



FRANCHISE DISCLOSURE DOCUMENT

Hot Ground Gym Franchising, LLC
(a Delaware Limited Liability Company)
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“Strengthening the Future”

You will operate a business that provides a first of its kind obstacle based fitness, team building, and life skills developing experience under the Hot Ground Gym® name and marks. Founded by military veterans and first responders that have worked tirelessly for the opportunity to build programs that encompass only the very best qualities of military and civil service and offering these programs solely to children and teenaged adults. Qualities such as pride, determination, grit, belonging, physical training, adaptive mindset, teamwork, and confidence are the essence of the programs offered. You will develop these pivotal qualities in children at a vital point in so many young person’s lives, and you will have a blast doing it.

The total investment necessary to begin operation of a Hot Ground Gym® franchised business is \$163,000 to \$317,000. This includes \$55,000 to \$75,000 that must be paid to us or our affiliates.

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 our franchise administrator at the address and telephone number listed above.

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 to understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: July 28, 2023

How to Use This Franchise Disclosure Document

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special 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 Illinois. 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 Illinois than in your own state.
2. **Franchise Brokers.** We may use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of this franchise.

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

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

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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 five 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 six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of 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.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913. (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 “HGGF”, “Franchisor,” “we”, “us” or “our” means Hot Ground Gym Franchising, LLC, the franchisor. “You” or “your” means the person or persons, including a corporation, members of a limited liability company, or partners of a partnership, who buy(s) the franchise. Terms not defined in this disclosure document (including various capitalized terms) are defined in the Franchise Agreement attached as Exhibit C to this disclosure document (the “Franchise Agreement”).

Franchisor

We are a Delaware limited liability company, formed in Delaware on January 24, 2023. We do business under the trade name of “Hot Ground Gym[®]” and related trademarks, service marks and logos listed in Item 13 of this disclosure document or that are proprietary to us (collectively, the “Marks”). Our principal business address is 1950 North US Highway 45, Libertyville, IL 60048. We began offering Hot Ground Gym[®] franchises as of the Issuance Date of this disclosure document. We do not currently and have not offered franchises in other lines of business.

Agents for Service

Our agents for service of process are in Exhibit A to this disclosure document.

Predecessors, and Parents

We began offering franchises for the right to operate Hot Ground Gym[®] locations as of the Issue Date of this disclosure document. Except as provided in this Item, we have not offered, and do not offer, franchises in any other line of business and we are not otherwise involved in any substantive business activity, including operating any businesses of the type to be operated by the franchisee.

We do not have any parents or predecessors required to be disclosed in this Item.

Our Affiliates

Hot Ground Gym, Inc.

Our affiliate, Hot Ground Gym, Inc. (“HGG”), is an Illinois corporation established on March 29, 2013. HGG’s principal business address is 1950 North US Highway 45, Libertyville, IL 60048. HGG is the owner of certain trademarks and intellectual property associated with Hot Ground Gym[®]. HGG has granted us a worldwide license to grant franchises the right to use those trademarks and intellectual property. You will not directly conduct business with HGG. HGG is not currently engaged in, nor has it ever been engaged in, the offer of franchises. You will not be required to purchase or lease anything from HGG.

Hot Ground Gym AH, Inc.

Our affiliate, Hot Ground Gym AH, Inc. (“HGGAH”), is an Illinois corporation established on September 25, 2016. HGGAH’s principal business address is the same as ours. HGGAH is the operator of a Hot Ground Gym[®] business located at 8 W College Drive #A, Arlington Heights, IL 60004. HGGAH is not currently engaged in, nor has it ever been engaged in, the offer of franchises. You will not be required to purchase or lease anything from HGGAH.

Hot Ground Gym LV, Inc.

Our affiliate, Hot Ground Gym LV, Inc. (“HGGLV”), is an Illinois corporation established on September 25, 2017. HGGLV’s principal business address is the same as ours. HGGLV is the operator of a Hot Ground Gym[®] business located at 1950 US-45, Libertyville, IL 60048. HGGLV is not currently engaged in, nor has it ever been engaged in, the offer of franchises. You will not be required to purchase or lease anything from HGGLV.

