December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 842,094	\$ 285,508
Accounts receivable	132,240	67,537
Prepaid expenses	47,617	26,347
Inventories	<u>853,673</u>	<u>283,088</u>
Total current assets	1,875,624	662,480
<b>Trademark</b>	<u>3,873</u>	<u>3,873</u>
Total assets	<u>\$ 1,879,497</u>	<u>\$ 666,353</u>
<b>Liabilities and Member's Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 580,846	\$ 121,206
Accrued expenses	10,098	507
Deferred revenues	<u>1,080,300</u>	<u>262,700</u>
Total current liabilities	1,671,244	384,413
<b>Long-Term Liabilities</b>		
Deferred revenues	<u>478,185</u>	<u>198,647</u>
Total liabilities	<u>2,149,429</u>	<u>583,060</u>
<b>Member's Equity (Deficit)</b>	<u>(269,932)</u>	<u>83,293</u>
Total liabilities and member's equity (deficit)	<u>\$ 1,879,497</u>	<u>\$ 666,353</u>

See notes to financial statements

## Discover Strength Franchising LLC

Statements of Operations and Member's Equity (Deficit)  
Years Ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues</b>			
Franchise fees	\$ 37,962	\$ 10,365	\$ 2,188
Pre-opening services	112,500	24,500	49,000
Marketing	173,911	24,638	632
Royalty	194,505	73,914	1,897
Technology	22,169	4,023	520
Equipment	359,403	189,919	48,993
Other	14,789	3,400	-
	<u>915,239</u>	<u>330,759</u>	<u>103,230</u>
Total revenues			
	915,239	330,759	103,230
<b>Cost of Revenues</b>	<u>339,812</u>	<u>186,879</u>	<u>45,829</u>
Gross profit	575,427	143,880	57,401
<b>Operating Expenses</b>	<u>923,045</u>	<u>547,316</u>	<u>145,947</u>
Net loss	(347,616)	(403,436)	(88,546)
<b>Member's Equity, Beginning</b>	83,293	80,947	43,555
Contributions	536,522	405,782	125,938
Contribution Receivable	(375,000)	-	-
Distributions	<u>(167,131)</u>	<u>-</u>	<u>-</u>
<b>Member's Equity, Ending (Deficit)</b>	<u>\$ (269,932)</u>	<u>\$ 83,293</u>	<u>\$ 80,947</u>

See notes to financial statements

## Discover Strength Franchising LLC

### Statements of Cash Flows

Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (347,616)	\$ (403,436)	\$ (88,546)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Change in operating assets and liabilities:			
Accounts receivable	(64,703)	(121)	(67,416)
Prepaid expenses	(21,270)	(19,105)	(7,242)
Inventories	(570,585)	(191,727)	(91,361)
Accounts payable	459,640	86,408	32,966
Accrued expenses	9,591	(4,541)	5,048
Deferred revenue	1,097,138	228,764	232,583
Net cash flows from operating activities	<u>562,195</u>	<u>(303,758)</u>	<u>16,032</u>
<b>Cash Flows From Investing Activities</b>			
Payments for trademark	-	(486)	-
Net cash flows from investing activities	<u>-</u>	<u>(486)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>			
Contributions	161,522	405,782	125,938
Distributions	(167,131)	-	-
Net cash flows from financing activities	<u>(5,609)</u>	<u>405,782</u>	<u>125,938</u>
Net change in cash	556,586	101,538	141,970
<b>Cash, Beginning</b>	<u>285,508</u>	<u>183,970</u>	<u>42,000</u>
<b>Cash, Ending</b>	<u>\$ 842,094</u>	<u>\$ 285,508</u>	<u>\$ 183,970</u>
<b>Noncash Investing and Financing Activities</b>			
Contribution offset by contribution receivable	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

# Discover Strength Franchising LLC

Notes to Financial Statements  
December 31, 2023, 2022 and 2021

## 1. Summary of Significant Accounting Policies

### Nature of Operations

Discover Strength Franchising LLC (the Company) was formed in Minnesota on January 16, 2020 and is a franchiser of Discover Strength Personal Fitness Center, Inc. offering evidence-based strength training experiences to customers of all ages through 1-on-1 and small group training sessions and other related services and products.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchises sold	19	7	2
Franchised units in operation	8	3	2

As of April 25, 2024, the Company sold an additional four franchises.

### Cash

The Company maintains its cash in financial institutions. Balances may, at times, exceed federally insured limits.

### Accounts Receivable

The Company recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivables are written off when the Company determined that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Company utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Company considers current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates and interest rates, amongst others.

Accounts receivable consists of franchise related fees and equipment. Accounts receivable are unsecured. Accounts receivable are considered past due if not paid within the terms established. Accounts receivable are written off when they are determined to be uncollectible. No allowance for credit losses was considered necessary by the Company as of December 31, 2023 and 2022.

### Inventories

Inventories consist of equipment to be sold to franchisees and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

# Discover Strength Franchising LLC

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Notes to Financial Statements  
December 31, 2023, 2022 and 2021

## Trademark

The Company's trademark has been determined to be an indefinite-lived intangible asset. The Company reviews the trademark for impairment whenever events or changes in business circumstances indicate the carrying amount of an asset may not be fully recoverable. To date, the Company has not recognized any impairment losses.

## Revenue from Contracts

Initial and successor franchise fees are recognized as revenue on a straight-line basis over the 10-year term of the respective franchise agreement. The Company has elected the practical expedient allowing for pre-opening services provided to a franchisee to be a separate performance obligation. Services provided by the Company to the franchisee include assistance in selection of a site, assistance with preparation of the site, training and other various services. The Company recognizes revenue for these pre-opening services once a franchisee store is open.

Marketing revenue for marketing and promotion is calculated as 2% of franchise gross sales and billed monthly. Marketing revenue is used for local marketing and advertising expended by the Company. Royalty revenue is calculated as 6% of franchise gross sales. Franchise royalties represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur. Technology revenue is a monthly billing allowing for the use of the Company's programs.

The Company sells and delivers equipment purchased from third-party equipment manufacturers to franchisee-owned stores. Revenue is recognized upon transfer of control of ordered items, generally upon delivery to the customer, which is when the customer obtains physical possession of the goods, legal title is transferred, the customer has all risks and rewards of ownership and an obligation to pay for the goods is created. Franchisees are charged for all freight costs incurred for the delivery of equipment. Freight revenue is recorded within equipment revenue and freight costs are recorded within cost of revenues. The Company is the principal in these transactions. Management determined the Company to be the principal in the transaction because the Company controls the equipment prior to delivery to the customer as evidenced by its pricing discretion over the goods, inventory transfer of title and risk of loss while the inventory is in transit and having the primary responsibility to fulfill the customer order and direct the third-party vendor.

Franchise deferred revenues results from initial and successor franchise fees which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deferred revenue is also recognized in the pre-opening services provided and are recognized upon the opening of a franchise.

## Advertising and Marketing

Advertising and marketing costs are recorded in operating expenses on the statements of operations and were \$158,883, \$36,083, and \$8,770 for the years ended December 31, 2023, 2022, and 2021.



# Discover Strength Franchising LLC

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Notes to Financial Statements  
December 31, 2023, 2022 and 2021

## Income Taxes

The Company is a single member limited liability company classified as a disregarded entity for income tax purposes. Accordingly, these financial statements do not include any provision or liability for income taxes since the income and expenses are reported on the individual income tax returns of the sole member and the applicable income taxes, if any, are paid by the sole member.

## Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

## Recent Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, *Current Expected Credit Losses (CECL)*, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime *expected* credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Company adopted the ASU prospectively. There was no adjustment to retained earnings upon adoption.

## 2. Related-Party Activities

In 2021, the Company entered into a related-party management agreement with a company under common ownership for shared services provided by the related party. The fees paid to the related party totaled \$457,148, \$319,848, and \$77,889 for the years ended December 31, 2023, 2022, and 2021. The Company owed the related party \$69,353 and \$0 as of December 31, 2023 and 2022.

The Company had a contribution receivable from sole member of \$375,000 on December 31, 2023, which is presented as a reduction of member's equity on the statement of member's equity (deficit). The receivable was satisfied by the member on April 25, 2024.

## 3. Subsequent Events

The Company has evaluated subsequent events through April 26, 2024, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Company's financial statements.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**DISCOVER STRENGTH  
FRANCHISE AGREEMENT**

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FRANCHISEE

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DATE OF AGREEMENT

**Discover Strength Franchising, LLC**  
2024 Franchise Agreement

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**EXHIBITS**

- A – STUDIO LOCATION AND PROTECTED TERRITORY
- B – STUDIO LOCATION GENERAL AREA
- C – STUDIO LEASE ADDENDUM
- D – GUARANTY AND ASSUMPTION OF OBLIGATIONS

## DISCOVER STRENGTH FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, between Discover Strength Franchising LLC, a Minnesota limited liability company, with a principal place of business at 4450 Excelsior Blvd., Suite 490, St. Louis Park, MN 55416 (“we” or “us”), and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

### INTRODUCTION

A. We developed, own, and continue to improve a “System” (as defined in Section 1(K) below) relating to the development and operation of Discover Strength™ businesses offering non-compromise strength training experiences to customers of all ages through one-on-one and small group training sessions, and other related services and products.