Hot Ground Enterprises, Inc.

Our affiliate, Hot Ground Enterprises, Inc. (“HGE”), is an Illinois corporation established on January 27, 2023. HGE’s principal address is the same as ours. HGE is the sole approved supplier of certain equipment and supplies

to our franchisees. HGE is not currently engaged in, nor has it ever been engaged in, the offer of franchises. You will be required to purchase or lease certain equipment and supplies from HGE.

Franchised Business and Franchises to be Offered

If you qualify, we will license you to operate a business that provides a first of its kind obstacle course-based fitness, team building, and life skills developing experience under the Hot Ground Gym® name and marks. Founded by military veterans and first responders that have worked tirelessly for the opportunity to build programs that encompass only the very best qualities of military and civil service and offering these programs solely to children and young and teenage adults. Qualities such as pride, determination, grit, belonging, physical training, adaptive mindset, teamwork, and confidence. You will develop these pivotal qualities in children at a vital point in so many young person's lives, and you will have a blast doing it.

Hot Ground Gym® businesses operate under the name Hot Ground Gym® and other Marks. We may in the future replace our existing Marks with new trademarks, service marks, logos, commercial symbols, e-names, designs, artwork, and trade names, or create, use and license additional trademarks, service marks, logos, commercial symbols, e-names, designs, artwork, and trade names in conjunction with the operation of your Hot Ground Gym® Business. You may be required to make expenditures in the future if we change, update or replace our existing Marks.

You receive the right to purchase equipment, supplies, advertising materials and merchandise from us or our approved suppliers and the right to sell approved sportswear, accessories, novelties, and merchandise at retail. Hot Ground Gym® businesses operate using our designated comprehensive marketing and operational systems prescribed by us to be used in the conduct of the Business, as set forth in the Franchise Agreement and the Confidential System Standards Manual. The System includes (i) the Marks, (ii) know-how relating to Hot Ground Gym Franchise Services and Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (v) related materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that we make available to you. In our sole discretion, we may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential System Standards Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public (the "System").

You will operate your Hot Ground Gym® business as an independent business utilizing the Marks, business concepts, support, guidance and materials developed by us. In general, the square footage required to operate a Hot Ground Gym® is between 4000 and 7000. Typically, Hot Ground Gym® businesses are located in industrial flex spaces, strip centers, town squares, or other regional retail development centers within metropolitan or micropolitan areas. You will offer and provide products and services to the general public under the terms and conditions in the Franchise Agreement and Operations Manual. You must offer for sale all services, products, and merchandise we designate, unless you obtain our approval not to offer certain services, products or merchandise. You may not offer other services, merchandise or products without our prior written approval.

The market for the type of business described in this disclosure document is a developed and competitive one. Your customers will be families with young and teenaged children. You will compete with local, regional and national businesses that provide exercise programs and physical activities for adults and children. You may also compete with non-profit organizations such as schools and youth clubs that provide free or nearly-free exercise and sports programs to students and members.

Your Hot Ground Gym® franchised business is subject to all of the laws and regulations normally applicable to retail businesses, as well as other regulations relating to the operation of a business that provides obstacle course-based fitness, team building, life skills development and other programs for children. Some jurisdictions have daycare or childcare laws, which may require licensing, bonding, insurance, building code, fire safety, teacher to student ratios, hours, health (e.g. immunizations), instructor licensing, fingerprinting, criminal background checks and other similar

requirements. In some jurisdictions, you may be subject to regulation as a school or daycare, including regulations requiring teacher and curricula accreditation. Some jurisdictions may regulate the franchised business as a health club, which may involve additional regulations unique to health clubs, including required financial disclosures to customers and limitations on advance membership fees. Some states may require special permits to operate. Other laws and regulations that you may be subject to include wage and hour laws, occupational health and safety laws, equal employment opportunity laws, hazardous waste, sanitation and environmental laws, fire, building and construction laws, and the Americans with Disabilities Act. Among the laws and regulations that apply to businesses generally, you must comply with the Patient Protection and Affordable Care Act, 42 USC 18001. It is your responsibility to comply with these laws. You must consult with your own independent advisors and the government agencies in your state for information on how these laws apply to you.

ITEM 2: BUSINESS EXPERIENCE

President & Founder: Douglas Gialds

Doug is our founder and has served as President of the Hot Ground Gym brand since March 2013. Doug has also been a Hot Ground Gym[®] location operator since March 2013. Prior to founding Hot Ground Gym, Doug proudly served his country as a Sergeant, Armory Chief, and Martial Arts Instructor in the United States Marine Corps, from 2005 to 2013.

ITEM 3: LITIGATION

There is no litigation that is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

There is no bankruptcy information that is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

When you sign a Franchise Agreement for a Hot Ground Gym[®] franchised business, you must pay a non-refundable Initial Franchise Fee of \$40,000. The Initial Franchise Fee is payable in a lump sum, is fully earned when you pay it, and is not refundable.

The Initial Franchise Fees we charge are uniform but we may periodically offer promotions on the Initial Franchise Fee. As of the issuance date of this disclosure document, we offer the following discount on the Initial Franchise Fee:

Qualified veterans, active-duty military and active Reserves, National Guard and Coast Guard members and qualified first responders: the Initial Franchise Fee will be discounted to \$30,000. This promotion cannot be combined with any other promotion or incentive discount.

We may change or discontinue these and any other promotions and discounts at any time.

As of the Issuance Date of this disclosure document we have not collected any Initial Franchise Fees.

We require that you purchase certain inventory, exercise equipment, furniture, fitness flooring and technology equipment for your Hot Ground Gym[®] business from us or our affiliates, which includes, but is not limited to, pieces of obstacle course and fitness training equipment that is proprietary to us or our affiliates. You will pay us or our affiliates between \$25,000 to \$35,000 for these items. The exact cost of these items will be dependent upon your preferences and the characteristics of your selected Hot Ground Gym[®] location. The fees for these items are not refundable under any circumstances.

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ITEM 6: OTHER FEES

Name of Fee (See Notes 10 & 11)	Amount	Due Date	Remarks
Royalty	6% of Gross Monthly Revenue	By the 15th day of each month	See Note 1
Marketing Fund	2% of Gross Monthly Revenue	By the 15th day of each month	See Note 2
Local Marketing Expenditure	\$1,400 - \$1,900 per month based on optional selection of plans provided by vendor plus \$300 - \$600 per month on digital advertising	Monthly, as determined by approved vendor	Currently you must purchase monthly advertising material and collateral memorabilia products from our affiliate, HGE, and digital marketing from our approved supplier, Comrade Digital Marketing for the purpose of local advertising. We may at any time change this requirement to up to 2% of Gross Monthly Revenue with various approved vendors, which may or may not include our affiliate or Comrade.
Regional Cooperative	Not currently assessed, but estimated to be 2% of Gross Monthly Revenues or such greater amounts determined by the majority voted of the members of the co-op	Monthly, as determined by us.	See Note 3
Technology Fees for our Administrative Support Software and/or our	Currently, \$250 to \$500 per month plus \$500 and \$2,500 in annual	By the 15 th day of each month	See Note 4

Name of Fee (See Notes 10 & 11)	Amount	Due Date	Remarks
Proprietary Software	maintenance costs.		
Internet/Wireless Services, E-mail Services and/or Telephone System Services	\$1,000 to \$4,000	Upon billing.	See Note 4
Initial Training	There is no charge for Initial Training for up to 2 individuals (the charge for additional Trainees in excess of 2 is \$350 per Trainee, per day).	Before training	See Note 5
Additional Training	Currently \$350 per person per day, plus our travel, lodging, and meal expenses,	Upon billing	See Note 5
Training Cancellation Fee	Currently \$500 per person	Upon billing	Payable if you cancel or reschedule a training course less than two weeks prior to the date of training.
Regional/Annual Conference Fee	Currently \$500 per person	At time of registration	If we have an annual conference, you will be required to pay this fee regardless of whether you attend. You will also be required to pay this fee for each additional attendee you register for our annual conference.