B. We own the Discover Strength™ trademark, and other trademarks and service marks (the “Marks”) used in operating the System.

C. We grant qualified persons the right to develop, own and operate a Discover Strength™ business at a specific location.

D. You desire to obtain the right to develop and operate a Discover Strength™ business using the System at a specific location.

### AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

#### 1. DEFINITIONS

A. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, Operations Manual (as defined in Section 7(E)), systems, and knowledge of and experience in the operation and franchising of Discover Strength™ businesses that we communicate to you or that you otherwise acquire in operating the Studio (as defined in Section 1(J)) under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

B. “Customer Data” means any name, address, email address, telephone number, date of birth, demographic data, behavioral data, customer service history, financial data, transaction data, correspondence, and other information about any potential, current or former customer whether stored in electronic, physical or other forms or formats.

C. “General Manager” means the Principal Owner or other person that you designate as the Studio’s general manager, has completed our Initial Training Program and all mandatory follow-up training programs, and meets our then-current requirements for general managers (as described in the Operations Manual).

D. “Gross Sales” means the aggregate amount of all sales of all Services and Products, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection

with the Studio, including off-premises sales and monies derived at or away from the Studio. Gross Sales includes reciprocity revenue you receive when a member at another Discover Strength™ studio receives Services at your Studio. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes you pay or accrue; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the service or product, or receipt of payment.

E. “Marks” means the Discover Strength™ trademark and service mark, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

F. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

G. “Products” means retail products, accessories, vending items and other products that we periodically may modify or otherwise approve for sale at the Studio.

H. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Studio that we designate.

I. “Services” means one-on-one personal training sessions, small group training sessions, and other related services authorized for Discover Strength™ businesses, as we periodically may modify or otherwise approve for sale at the Studio.

J. “Studio” means the Discover Strength™ business developed and operated under this Agreement, and which offers the Services and Products.

K. “System” means the Discover Strength™ system which includes the sale of Services and Products for the individual consumer under the Marks at Discover Strength™ businesses, using certain distinctive types of décor, products, equipment (including the Management System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

## 2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Territory. Subject to the provisions contained in this Agreement, we grant you a license (the “Franchise”) to own and operate a Discover Strength™ business (the “Studio”) at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the System in operating the Studio. The location of the Studio and your Protected Territory are identified in Exhibit A. Alternatively, if you do not have an Authorized Location at the time you and we sign this Agreement, we and you will complete and sign Exhibit B, in which we and you agree on a geographic area in which the location of the Studio will be established, subject to our written consent, within one hundred twenty (120) days after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Exhibit B, and we and our affiliates have the right to operate and franchise other Discover Strength™ businesses within the designated area. Once we consent to

a location for the Studio within the geographic area established in Exhibit B, however, we and you will sign Exhibit A and identify the Protected Territory.

B. Nature of Your Protected Territory. During the term of this Agreement (as described in Section 3), if you are in compliance with the terms of this Agreement, we will not directly operate or franchise other persons to operate any other Discover Strength™ business at a location within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Studio, and does not include the right to provide or sell any Services or Products identified by the Marks at any location other than at the Studio. This Agreement does not include the right to provide or sell any Services or Products identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Discover Strength™ business in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Studio for any purposes other than the operation of a Discover Strength™ business. You will concentrate your marketing and advertising efforts within your Protected Territory and will not conduct any advertising or marketing or otherwise solicit potential customers located within the protected territory of any other Discover Strength™ business.

C. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. To directly operate, or to grant other persons the right to operate, Discover Strength™ businesses at locations outside the Protected Territory;

2. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Discover Strength™ businesses under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution, including any national account program;

3. To promote, sell, distribute and license the Services and the Products authorized for sale at Discover Strength™ businesses as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of Discover Strength™ businesses), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;

4. To acquire businesses that are the same as or similar to the Studio or other Discover Strength™ businesses and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Studio or other Discover Strength™ businesses regardless of whether such businesses are located within or outside the Protected Territory; and

5. To promote the System and Discover Strength™ businesses generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

D. Minimum Performance Requirements. The rights granted to you under this Agreement are dependent on you achieving certain minimum performance requirements regarding the minimum Gross Sales. During the term of this Agreement, you must maintain the following minimum Gross Sales (the “Minimum Performance Requirement”):

<b>Operations Periods</b>	<b>Minimum Gross Sales</b>
Year 1	\$100,000
Year 2	\$225,000
Year 3	\$350,000
Year 4	\$450,000
Years 5+	\$500,000

The first Operations Period (Year 1) begins the first full month after you open the Studio for business and is for the next twelve (12) calendar months. Each Operations Period is the subsequent twelve (12) months after the prior Operations Period ends. If you fail to satisfy the Minimum Performance Requirement for any Operations Period, we may (a) require your General Manager to attend and complete additional training, at your sole expense, (b) reduce the size of your Protected Territory, (c) terminate this Agreement pursuant to Section 15 below, or (d) exercise any other rights provided to us under this Agreement or available to us at law.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for ten (10) years commencing on the date of this Agreement (the “Effective Date”).

B. Renewal Terms. You will have the right to enter into a successor agreement for the Franchise for three (3) additional renewal terms of five (5) years each, provided you satisfy the following conditions respecting each renewal term:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred sixty-five (365) days before the end of the term of this Agreement, or the end of the renewal term of this Agreement, of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you (a) have the right to maintain possession of the Authorized Location during the renewal term described in our then-current franchise agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Studio premises and to replace and modernize the décor, supplies, fixtures, signs and equipment used in operating the Studio so that the Studio reflects the then-current physical appearance of new Discover Strength™ businesses, or (b) can secure a new location within the Protected Territory to which we have consented (and our consent will not be unreasonably withheld) and you agree to make all required improvements to the Studio premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Discover Strength™ businesses;

4. Both a Principal Owner and General Manager (if the General Manager is not a Principal Owner) must complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You pay to us a fee equal to Five Thousand Dollars (\$5,000) (the “Renewal Fee”) when you provide notice of your intent to renew the Franchise Agreement;



6. You sign our then-current standard franchise agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

#### 4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of Fifty-Two Thousand Dollars (\$52,000). If you are an existing Discover Strength™ franchisee acquiring an additional Discover Strength™ business, the Initial Franchise Fee is Forty-Two Thousand Dollars (\$42,000). The Initial Franchise Fee is payable when you sign this Agreement, is fully earned by us upon receipt of the Initial Franchise Fee, and is not refundable.

B. Royalty Fee. You will pay us a non-refundable monthly fee equal to six percent (6%) of your Gross Sales (“Royalty Fee”). The Royalty Fee is due and payable on or before the 10<sup>th</sup> day of the month based on Gross Sales for the preceding month, or as we otherwise describe in the Operations Manual.

C. System Marketing Fund Fee. As further described in Section 5(A) below, you will pay us a non-refundable monthly fee equal to two percent (2%) of your Gross Sales (“System Marketing Fund Fee”). We will deposit the System Marketing Fund Fee into the System Marketing Fund described in Section 5(A) below. The System Marketing Fund Fee is due and payable at the same time and in the same manner as the Royalty Fee.

D. Technology Fee. Beginning 2 to 4 months prior to opening of the Studio, you will pay us a non-refundable technology fee of Three Hundred Fifty Dollars (\$350) per calendar month (the “Technology Fee”) to offset our costs related to the Management System, including one or more proprietary software programs. The components covered under the Technology Fee as of the Effective Date include: (i) HubSpot; (ii) Apiant; (iii) Listen360; (iv) Google Workspace; (v) Canva; (vi) Absorb Learning Platform; and (vii) ProfitKeeper. We may increase the Technology Fee no more than once every twelve (12) months, and will not increase the Technology Fee by more than ten percent (10%) in any twelve (12) month period. The Technology Fee is due and payable on or before the tenth (10<sup>th</sup>) day of each month, or as described in the Operations Manual.

E. Scheduling App Fee. In addition to the Technology Fee described above, you must pay us a non-refundable scheduling app fee of One Hundred Ninety-nine Dollars (\$199) per calendar month (the “Scheduling App Fee”) in connection with your use of the required Scheduling App that we make available to you. We may increase the Scheduling App Fee no more than once every twelve (12) months to reflect the costs we incur as a result of fee increases imposed by the third-party supplier of the Scheduling App. The Scheduling App Fee is due and payable on or before the tenth (10<sup>th</sup>) day of each month, or as described in the Operations Manual.