Name of Fee (See Notes 10 & 11)	Amount	Due Date	Remarks
Holdover Fee	Currently, \$100 per day	Upon billing	Payable if you continue to operate after the term of the Franchise Agreement until the Franchise Agreement is renewed, extended or terminated.
Interest and Late Payment Fees	\$100 late fee per month, plus interest of the lesser of 1.5% for each month past due or the maximum amount allowable by law.	As incurred	See Note 6
Transfer Fee	The greater of (i) \$5,000 or (ii) our costs and expenses incurred in connection with the transfer	As incurred	Payable as a condition of our approval of a transfer of the Franchise Agreement.
Successor Franchise Fee	25% of the then current initial Franchise Fee	On or before signing then-current Successor Franchise Agreement	Upon signing a Successor Franchise Agreement for the continued operation of your Hot Ground Gym [®] at the end of the term of your Franchise Agreement, you must pay us a Successor Franchise Fee equal to 25% of the then-current Initial Franchise Fee.
Relocation Fee	The greater of (i) \$5,000 or (ii) our costs and expenses incurred in connection with the relocation	Upon our approval of change to your Protected Territory or relocation of your business	You may not change the location of your business or your Protected Territory without obtaining our prior written approval, which may be withheld for any or no reason and in our sole discretion.

Name of Fee (See Notes 10 & 11)	Amount	Due Date	Remarks
Inspection and Audit Fees	Cost of Audit	As incurred	Reimbursement of costs of audit or inspection of your records, but only if audit or inspection was triggered by your failure to provide required reports or if we discover underreporting of Gross Revenues by more than 2%.
Fees on Default and Indemnity	Payment of our losses and costs	Upon demand	See Note 7
Insurance Reimbursement	Our cost-plus 20%	Upon demand	See Note 8
Costs and Attorneys' Fees	Will vary under circumstances.	As incurred	Payable only if you do not comply with the Franchise Agreement and we are the prevailing party in any relevant litigation or arbitration.
Liquidated Damages	Will vary under circumstances	Upon the termination of the Franchise Agreement	See Note 9
Payments for Goods or Services, including Computer Systems upgrades	Varies	Periodic upon billing	See Item 11 for definition of computer systems.

Except as stated above or in the notes below, all fees are imposed by and payable to HGGF. All fees are non-refundable.

Notes:

(1) “**Gross Revenue**” means all revenues and income from whatever source derived or received by Franchisee from, through, by or on account of the operation of the franchised Gym, whether received in cash, in

services, in kind, on credit (whether or not payment is received), bartering, or otherwise. There will be deducted from Gross Revenues, to the extent they have been included: (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if Franchisee separately states the taxes when the customer is charged and if Franchisee pays the taxes to the appropriate taxing authority; and (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee (such deductions will not include any credit card user fees, returned checks or reserves for bad credit or doubtful accounts). The use of any coupons or other discounts, waivers, or any bartering or exchange transactions, or the sale of any products or services bearing the Marks outside your Location without prior written approval by us is prohibited and the amount of the discount, unapproved exchange or unauthorized sale offered by you in such case shall also be included in the definition of Gross Revenues.

(2) We have established a system Marketing Fund to which you must contribute a percentage of your gross monthly revenues. The Marketing Fund will be used to promote the Marks, patronage of Hot Ground Gym[®] businesses, and the Hot Ground Gym[®] brand generally. We have broad discretion with respect to how we spend the contributions. We reserve the right to increase the Marketing Fund Fee at any time in our sole discretion.