F. Electronic Transfer of Funds. We will require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Royalty Fees, System Marketing Fund Fees, Technology Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. We may change the frequency with which we collect fees under this Agreement,

although we will not collect fees more frequently than once a week. You agree to comply with our payment instructions as we periodically may modify them.

G. Insufficient Funds. In addition to interest charges on late fee payments, you must pay to us a service charge of up to Two Hundred Fifty Dollars (\$250) (“Insufficient Fund Fee”) for each delinquent payment that you owe to us under this Agreement. A payment is delinquent if: (1) we do not receive the payment on or before the date due; or (2) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.

H. Interest on Late Payments. All Royalty Fees, System Marketing Fund Fees, Technology Fees and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Studio is located.

I. Application of Payments. We have discretion to apply any payments received from you to any amounts due to us or any of our affiliates. Moreover, we have discretion to apply any amounts we pay you to any amounts that may be due to you.

J. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, System Marketing Fund Fees, Technology Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under this Agreement or any other agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, System Marketing Fund Fees, Technology Fees or any other amounts due.

K. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales and other taxes that the state in which the Studio is located imposes on us as a result of your operation of the Studio or the license of any of our intangible property in the jurisdiction in which the Studio is located. If more than one Discover Strength™ business is located in such jurisdiction, then those businesses will share the liability in proportion to their Gross Sales from the Studio, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

## 5. ADVERTISING

A. Marketing and Promotional Fund. During the term of this Agreement, you will pay to us the System Marketing Fund Fee for deposit in a marketing and promotional fund (the “System Marketing Fund” or “Fund”). We reserve the right to increase the System Marketing Fund Fee upon sixty (60) days’ notice to you. We will place all System Marketing Fund Fees we receive into the System Marketing Fund and will manage the Fund. We also will contribute to the System Marketing Fund for each Discover Strength™ business that we or our affiliates operate in the United States at the same percentage rate as a majority of Discover Strength™ businesses located in the United States must pay to the System Marketing Fund. Disbursements from the System Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the System Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Discover Strength™ businesses and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the System Marketing Fund. The System Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the System Marketing Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such

advertising or marketing activities in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Discover Strength™ businesses to the System Marketing Fund in that year. We may, through the System Marketing Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Discover Strength™ businesses. We will determine the methods of advertising, media employed and the geographic scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recently completed calendar year.

B. Local Marketing and Studio Promotion. In addition to the System Marketing Fund Fee due under Section 5(A) above, and beginning the first full calendar quarter following completion of the “Studio Opening Campaign” described in 6(G) below, you must spend each calendar quarter a total of two percent (2%) of Gross Sales for the previous calendar quarter on “approved” Studio marketing and promotional activities in your local geographic area. Within fifteen (15) days following the end of each calendar quarter, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar quarter. If you fail to spend the minimum amount required under this Section 5(B) on approved local marketing, you must deposit with us the difference between what you should have spent on approved marketing during the calendar quarter and what you actually spent on approved marketing during the calendar quarter. We will deposit that amount in the System Marketing Fund. For purposes of this Agreement, Studio marketing and promotional activities are “approved” if they comply with Sections 2(B) above and 5(D) below and the Operating Manual. We reserve the right to increase the minimum quarter amount you must spend on local marketing to the greater of Twelve Thousand Dollars (\$12,000) per quarter or three percent (3%) of quarter Gross Sales upon sixty (60) days’ notice to you.

C. Cooperative Advertising. In the future, we may require that you participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Your contributions to regional and local advertising cooperatives will be credited toward your local marketing obligations described in Section 5(B) above.

D. Approved Advertising, Media Plans and Studio Promotion Materials. We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Studio or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Studio. If you desire to use any advertising or promotional materials in promoting the Studio which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within fifteen (15) days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time and require you to remove any subsequently disapproved materials. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local marketing obligations described in Section 5(B) above.

E. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Studio and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish and as we may modify, as further described in the Operations Manual. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must also participate in any mystery

shopper program or compliance assessments we require. We may set minimum and maximum prices on all Services and Products provided or sold at or in connection with the Studio, subject to applicable law.

## 6. DEVELOPMENT AND OPENING OF THE STUDIO

A. Site Selection; Lease for Studio Premises. You are solely responsible for securing a site for the Studio that we have approved. We will provide you with reasonable assistance in connection with the selection and evaluation of proposed Studio sites. We recommend that you use a site location specialist to assist you in finding potential sites for your Studio, and reserve the right to (a) require that you use an approved or designated site location specialist, or (b) obtain our written acceptance of the site location specialist you use. You must submit to us a complete site evaluation form (containing any information that we may require) for the proposed Studio location. We will notify you in writing within thirty (30) days after we receive your complete site evaluation form and other materials we request whether we accept or reject the proposed Studio location. If you enter into a letter of intent and/or lease for the Studio premises, you must provide the proposed lease and, if applicable, the proposed letter of intent to us and receive our prior written approval of the proposed lease and proposed letter of intent (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Studio premises (“Landlord”) must sign a “Lease Addendum” in the form attached hereto as Exhibit C. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Studio.

B. Your Development of the Studio. Promptly after you sign a lease or acquire the premises for the Studio, and receive from us the prototype plans and specifications for the Studio, you will:

1. with the assistance of a licensed architect we designate or approve, prepare and submit to us for approval any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;
3. construct all required improvements to the Studio premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
4. establish filing, accounting and inventory control systems complying with our requirements; and
5. follow our required inspection and approval timelines and procedures as established in the Operations Manual.

You will contract with a qualified, licensed, insured and bonded general contractor and a qualified construction project manager (if those services are not handled by the general contractor), each of which we approve, to supervise the planning, permitting and construction of the Studio. If you do not use our designated architect to design the Studio and submit working drawings, construction and architectural plans and specifications, you must pay our then-current fee to review and modify, as needed, you proposed drawings and plans.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Studio only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software and pump and filtration equipment), furniture, and signs that we have approved for Discover Strength™ businesses as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time.

D. Membership Management System. In your Studio, you will use the membership management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (the “Management System”). The Management System may include one or more proprietary or other software programs developed or customized by or for us (the “Designated Software”). You must use the Designated Software (if applicable) and the Designated Software will remain the confidential property of us or our third-party supplier. You must enter into our or our designee’s standard form software license agreement in connection with your use of any Designated Software. We reserve the right to charge you an initial license fee related to your use of the Designated Software. You will pay the then-current fee (if any) for the Designated Software at or before the Designated Software is delivered to you. In addition, you must pay us a Technology Fee as described in Section 4(D). We reserve the right to assign our rights, title and interest in any Designated Software to a third-party we designate or to replace the Designated Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third-party supplier of the Designated Software and pay any separate fees imposed under that agreement. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program. If we do not designate a separate PCI compliance program, you must take all necessary steps to comply with all applicable PCI data security standards. You must maintain a secure technology infrastructure that meets our then-current requirements. All technology used to support the Management System must comply with the then-current regulations of the Payment Card Industry Data Security Standards (PCI-DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including the Fair and Accurate Credit Transaction Act (FACTA). You will use an e-mail address we designate for communication with us. The computer hardware component of the Management System must comply with specifications we develop. We have the right to designate a single source from which you must purchase the Management System, including any software or hardware components or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

E. Customer Data. You acknowledge and agree that we reserve the right to own and control the use of Customer Data, and we grant you a license to use the Customer Data during the term of this Agreement. You have no right to sell, transfer, sublicense or otherwise share Customer Data to or with any third party unless you obtain our prior written approval. You will only use Customer Data for approved uses related to your Studio, unless you obtain our prior written approval. Upon reasonable request, you will transfer all Customer Data to us or our affiliate in accordance with the Operations Manual. You must provide to us usernames and passwords to access the Management System, and we have the right to access

Customer Data on the Management System and at the Authorized Location. It is your sole responsibility to protect Customer Data from cyber-attacks or unauthorized intruders, and you waive any claim you may have against us as the direct or indirect result of such attacks and intrusions. You are solely responsible for complying with all federal, state, and local laws and regulations concerning the storage, handling, use and protection of Customer Data. In addition, you must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach or cyber-attack at or in connection with the Studio.

F. Studio Opening. You must comply with any Studio opening requirements we periodically describe in the Operations Manual. You will not open the Studio for business without our prior written approval. You agree to complete the development and open the Studio for business within eight (8) months following the Effective Date.

G. Studio Opening Campaign. During the period beginning approximately one hundred twenty (120) to one hundred eighty (180) days before the opening of your Studio and ending thirty (30) days following such opening, you must spend a minimum ranging from Ten Thousand Dollars (\$10,000) to Eighteen Thousand Dollars (\$18,000), as we determine, on a Studio opening campaign (the “Studio Opening Campaign”) that we have approved in advance. You will use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Studio opening campaign. We reserve the right to collect the amount you otherwise must spend on the Studio Opening Campaign directly from you and spend it on your behalf in connection with the Studio Opening Campaign. On or before the last day of each month during the first four (4) months of Studio operations, you must provide us with an accurate accounting of the Studio Opening Campaign (advertising and marketing) expenses. If you fail to spend the minimum required amount for the Studio Opening Campaign in accordance with the Studio opening campaign plan (if any), you must deposit with us the difference of what you actually spent and the minimum required amount, and we will deposit that amount in the System Marketing Fund (as defined below).

H. Relocation of Studio. If you must relocate the Studio because the Studio was destroyed, condemned or otherwise became unusable due to fire, flood or other natural disaster or catastrophe, you must reopen the Studio at a “new” franchised location of the Studio for which you must obtain our prior written consent (the “New Authorized Location”) in the Protected Territory within six (6) months after you discontinue operation at the existing Authorized Location. If you relocate the Studio under this Section 6(H), the New Authorized Location, including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Discover Strength™ businesses. In addition, we will require you to pay us a fee equal to twenty-five percent (25%) of our then-current standard initial franchise fee applicable to new Discover Strength™ businesses for services we will provide in connection with any relocation of the Studio before we will review a proposed New Authorized Location (“Relocation Fee”). There is no guarantee that an acceptable location will be available for relocation, and if you cannot relocate your Studio within the Protected Territory and reopen your Studio within the time period described in this Section 6(H), this Agreement will terminate. You otherwise cannot relocate the Studio from the Authorized Location.

## 7. TRAINING AND OPERATING ASSISTANCE

A. Development of Studio. We will provide you with prototype drawings and specifications for the Studio, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and décor, and we will provide to you the list of approved and designated suppliers. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Studio site and development of the Studio. You acknowledge that

our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Studio.

B. Training. No less than one (1) month before the opening of the Studio, the General Manager must attend and successfully complete the initial training program (the “Initial Training Program”) on the operation of a Discover Strength™ business that we or our representative will provide at a place and time we designate. If the General Manager is not a Principal Owner, a Principal Owner must also attend and successfully complete the Initial Training Program. The Principal Owner and the General Manager may be the same person so long as the Principal Owner meets the then-current requirements for general managers (as described in the Operations Manual).

1. The Initial Training Program may include online tutorials, classroom instruction and on-site training relating to Studio operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. If, during the Initial Training Program, we determine that the Principal Owner and/or the General Manager are not qualified to manage the Studio, or fail to meet our then-current requirements, we will notify you and you must select and enroll a substitute Principal Owner and/or General Manager in the Initial Training Program.

2. In addition, all new General Managers must complete the Initial Training Program. We may charge you our then-current fee, which is currently Two Thousand Dollars (\$2,000) plus any costs and expenses we incur, for those new or additional individuals who attend the Initial Training Program.

3. We may require that the General Manager attend all supplemental and refresher training programs that we designate for up to five (5) days each calendar year. We may charge you our then-current fee, which is currently One Thousand Dollars (\$1,000) plus any costs and expenses we incur, for these supplemental and refresher training programs, and you will reimburse us for any costs and expenses we incur.

4. You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the Initial Training Program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker’s compensation insurance, for you and your employees, while you and your employees attend training.

5. The General Manager, exercise physiologists and any other personnel that we designate must meet the minimum qualifications stated in the Operations Manual, and they must complete any training programs that we periodically may require, including training programs before they may work in a managerial role, train other personnel or conduct training programs. If we learn or determine that a person is no longer complying with our minimum qualifications, standards or procedures, then we may require that person take the necessary steps to meet the minimum qualifications we state in the Operations Manual.

C. Opening Assistance. We will provide you with the services of at least one (1) of our representatives for a minimum of two (2) days and up to five (5) days to assist you in the opening and initial operations of the Studio. We will determine the number of days and the time at which our representative is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Studio as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Services and Products authorized for sale at Discover Strength™ businesses;
2. selecting, purchasing and marketing products, equipment and other approved materials and supplies;
3. marketing assistance and sales promotion programs;
4. clinical rotation programs under which a staff member of a franchised or corporate Studio could conduct a clinical session at another Studio to train clients;
5. making available one or more of our representatives to assist you during the initial stages of Studio operation at our then-current fees and expenses; and
6. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a Discover Strength™ business.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Studio in conjunction with an inspection of the Studio. We will provide additional assistance for a fee.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the “Operations Manual”) for Discover Strength™ businesses. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Discover Strength™ businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not to establish any control or duty to take control over those matters that are reserved to you. We may supplement, modify or remove information to or from the Operations Manual to reflect changes in the System, the authorized Services and Products, and specifications, standards and operating procedures of a Discover Strength™ business. You must implement any changes to your Studio that we require in the Operations Manual in the specified time frames. The master copy of the Operations Manual that we maintain on our website, and make available to you by electronic access, will control if there is a dispute involving the contents of the Operations Manual.

F. Conventions and Meetings. We may periodically hold or sponsor, and you must attend, franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, recognition of successful franchisees, training, business management, sales and sales promotion or similar topics. We may require your General Manager or other personnel to attend these conventions or meetings and pay our then-current registration fee. You must pay the then-current registration fee even if you do not attend. You are responsible for all expenses you incur during these conventions or meetings, including your and your employees’ transportation, lodging, meals and salaries. We may use the monies from the Fund for purposes related to these conventions or meetings.



## 8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to your conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of this Agreement. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Studio, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access and participate in our website as further described in Section 9(O) below. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with the Studio; (4) use any e-mail address which we have not authorized for use in operating the Studio; and (5) conduct any activity on “social media” or related social networking website other than as we have expressly authorized in writing. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. Subject to our right of indemnification (as described in Section 18(B) below), we will pay the cost and expense of all litigation we incur, including attorneys’ fees, specifically relating to the Marks. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

## 9. STUDIO IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Studio. You agree to maintain the condition and appearance of the Studio (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Discover Strength™ businesses, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Studio, adjacent parking areas and grounds, and periodically update and redecorate the Studio. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Studio premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If, within ten (10) days after receipt of notice, you fail to commence action and continue in good faith and with due diligence to undertake and complete any required maintenance or refurbishing, we may enter the Studio premises and correct the deficiencies on your behalf and at your expense, in addition to our rights under Section 15 below.

B. Remodeling of Studio. You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Studio premises and to replace and modernize the supplies, fixtures, signs and equipment used in your Studio so that your Studio reflects the then-current physical appearance of new Discover Strength™ businesses. We may require you to take such action: (i) every five (5) to seven (7) years, measured from the Effective Date; (ii) as a condition to the transfer of any interest as further described in Section 14(C); (iii) as a condition of renewal; or (iv) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(B) are both reasonable and necessary to ensure continued public acceptance and patronage of Discover Strength™ businesses and to avoid deterioration or obsolescence in connection with the operation of the Studio.

C. Repair and Reconstruction of the Studio. If the Studio is damaged or destroyed by fire or any other casualty, and we do not approve the relocation of the Studio as described in Section 6(H), you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Studio premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Studio consistent with the then-current decor and specifications of a new Discover Strength™ business without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Studio premises in compliance with the then-current decor and specifications.

D. Studio Alterations. You cannot alter the premises or appearance of the Studio, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Studio without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Studio that we have not previously approved.

E. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Studio any services or products we have not then authorized for use or sale for Discover Strength™ businesses, nor will the Studio or the premises which it occupies be used for any purpose other than the operation of a Discover Strength™ business in compliance with this Agreement.

F. Your Hiring and Training of Employees. You will hire all employees of the Studio, and you will be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions. You must complete a background check of all of your potential employees, by a vendor approved by us. You will implement a training program for Studio employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Studio in compliance with our standards. You must ensure that all Studio employees comply with all licenses and certifications respecting the Studio as we may require or as federal, state and/or local authorities may require. At all times, the Studio must be under the supervision of the General Manager. Any employees you hire will be solely your employees and will not be deemed our employees or subject to our control.

G. Authorized Products, Supplies and Equipment. You agree to offer and sell at the Studio all and only the Services and Products which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Studio only such products, supplies, equipment and brands that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved and designated products, supplies, equipment, brands and suppliers. If you propose to offer for sale, or use in operating the Studio, any products, supplies, equipment or brand, or use any supplier that we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the proposed item and/or supplier to permit us to determine whether the proposed item complies with our specifications and standards and/or the supplier meets our approved supplier criteria. You must pay our then-current evaluation fee for each item or supplier you request that we evaluate, plus the costs we incur in connection with testing, inspecting and evaluating the proposed item or supplier. We will notify you within a reasonable time whether the proposed item and/or supplier is approved. We may develop procedures for the submission of a request for approved products, supplies, equipment, brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). If we revoke our approval of a supplier or products, you will have thirty (30) days to stop offering, selling or using those suppliers, products or other items or services in your Studio. We may impose limits on the number of suppliers and/or brands for any products, supplies or equipment sold or used in the Studio or otherwise related to the Franchise, and we may require that you use only one designated supplier for any products, supplies or equipment. You agree that certain products, supplies, equipment, and other items may only be available from one source, and we or our affiliates may be that source. Specifically, we periodically will designate specific gym equipment that you must purchase from us or our designated supplier(s) for use in your Studio. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED PART OF THE MANAGEMENT SYSTEM), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

H. Health and Safety Standards. You must comply with all applicable governmental safety, health and sanitary standards in operating and maintaining your Studio. You also must comply with any higher standards that we prescribe. In addition to complying with such standards, if the Studio will be subject to any governmental safety, health or sanitary inspection under which it may be rated in one or more than one classification, the Studio will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable safety, health and sanitary standards, you must immediately notify us of such failure or noncompliance, and we may take any action as permitted under this Agreement and pursuant to applicable law.