(3) We do not currently require that you contribute to a regional cooperative, but we reserve the right, if we establish one and to require you, on written notice, to contribute up to 2% of the Gross Monthly Revenues of your Hot Ground Gym[®] business or such greater amounts determined by the majority voted of the members of the co-op. If you are required to contribute to a regional advertising cooperative, we may require that contributions to the co-op be made directly to us for use as directed by the co-op.

(4) This fee is for maintenance for ongoing use of the software we require you to use, including our proprietary software (if any), third-party supplier software, your website, annual maintenance, and internet/wireless services, e-mail services and/or telephone system services, which may vary depending on the vendor you use. These costs may change in the future upon 90 days' notice to you.

(5) There is no charge for the Initial Training Program. We may require you to attend additional training or you may request additional training. You must pay your transportation, lodging, meal and other expenses incurred during all training. If we or you require that our trainer(s) be onsite at your Hot Ground Gym[®] business for additional training, you must, in addition to the additional training fee, pay our transportation, lodging, meal and other expenses incurred.

(6) We charge the higher of 1.5% or the maximum amount allowed under applicable law for each 30-day period until overdue amounts are paid. These late payment charges and interest will not exceed the maximum amount allowed under applicable law.

(7) You must pay liquidated damages of \$1,000 per day for misuse of our Marks or Operations Manual. You must hold harmless, indemnify and defend us and our officers, directors, shareholders and employees and pay for any claims and losses to us resulting from your activities.

(8) If you fail to obtain insurance as required by the Franchise Agreement, we may obtain insurance on your behalf and you must reimburse us for the cost of obtaining such insurance, plus 20% of the cost as a service fee.

(9) If we terminate the Franchise agreement for any reason other than our default and failure to cure, within 30 days following the effective date of termination, you must pay us liquidated damages in a lump sum equal to (i) the product of 36 multiplied by the average monthly Royalty Fees and Marketing Fund Fees accrued during the 12-month period before the month of termination (or, if your Hot Ground Gym[®] business has been open less than 12-months, during the period during which the Hot Ground Gym[®] business has been open), or (ii) if your Hot Ground Gym[®] business has not yet opened for business \$100,000.

(10) All other fees and costs required to be paid to us or any Co-op that may be established must be paid by automatic bank draft, unless otherwise specified by us. You must agree to comply with our payment instructions, and to sign any and all documents and forms necessary to effectuate the automatic bank drafts, including the electronic funds transfer authorization form attached to the Franchise Agreement as Exhibit D.

(11) We reserve the right to increase collection of fees to semi-weekly or weekly in our sole and absolute discretion

**ITEM 7: ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (See Note 2)	\$30,000	\$40,000	Immediately Available Funds	On or before signing of Franchise Agreement	Us
Leasehold Improvements (See Note 3)	\$0	\$80,000	As Arranged	Before Opening, as Incurred	Contractors / Landlord
Furniture, Fixtures, and Equipment (See Note 4)	\$50,000	\$65,000	As Arranged	When Arranged	Approved Vendors and Us
Signage (See Note 5)	\$3,000	\$6,500	As Arranged	When Arranged	Approved Vendors
Rent and Security Deposit (See Note 6)	\$5,000	\$7,500	As Arranged	Before Opening, as Incurred	Landlord
Opening Inventory and Supplies (See Note 7)	\$8,000	\$15,000	As Arranged	Before Opening, as Incurred	Approved Vendors and Us
Grand Opening Advertising (See Note 8)	\$2,000	\$5,000	As Arranged	Before Opening, as Incurred	Approved Vendors and Us
Additional Training Expenses (See Note 9)	\$1,500	\$3,000	As Arranged	Before Opening, as Incurred	HGGF and Approved Vendors
Professional Fees, Permits, and Licenses (See Note 10)	\$2,000	\$3,000	As Arranged	When Arranged	Local Agencies, Merchants, and Others
Insurance Premiums (See Note 11)	\$7,000	\$18,000	As Arranged	When Arranged	Independent Insurance Carrier

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Computer Systems (See Note 12)	\$3,000	\$6,000	As Arranged	When Arranged	Independent Hardware and Software Providers
Miscellaneous Opening Costs	\$1,500	\$3,000	As Incurred	Before Opening, as Incurred	Various Payees
Additional Funds – 3 Months (See Note 13)	\$50,000	\$65,000	Cash	As Incurred	Various Payees
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 14)	\$163,000	\$317,000			

The Notes below apply to all charts above in this Item 7.