I. Studio Operation. Once you commence operating the Studio, you must operate your Studio during the times we designate in the Operations Manual.

J. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers, suppliers and the public, satisfy the highest standards of honesty, integrity and fair dealing.

K. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Studio is important to us and other Discover Strength™ businesses. You agree to maintain the highest standards of quality and service and comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Discover Strength™ business, including:

1. type and quality of Services and Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Studio premises, including the workout area, gym floor, locker rooms and shower facilities, and its fixtures, equipment, furniture, décor and signs;
4. qualifications, dress, general appearance and demeanor of Studio employees. Each of your employees will wear only those uniforms which we have approved in writing;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Studio;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
7. Studio advertising and promotion.

L. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Studio, and must operate the Studio in full compliance with all applicable laws, ordinances and regulations, including all labor and employment laws. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Studio. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other Discover Strength™ businesses.

M. Management of the Studio/Conflicting Interests. The General Manager will be responsible for the day-to-day supervision of the Studio, must at all times faithfully, honestly and diligently perform his or her obligations, and must continuously use their best efforts to promote and enhance the business of the Studio. The General Manager must assume their responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations. If at any time the General Manager is not managing the Studio or no longer serves as the General Manager, we immediately may appoint a manager to maintain Studio operations on your behalf until you have appointed a successor General Manager who has attended and successfully completed our Initial Training Program.

Our appointment of a manager of the Studio does not relieve you of your obligations under this Agreement or constitute a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Studio or to any of your creditors for any products, materials, supplies or services purchased by the Studio while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

N. Insurance. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each Discover Strength™ business that you operate; and (5) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commence development of the Studio premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section 9(N) are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that we require you to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

O. Participation in Internet Website. You will participate in a Discover Strength™ website listed on the Internet or other online communications and participate in any intranet system we control. We will, at our discretion, determine the content and use of a Discover Strength™ website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Discover Strength™ website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the Discover Strength™ intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information, including access codes and identification codes. Your right to participate in the Discover Strength™ website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

P. Member Reciprocity. You must comply with our then-current reciprocity policy, as described in the Operations Manual and as we periodically may modify (the "Reciprocity Policy"). The

Reciprocity Policy may (i) prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, (ii) restrict or provide guidelines regarding membership transfers, (iii) include form membership agreements that you must use or follow in the operation of your Studio; and (iv) address other requirements or suggestions for reciprocity of products and services between Discover Strength™ businesses.

## 10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, establish and maintain at the Studio premises and retain for a minimum of six (6) years from the date of their preparation, an accounting and record keeping system we designate that will generate complete and accurate books, records, and accounts relating to the Studio (the “Records”). The accounting and record keeping system will include accounting and reporting software that we periodically direct. The Records must be prepared in the form and manner we direct in the Operations Manual or otherwise in writing, and must include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) chart of accounts; (5) monthly bank statements and daily deposit slips; (6) all tax returns relating to the Studio and each of its Principal Owners; (7) suppliers’ invoices (paid and unpaid); (8) dated Management System reports (detailed and summary); (9) monthly balance sheets and profit and loss statements; (10) weekly inventories; and (11) such other records and information as we periodically may request. You must preserve the Records and submit reports electronically, consistent with our requirements described in the Operations Manual or otherwise in writing. You will ensure that we have electronic access at all times to the Records, accounting systems and other information and supporting documents as we designate. If at any time you fail to fully comply with your obligations under this Section 10, we may require that you engage, at your expense, a third-party accounting firm or other service provider that we designate to satisfy the requirements of this Section 10.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) all accounting software used in connection with the Studio; (2) daily statements relating to Gross Sales accompanying your payment of weekly Royalty Fees; (3) monthly income statements in a format we require; (4) profit and loss statements for the Studio at such intervals as we periodically may require; (5) an annual profit and loss statement and source and use of funds statement for the Studio for the year and a balance sheet for the Studio as of the end of the year, reviewed by an independent certified public accountant; and (6) at our request, all tax returns relating to the Studio and each of its Principal Owners. All financial statements, reports and information must be in the form we approve and that you independently have verified.

## 11. INSPECTION AND AUDITS

A. Our Right to Inspect the Studio. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Studio and observe the provision of the Services. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Studio and to interview employees and customers of the Studio. If we establish a mystery shopper or compliance assessment program, we may require you to pay for the reasonable expense of mystery shopper visits or the completion of any compliance assessments at your Studio.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Studio premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any

such information at the Studio. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Sales. If any examination or audit discloses an understatement of Gross Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any System Marketing Fund Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(G) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) we determine that an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Sales for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

## 12. CONFIDENTIAL INFORMATION AND IMPROVEMENTS

A. Confidential Information. You do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Studio pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. The Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement reasonable procedures, including all such other reasonable procedures as we direct, to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Studio employees; and (5) will require the General Manager, and other managers, employees and agents with access to Confidential Information to sign a Confidentiality Agreement in a form we approve. The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a Discover Strength™ business or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Studio, or any advertising or promotion ideas related to the Studio (collectively, the “Improvements”) that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that: (1) subject to the rights of Studio customers, we own all Customer Data; and (2) any other Improvement immediately becomes our property. You and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of each Improvement to us without any additional compensation. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Studio without our prior written consent.

13. COVENANTS

A. Organization. You and each Principal Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Protected Territory and Studio is located;

2. Your articles of incorporation, bylaws, operating agreement or other organizational documents (collectively, "Authorizing Documents") at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Studio, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You will provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit D; and

6. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners' names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of eighteen (18) months thereafter, you will not, directly or indirectly divert or attempt to divert any business, account or customer of the Studio or any other Discover Strength™ businesses or the System to any "Competing Business" (as defined below).

C. Covenant Not to Compete During Term. You (and each Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or business: (i) divert or attempt to divert any business or customers of the Studio to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate written agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and the General Manager and each Principal Owner) will not, for a period of eighteen (18) months after this Agreement expires or is terminated or the date on which you cease to operate the Studio, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Studio to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business which is located at the former site of the Studio;



or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within an eight (8) mile radius of the former site of the Studio or any other then-existing Discover Strength™ business; provided, however, that this Section 13(D) will not apply to: (i) other Discover Strength™ businesses that you operate under separate Discover Strength™ franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

E. Competing Business. “Competing Business” means any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Discover Strength™ business.

F. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section 13, and that injunctive relief is essential for our protection. You therefore agree that, to the greatest extent permitted by applicable law, we may seek injunctive relief without posting any bond or security, and without the need to prove irreparable harm, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section 13. The covenants stated in this Section 13 will survive the termination or expiration of this Agreement.

#### 14. ASSIGNMENT

A. By Us. You acknowledge, understand, and agree that we may assign this Agreement without providing to you any notice and without requiring any consent from you. Any such assignment will require the assignee to fulfill our obligations under this Agreement, and following the effective date of any such assignment, you will look solely to the transferee or assignee for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement.

B. Transfer to a Wholly Owned Corporation or Limited Liability Company. You (as one or more individuals may assign your interests herein to an entity that conducts no business other than the Studio (or other Discover Strength™ businesses under franchise agreements with us), provided:

1. You own all of the voting stock or all of the membership interests, as applicable, in the entity or, if you comprise more than one individual, each such individual has the same proportionate ownership interest in the entity as he/she held in Franchise before the contemplated transfer;
2. the Studio is actively managed by the General Manager;
3. all Principal Owners of the assignee entity sign the Guaranty Agreement attached hereto as Exhibit D;
4. you provide us fifteen (15) days’ written notice before the proposed date of assignment of this Agreement to the entity;
5. you provide to us a certified copy of the articles of incorporation, operation agreement, organizational documents, a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity;

6. the organizational documents of the entity and all issued and outstanding stock or membership certificates will bear a legend, in form acceptable to us, reflecting or referring to the assignment restrictions stated in Section 14(C) below; and

7. A transfer under this Section 14(B) may only occur once and is not subject to our right of first refusal as described in Section 14(F) below. You will remain liable under this Agreement as if the transfer to the entity did not occur.

C. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Principal Owners.