Notes:

(1) All fees payable to us or our affiliates are not refundable. Whether any of the other payments are refundable will depend on the arrangement between you and the supplier.

(2) The Initial Franchise Fee is currently \$40,000 for each location unless you qualify for the Veteran's discount. If you qualify for the Veteran's discount the Initial Franchise fee is \$30,000. You must pay this amount within seven (7) days of signing the Franchise Agreement.

(3) These estimated costs are to build out an existing building or space to meet the image and décor we require. These estimated costs are based on our own experience with improvements, most of which cost around \$40,000 if we (or our affiliates) do the improvements ourselves as opposed to hiring third-party contractors. Your costs will increase if you hire third-party contractors. Hot Ground Gym® locations are between approximately 4000 and 7000 sq. ft. Typical Hot Ground Gym® are located in industrial flex spaces, community recreation centers, strip centers, town squares, or other regional retail development centers within metropolitan or micropolitan areas. Your leasehold improvement costs will depend on the amount of work you do yourself, the condition of your Hot Ground Gym® location as delivered by your landlord and any tenant improvement allowance you may receive from your landlord in your lease. You may need to demolish existing finishes and reroute utility lines in space that was used for another purpose. You may need to finish first generation space with utilities, lighting and interior walls and ceilings. Our estimated range of costs for leasehold improvements is based upon our expectations that you will receive your Hot Ground Gym® location from your landlord in good condition and ready for finishing with our décor package. Your landlord may provide funding for leasehold improvements.

(4) Between \$25,000 and \$35,000 of this amount is pieces of proprietary obstacle course and training equipment that is proprietary to us or our affiliates and must be purchased from us or our affiliates. You will need to purchase desks, miscellaneous office equipment, and furnishings. Additionally, you will need to purchase certain obstacle-based equipment and any other required equipment as determined by us, which must be purchased from

our affiliate, HGE, as disclosed in Item 5, and other approved suppliers. Unless otherwise agreed upon by us in writing, you must purchase specific equipment from designated manufacturers and vendors such as HGE. Supplies include any supplies or materials you deem necessary to operate efficiently, such as forms, paper, writing instruments, posters, etc. The number and type of equipment you purchase will vary depending on the ultimate size of your facility after consultation with us.

(5) For both interior and exterior signage. HGE supplies certain signage and marketing materials.

(6) You must lease or purchase the business premises for the franchise location. Landlords may grant initial rent-free periods however; we cannot guarantee any landlord concessions. If renting, your security deposit and rent will vary depending on factors such as size, condition, and location of the leased premises. The cost per square foot of leasing commercial property will vary considerably depending on location, size, local market conditions and other factors. Your rent will likely include base rent, additional rent related to the net sales of the Hot Ground Gym®, common area maintenance and marketing charges, and proportionate shares of property taxes, insurance and other costs. The high-end cost estimates in the chart above reflect the first and last months' rent plus one (1) month security deposit. The security deposit will be negotiated with the landlord.

(7) The opening inventory and supplies include your opening inventory of student/staff uniform items and retail sales items including, but not limited to, student shirts, patches, staff polos and shirts, sweatshirts, hats and other headgear, water bottles, towels, paracord bracelets, and stickers/magnets, which is payable to us or our affiliates and/or approved vendors. It also includes various other supplies that you will need to operate your Hot Ground Gym® business such as office supplies, party supplies, etc.

(8) The Franchise Agreement requires you to spend at least \$2,000 for a grand opening marketing program. We anticipate you purchasing advertising materials from our designated suppliers, but in some circumstances, we may supply you with materials for you grand opening marketing program at no cost to you. Grand opening promotion costs include advertising, promotional and related expenses for your initial opening.