1. Controlling Interest Transfer. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of (including by way of merger, consolidation or exchange), in one or more transactions, your business, the Studio, substantially all or all of the assets of the Studio, or this Agreement, and you will not permit the transfer of any controlling interest in you (“controlling interest” to include a proposed transfer, whether in one single transaction or a series of transactions occurring after the Effective Date, of fifty percent (50%) or more of the voting equity interests in a corporation, limited liability company or partnership) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

(i) All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and all other agreements between you and us or our affiliates;

(ii) The transferee and Principal Owners (if applicable) are approved by us and the proposed General Manager demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new Discover Strength™ businesses, possesses a good business reputation and credit rating, and has the aptitude and ability to operate the Studio. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee and Principal Owners meet our qualifications;

(iii) The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which may contain materially different terms and conditions than this Agreement) and each new Principal Owner signs a personal guaranty in the form attached to the franchise agreement;

(iv) The transferee, a Principal Owner and the new General Manager (if not a Principal Owner) successfully complete the Initial Training Program required of new Discover Strength™ businesses;

(v) If required, the lessor of the Studio premises consents to your assignment or sublease of the premises to the transferee;

(vi) You pay us a transfer fee equal to: (i) fifty percent (50%) of our then-current standard initial franchise fee applicable to new Discover Strength™ franchisees if the

transferee is a new Discover Strength™ franchisee, or (ii) twenty-five percent (25%) of our then-current standard initial franchise fee applicable to new Discover Strength™ franchisees if the transferee is an existing Discover Strength™ franchisee or an immediate family member of the Principal Owner of a controlling interest in you (including specifically a spouse, parent, sibling or child (biological or adopted));

(vii) You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

(viii) We approve the material provisions of the assignment or sale of assets, which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

(ix) You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination non-solicitation covenant and covenant not to compete contained herein and all other applicable post-termination obligations.

2. Non-Controlling Interest Transfer. If the transfer involves less than a “controlling interest” in you (taking into account any prior changes of ownership or transfers), you are not required to obtain our prior written consent, provided you comply with any or all of the following conditions that we may deem necessary:

(i) You provide us with thirty (30) days advance written notice of the transfer;

(ii) Any new Principal Owner signs a personal guaranty in the form we designate;

(iii) You pay us an assignment fee equal to Two Thousand Dollars (\$2,000); and

(iv) You provide us with such other information relating to the transfer as we request.

3. Additional Conditions. We may expand upon and provide more details related to the conditions for transfer and our consent as described in this Section 14(C) in the Operations Manual or otherwise in writing.

D. Death or Disability. If a Principal Owner who also serves as the General Manager dies or is permanently disabled, the remaining Principal Owners must appoint (if necessary) a competent General Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed General Manager must satisfactorily complete our Initial Training Program. If an approved General Manager is not appointed within thirty (30) days after the Principal Owner’s death or permanent disability, we may, but are not required to, immediately appoint a General Manager to maintain Studio operations on your behalf until an approved assignee can assume the management and operation of the Studio. Our appointment of a General Manager does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Studio or to any creditor of yours for any products, materials, supplies or services purchased by the

Studio while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Principal Owner who also serves as the General Manager dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(C) above.

E. Public or Private Offerings. Subject to Section 14(C) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before you include that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

“NEITHER DISCOVER STRENGTH FRANCHISING LLC NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

F. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Studio, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you, or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within seven (7) days following receipt of the proposed offer, to purchase the interest in the Studio or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

G. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption Agreement substantially in the form attached to this Agreement as Exhibit D (the “Guaranty Agreement”). We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that

at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition to becoming a Principal Owner, sign the Guaranty Agreement, and you must ensure that any proposed new Principal Owner signs the Guaranty Agreement.

#### 15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) the General Manager or Principal Owner (if applicable) fails to meet our then-current requirements or satisfactorily complete the Initial Training Program or you fail to open and commence full operations of the Studio at such time as provided in this Agreement; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise; (4) any of your General Manager, directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense; (5) you do not comply with the material requirements of the System or the material standards of uniformity and quality for the Services and Products as described in the Operations Manual or as we have established under the System; (6) you fail to timely pay Royalty Fees, System Marketing Fund Fees, Technology Fees or any other obligations or liabilities due and owing to us or our affiliates, or other suppliers we approve as a source for required items; (7) you are insolvent within the meaning of any applicable state or federal law; (8) you make an assignment for the benefit of creditors or enter into any similar arrangement to dispose of your assets for the benefit of creditors; (9) you voluntarily or otherwise “abandon” (as defined below) the Studio; (10) you are involved in any act or conduct that materially impairs or otherwise is prejudicial to the goodwill associated with the name “Discover Strength Studio” or any of the Marks or the System; (11) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Studio or an ownership interest in you; (12) the operation, maintenance or construction of the Studio results in a threat or danger to the public health or safety; (13) you violate any federal, state or local government health code in connection with the operation of the Studio; (14) your lease for the Studio premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Studio is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter); (15) the result of an audit discloses an understatement of Gross Sales of two percent (2%) or more; (16) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise; or (17) you fail to satisfy the Minimum Performance Requirement for any Operations Period as described in Section 2(D). Any report submitted under Section 10(A) will be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%). The term “abandon” means your failure to operate the Studio during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a (twelve) 12-month period without our prior written consent unless such failure is due to an event of “*force majeure*” as further described in Section 20(K) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under item (6) in Section 15(A) above and to provide evidence thereof to us. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (13) in Section 15(A) above and to provide evidence thereof to us. You will have six (6) months after you receive from us a written Notice of Termination to remedy any default under item (17) in Section 15(A) above by achieving the Minimum Performance Requirement stated in the Notice of Termination and to provide evidence thereof to us. If you fail to correct an alleged default within the applicable cure time stated above, this Agreement will terminate without further

notice to you, effective immediately when the applicable cure period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods or services sold; or (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12), (14), or (16) in Section 15(A) above.

C. Suspension of Rights Upon Default. If you default under this Agreement, in addition to any other rights or remedies we may have hereunder, we may suspend performing our obligations under this Agreement.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

## 16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

## 17. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operating the Studio and using the Marks as well as any confusingly similar trademarks or service marks;
2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, System Marketing Fund Fees, Technology Fees, any other amounts, and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;
4. assign to us or, at our discretion, disconnect the telephone number for the Studio. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Studio premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Discover Strength™ business or bear the name “Discover Strength Studio” or other Marks;
6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Designated Software;
7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

8. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information; and

9. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

B. Cease Using the Marks. Upon termination or expiration of this Agreement for any reason, your right to use the name “Discover Strength Studio” and the other Marks and the System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to immediately remove all signs and other materials bearing the Marks, we may do so at your expense.

C. Redecoration. If this Agreement expires or is terminated for any reason, and you either remain in possession of the premises of the former Studio to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Studio, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Discover Strength™ businesses. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name “Discover Strength Studio” and other Marks; (3) removing from the premises all fixtures which are indicative of Discover Strength™ businesses; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms that are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Studio; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Studio or complete such modifications within any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Studio to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

D. Our Option to Purchase Studio. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days’ written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Studio, including the Studio premises if you own the Studio premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Studio premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Studio. If the landlord respecting the lease for the Studio premises is an affiliate of yours (i.e., controlling, controlled by or under common control with you), we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Studio location. We may assign to a third party this option to purchase and assignment of lease separate and apart from the remainder of this Agreement.

The purchase price for the Studio will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we will exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks, any Designated Software, Customer Data and other Confidential Information). If the parties cannot agree on the fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on you and us, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty

(60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Studio without interruption. At the closing, we may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates, and we may remit portions of the purchase price to third parties to whom you owe obligations to secure the release of liens on, and thereby obtain free and clear title to, the assets we are purchasing. If we exercise our option to purchase the Studio, we may, pending the closing, appoint a manager to maintain Studio operations. If we assume the lease for the Studio, you will pay, remove, or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or before assumption. We are not liable for any obligation you incur before the date we assume the lease.

E. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

## 18. RELATIONSHIP OF THE PARTIES

A. Relationship of the Parties. We and you are independent contractors. Neither you nor we are the agent, legal representative, partner, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any reason. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Studio and in all dealings with customers, lessors, contractors, suppliers, public officials and others as an independent contractor, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Control Over Operations. You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Studio, and that we will not do so or be deemed to do so. You further acknowledge and agree that the various restrictions, prohibitions, specifications and procedures of the System which you must comply with under this Agreement, whether stated in our Operations Manual or otherwise, do not directly or indirectly represent or suggest that we control any aspect or element of the day-to-day operations of your Studio, but only represent standards you must comply with when exercising your control of the day-to-day operations of your Studio.

C. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Studio, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(C) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Studio. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Studio. This obligation does not diminish your indemnification obligations under this Section 18(C).

D. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage



solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any third party claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

E. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

## 19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree on a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the county where our headquarters is located. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy for binding arbitration as described in Section 19(B) below. We may bring an action under the applicable provisions of this Section 19, without first submitting the action to mediation under this Section 19(A), for injunctive relief or for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including validity or enforceability of this Agreement or any provisions hereof, claims of fraud in the inducement, and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 19(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the county where our headquarters is located. The proceedings will be conducted by a single arbitrator under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The arbitrator will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The decision of the arbitrator will be final and binding on all parties; provided, however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Discover Strength™ franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement. Judgment upon the award of an arbitrator may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement. The parties agree that all arbitration proceedings, including any arbitration award or ruling, will be confidential in nature, except as otherwise required by law or court order or as necessary to confirm, vacate or enforce the award and for disclosure in confidence to the parties' respective attorneys and tax advisors.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us

and/or to some or all other Discover Strength™ businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, then, to the greatest extent permitted by applicable law, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual or irreparable damage and without the need to post bond for security, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator.

D. Attorneys' Fees. The non-prevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

## 20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach. No waiver by us of any rights under this Agreement will be valid or binding upon us unless we provide that waiver in writing and sign it.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Subject to the provisions of Sections 19(A) and 19(B) above, any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in any state or federal court of competent jurisdiction in the county where our headquarters is located. We also have the right to file any such suit against you in the federal or state court where the Studio is located. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consent to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

E. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the laws of the state in which the Studio is located, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Studio is located.

F. Binding Effect. This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and permitted successors in interest. Subject to our right to modify the Operations Manual and the System, this Agreement may not be modified except by a written agreement signed by both our and your authorized officers. Except as provided above,

this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

I. **WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.**

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

K. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

L. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, products and/or services for use in the Studio on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights licensed to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

M. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

N. Entire Agreement. The Introduction, exhibit(s) to this Agreement, and Disclosure Acknowledgment Agreement signed contemporaneously with this Agreement are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

## 21. NOTICES

A. All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand one (1) business day after having been sent by a recognized overnight delivery service requiring a written receipt, three (3) business days after having been placed in the U.S. Mail by registered or certified mail, return receipt requested, or by such other means which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

## 22. ACKNOWLEDGEMENTS

A. Success of the Studio. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owners') ability as an independent businessman, and your active participation in the daily affairs of the Studio as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross sales, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was signed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was signed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other Discover Strength™ businesses have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

**WE:**

**DISCOVER STRENGTH FRANCHISING LLC**

By \_\_\_\_\_  
Its \_\_\_\_\_

**YOU:**

\_\_\_\_\_  
Name of corporation or limited liability  
company

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT A  
TO FRANCHISE AGREEMENT**

**STUDIO LOCATION AND PROTECTED TERRITORY**

This Exhibit is attached to and is an integral part of the Discover Strength™ Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between us and you.

1. Studio Location. We and you agree that the Studio will be located at the following premises: \_\_\_\_\_.  
You acknowledge that our consent to a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Discover Strength™ business.

2. Protected Territory. The Protected Territory will be the following: \_\_\_\_\_  
\_\_\_\_\_

3. Studio Opening. You agree to complete the development and open the Studio for business within \_\_\_\_\_ months after the date first stated above.

4. General Manager. The General Manager of the Studio is \_\_\_\_\_.

5. Defined Terms. All capitalized terms contained in this Exhibit and not defined herein will have the same meaning as provided in the Franchise Agreement.

**WE:**

**YOU:**

**DISCOVER STRENGTH FRANCHISING LLC**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B  
TO FRANCHISE AGREEMENT**

**STUDIO LOCATION GENERAL AREA**

This Exhibit is attached to and is an integral part of the Discover Strength™ Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between us and you.

1. Area for Studio Location. Within one hundred twenty (120) days following the date of the Franchise Agreement, you will select and obtain our consent to a location in accordance with the provisions of this Exhibit within the following described geographical area (the “Area”): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Consent to Location and Studio Opening. To obtain our consent to the proposed Studio premises, you must deliver to us within ninety (90) days following the date of the Franchise Agreement a complete site report (containing information we require) for the location at which you propose to establish and operate the Studio and which you reasonably believe will satisfy the standardized site selection criteria we have established. The proposed location must be centrally located within the Area and is subject to our prior written consent, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Discover Strength™ businesses, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will consent to or reject (in writing) the location you propose for the Studio. Following our consent to a proposed location for the Studio, we will identify the Protected Territory for the Studio, which generally will include a minimum population of \_\_\_\_\_, and we and you will complete and sign Exhibit A to the Franchise Agreement.

YOU ACKNOWLEDGE AND AGREE THAT OUR CONSENT TO A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A DISCOVER STRENGTH™ BUSINESS.

You agree to complete the development and open the Studio for business by \_\_\_\_\_.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain our consent to a location for the Studio within one hundred twenty (120) days after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

**WE:**  
**DISCOVER STRENGTH FRANCHISING LLC**

**YOU:**  
\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT C**  
**TO FRANCHISE AGREEMENT**  
**STUDIO LEASE ADDENDUM**

This Lease Addendum is entered into as of the date of the Lease Agreement by and between \_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at \_\_\_\_\_ (the “Leased Premises”), which Tenant will use to operate a Discover Strength™ business under a franchise agreement (the “Franchise Agreement”) between Tenant and Discover Strength Franchising LLC (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Leased Premises only for a Discover Strength™ business and Tenant may offer for sale and sell at the Leased Premises only those services and products which Franchisor approves. Landlord further agrees that so long as the Lease is in effect, it will not permit any tenant within the same multi-tenant mall or building to operate any business that primarily offers, sells or distributes strength training, fitness training, or any other physical training services and related products, and other related services and products, or any other business that is competitive with a Discover Strength™ business, other than businesses in existence in the building as of the effective date of the Lease or upon the written consent of Franchisor and Tenant.

2. Notice of Default. Landlord will provide Franchisor, by certified US mail or a recognized overnight delivery service at the address provided in Section 8 below, a minimum thirty (30) day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty (30) day notice period described in Section 2 above, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease; provided that such assignment or transfer is subject to Franchisor’s written agreement to accept such assignment or transfer. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.



6. Right of Entry and Subordination. Landlord will give Franchisor access to the Leased Premises at reasonable times on not less than twenty-four (24) hours' notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Leased Premises for compliance with Franchisor's requirements, to remove from the Leased Premises any items bearing Franchisor's marks or logos or to take other action permissible under the agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Leased Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

8. Notices. Any notices to Franchisor hereunder will be sent (unless Franchisor provides in writing a different address to which notices will be given) to:

Discover Strength Franchising LLC  
4450 Excelsior Blvd.  
St. Louis Park, MN 55416

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

**EXHIBIT D  
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of the execution of that certain franchise agreement of even date herewith (the “Franchise Agreement”) by Discover Strength Franchising LLC (“we” or “us”), each of the undersigned (a “Guarantor”), each of whom has a significant economic stake in \_\_\_\_\_ (the “franchisee”) by virtue of holding equity interests in the franchisee, hereby personally, irrevocably and unconditionally guarantees to us, and our successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that the franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every such undertaking, agreement and covenant, and other provision in the Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any obligation or indebtedness hereunder; (3) protest, demand, presentment, notice of protest, default, notice of intent to accelerate, and notice of acceleration, to any party respecting the obligation or indebtedness hereunder; and (4) any right he or she may have to require that an action be brought against the franchisee or any other person as a condition of liability hereunder.

Each Guarantor consents and agrees that:

(1) Guarantor’s liability under this guaranty will be direct and independent of the liability of, and will be joint and several with, the franchisee and the other Guarantors of the franchisee.

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon our demand if the franchisee fails to do so.

(3) Guarantor’s liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of the franchisee or any assignee or successor of the franchisee.

(4) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit that we may grant to the franchisee, including the acceptance of any partial payment or performance, any delay on our part in enforcing our rights under the Franchise Agreement, or any waiver, compromise or release of any claims.

(5) We may proceed against Guarantor and the franchisee jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against the franchisee or any other Guarantor.

(6) Guarantor’s liability hereunder will be an open and continuing guarantee and will continue in force notwithstanding any subsequent amendment to the Franchise Agreement or any renewal, expiration or termination of the Franchise Agreement. Our rights hereunder are transferable without the Guarantor’s consent, and will benefit our successors and assigns.

(7) Guarantor will pay all reasonable attorneys’ fees and all costs and other expenses we incur in enforcing this guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

(8) The dispute resolution provisions contained in Section 19 of the Franchise Agreement and related enforcement provisions contained in Section 20 of the Franchise Agreement are incorporated herein by reference. Guarantor irrevocably consents to the jurisdictional requirements outlined in such Sections and waives all rights to challenge personal jurisdiction and venue.

(9) If any provision of this Guaranty and Assumption of Obligations is construed by a court of competent jurisdiction to be unenforceable, then the offending provision will be severed from this undertaking and the remainder of this undertaking will be unaffected thereby.

The undersigned Guarantor has signed this Guaranty and Assumption of Obligations as of the following date: \_\_\_\_\_.

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN YOU**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT C**

**LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner (Agent) North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT D**  
**STATE ADDENDA**

## HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

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

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

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

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

4. No statement, questionnaire, or acknowledgement 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.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

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

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

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

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

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

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



## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

### State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

### Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

### Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

### Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

Exhibit G, Additional Disclosure:

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

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrue.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

B. No such party has pending actions, other than routine litigation incidental to the business, 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.

## Item 5, Additional Disclosures.

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

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), 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 the franchisee by Article 33 of the General Business Law of the State of New York

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

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

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

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

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

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

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

## NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

At the request of the North Dakota Securities Department, franchisee will enter into an escrow agreement with franchisor under which the initial franchise fees paid by franchisee will be escrowed until such time as franchisor performs its initial obligations and franchisee has commenced operations.

### Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and 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 that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.



## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and 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 that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

At the request of the North Dakota Securities Department, franchisee will enter into an escrow agreement with franchisor under which the initial franchise fees paid by franchisee will be escrowed until such time as franchisor performs its initial obligations and franchisee has commenced operations.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

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

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

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

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

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

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

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the South Dakota Franchise Investment Act, SDCL §§37-5B-1 – 37-5B-53 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

At the request of the South Dakota Securities Regulation Office, franchisee will enter into an escrow agreement with franchisor under which the initial franchise fees paid by franchisee will be escrowed until such time as franchisor performs its initial obligations and franchisee has commenced operations.

SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the South Dakota Franchise Investment Act, SDCL §§37-5B-1 – 37-5B-53 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are amended:

Section 4(A) of the Franchise Agreement is amended to provide that payment of the Initial Franchise Fee is deferred until such time as we complete our initial obligations and you are open for business.

2. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum will apply.

The undersigned have signed this Addendum as of the date we sign below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

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

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

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

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

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

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

## VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires franchisor to defer payment of the initial franchise fee and other payments owed by franchisee to franchisor until franchisor has completed its pre-opening obligations under the franchise agreement.

### Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 *et. seq.*).

“According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

### Exhibit G, Additional Disclosure:

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.

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisee to franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

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

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

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

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

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

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



## WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

### Item 17, Additional Disclosure:

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

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

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

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.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT,  
FRANCHISEE COMPLIANCE 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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
FRANCHISOR

\_\_\_\_\_  
FRANCHISEE

## WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

### Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**DISCOVER STRENGTH FRANCHISING LLC** \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT E**  
**GENERAL RELEASE FORM**

## FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL  
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.  
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Discover Strength Franchising LLC (“we” or “us”), \_\_\_\_\_ (“you”) and \_\_\_\_\_ (“Guarantors”) enter into this Release of Claims (“Agreement”).

### RECITALS

- A. We and you entered into a Discover Strength™ Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the “Franchise Agreement”).
- B. [NOTE: Describe the circumstances relating to the release.]

### AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims.**

A. Definitions.

1. Franchisor Parties: We and each of our subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: You and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective past and present corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Studio(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of \_\_\_\_\_ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

**YOU:**

\_\_\_\_\_

**WE:**

**DISCOVER STRENGTH FRANCHISING LLC**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**PERSONAL GUARANTORS:**

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT F**  
**LIST OF CURRENT FRANCHISEES**  
as of March 1, 2024

<b>Franchisee and Phone</b>	<b>Address of Studio</b>	<b>City</b>	<b>State</b>	<b>ZIP</b>
*Ginger Allen and Karen Dubrosky 612-240-2851	TBD	TBD	AZ	TBD
*Ashley Hunter and Adam Hahn 612-300-6692	TBD	TBD	AZ	TBD
*Melanie Barnes 262-613-0750	TBD	TBD	AZ	TBD
*Wade and Alisha Alness 612-749-0523	TBD	TBD	CO	TBD
*Chad & Chris Spears, Drew Beidler 720-291-1246	TBD	TBD	CO	TBD
*Wafa Qureshi, Ajmal Ahmed, Saif Ahmed 952-201-7236	TBD	TBD	CO	TBD
*Mateus and Katie Ferraz Souza 952-457-3364	TBD	TBD	FL	TBD
Tyler and Jessica Gustafson (952) 210-9952	15730 Emperor Avenue #200	Apple Valley	MN	55124
Steven Mueller (612) 802-9122	18882 Lake Drive E	Chanhassen	MN	55317
Maddie Ehrich (612) 205-2666	5041 France Avenue South	Edina	MN	55410
Brad Stanke and Shannon Odegaard (651) 270-5060 / (651) 206-6175	7878 Main Street, Unit A	Maple Grove	MN	55369
Robert Bunne (507) 884-1859	217 14th Ave SW, Ste 110	Rochester	MN	55902
Ryan and Lisa Carlson (952) 913-5956	5781 Egan Drive	Savage	MN	55378
*Matt Xiong and Molly Yang 317-694-2125	TBD	TBD	MN	TBD
Tyler and Jessica Gustafson (952) 210-9952	1313 Wayzata Blvd East	Wayzata	MN	55391
*Janel Dressen and Kristin Rowell 612-600-0735 / 612-481-5457	TBD	TBD	TN	TBD
*Derik and Susan Galier 214-335-4162	TBD	TBD	TX	TBD
*Einar and Beth Odland 952-221-3407	TBD	TBD	TX	TBD
*Chris and Lily Bargmann 512-773-0700	TBD	TBD	TX	TBD
*Jeff Rudolph, Michael Rudolph and Adam Jensen 952-292-7212 / 651-263-8954 / 469-584-1610	TBD	TBD	TX	TBD
Jeff and Alli Wendt; Bill and Lisa Arrigoni (651) 329-4405 / (651) 775-7358	527 E 12300 South	Draper	UT	84020
*Shaun and Caroline Jansen (952) 420-3918	515 Junction Road, Suite A	Madison	WI	53717
*Maddie Ehrich 612-205-2666	TBD	TBD	WI	TBD

\*Signed, but not yet open



**LIST OF FORMER FRANCHISEES  
as of March 1, 2024**

None.

**EXHIBIT G**  
**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

Applicant \_\_\_\_\_  
(If corporation) State of Incorporation \_\_\_\_\_  
Address of Applicant \_\_\_\_\_  
Location (Territory) Applied For \_\_\_\_\_

1. I have received all appropriate disclosure documents for the State(s) of \_\_\_\_\_ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to Discover Strength Franchising LLC (you or your) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the Discover Strength™ system. I understand that the Franchise Agreement contains all obligations of the parties and that you do not grant to me under either agreement any right of first refusal.

4. I understand that this franchised business may be impacted by risks largely outside your or our control such as local, national or global economic, political or social disruption.

5. I understand that this franchised business, as in all business ventures, involves other risks and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.

6. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

7. I understand that you have established a marketing fund (the System Marketing Fund) which is not directed towards any specific franchise territory but is intended to benefit the entire Discover Strength™ system nationwide. I further understand that amounts from the Marketing Fund (if established) will be used to offset any in-house expenses you incur in providing marketing services, production art and other activities.

8. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Applicants' Acknowledgment:**

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

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

**EXHIBIT H**  
**STATE EFFECTIVE DATES AND RECEIPT PAGES**

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Hawaii	Pending
Illinois	See Separate FDD
Indiana	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	See Separate FDD
Rhode Island	Pending
South Dakota	See Separate FDD
Virginia	See Separate FDD
Washington	See Separate FDD
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Discover Strength Franchising LLC offers you a franchise, Discover Strength Franchising LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Discover Strength Franchising LLC or its affiliate in connection with the proposed franchise sale.

If Discover Strength Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit C.

Issuance Date: April 26, 2024

The franchisor is Discover Strength Franchising LLC, located at 4450 Excelsior Blvd., Suite 490, St. Louis Park, MN 55416. Its telephone number is (763) 317-4343.

Discover Strength Franchising LLC’s franchise sellers involved in offering and selling the franchise are Luke Carlson or Scott Breimhorst are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: \_\_\_\_\_  
\_\_\_\_\_.

Discover Strength Franchising LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for Discover Strength Franchising LLC in the particular state.

I have received a disclosure document with an issuance date of April 26, 2024, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement (and Exhibits)
- C. List of State Administrators, Agents for Service of Process
- D. State Addenda
- E. General Release Form
- F. List of Franchisees
- G. Disclosure Acknowledgment Agreement
- H. State Effective Dates and Receipt Pages

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

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

Signature \_\_\_\_\_

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

**Copy for Franchisee**

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Discover Strength Franchising LLC offers you a franchise, Discover Strength Franchising LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Discover Strength Franchising LLC or its affiliate in connection with the proposed franchise sale.

If Discover Strength Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit C.

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- F. List of Franchisees
- G. Disclosure Acknowledgment Agreement
- H. State Effective Dates and Receipt Pages

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

Signature \_\_\_\_\_

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Scott Breimhorst at [franchise@discoverstrength.com](mailto:franchise@discoverstrength.com).

**Copy for Discover Strength Franchising LLC**