(9) While there is no charge for our Initial Training program, we may require you to attend additional training or you may request additional training. You must pay your transportation, lodging, meal and other expenses incurred during all training. If we or you require that our trainer(s) be onsite at your Hot Ground Gym® business for additional training, you must, in addition to the additional training fee, pay our transportation, lodging, meal and other expenses incurred.

(10) Includes utility deposits, incorporation fees, business licensing, or any requirements by your locality as to necessary permits and/or licenses. Other expenses you may have to pay include legal, accounting fees and other professional fees. You will pay your own legal and other expenses in connection with the review and negotiation of your lease. We recommend you consult with an attorney, accountant, or other advisor prior to purchasing a franchise.

(11) You must maintain insurance of the kind and in the minimum amounts as we specify, including commercial general liability insurance for claims related to: premises and operations, auto, property, casualty, product, sport accident/participant accident, sexual harassment, abuse and molestation, employment practices (including unfair labor practices and joint employer), data breach, and errors and omissions, and in which we are named as an additional named insured.

(12) The estimated initial cost of purchasing your computer systems is \$3,000-\$6,000 but may change from time to time based on our equipment and software requirements. You will also need to maintain Bookeo, Waiver Forever, Deputy, MailChimp, and Pike 13 software. The subscription fees for these programs are currently \$250 to \$500, but that price may be changed by the manufacturers of the product. There are no costs associated with updates to the programs other than the subscription fees. We may modify the required technology at any time in our sole discretion.

(13) Additional funds will be needed during the start-up phase of your franchise. We recommend that the working capital amounts to cover these expenses take into account your pre-sale period and a minimum of three

(3) months from the date you open for business, a total of approximately 6 months. The amounts listed are estimates of this 6-month period.

(14) The initial investment range presented in this table is for the development of a Hot Ground Gym[®] business with approximately 4000 to 7000 square feet. If you elect to develop a larger Hot Ground Gym[®] business with more square footage, the total investment range would increase.

The estimated initial investment figures shown above for setting-up and opening each Hot Ground Gym[®] business is primarily based on our and our affiliates' experience planning the development of a Hot Ground Gym[®] business. Because these figures are only estimates, it is possible both to reduce and to exceed costs in any of the areas listed above. You should review these figures carefully with the business advisor of your choosing before you purchase a franchise. Neither we nor any of our affiliates offer direct or indirect financing for any part of the initial investment.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Hot Ground Gym[®] Location to conform to our specifications and quality standards as specified in the Confidential System Standards Manual and shall purchase only from distributors and suppliers approved by us all, products, equipment, fixtures, furnishings, supplies, signs, inventory and other materials, which includes purchasing, leasing or licensing from us or our approved suppliers all apparel, printed goods, grand opening marketing materials, training equipment, obstacle, and all other fitness equipment and fitness accessories from manufacturers, suppliers, or distributors we approve. You may also be required by us to use required vendors for services necessary to establish or operate your Location, including, but not limited to, marketing, payroll, architectural, design, construction and/or engineering services, equipment installation services, and information technology setup and installation services, which we establish from time to time as set forth in the Confidential System Standards Manual or otherwise. We have the right to change our approved and required vendors, distributors and suppliers in our discretion. You may incur an increased cost to comply with such changes. If we provide any services, we may charge you a fee for such services as set forth in the Confidential System Standards Manual.

We will regulate, among other things, the types, models and brands of required fixtures, furnishings, equipment, signs, materials, supplies and other items used in operating your Hot Ground Gym[®] Location. All products and items must conform to those standards and specifications we may periodically establish. You must obtain our written approval before making any changes in the appearance of your Hot Ground Gym[®] Location and before modifications to or replacements of decorating materials, fixtures, equipment, products, furniture, signs or other items.

Approved suppliers shall be ones who demonstrate to us their ability to meet our minimum standards for quality, price and reliability. Requirements and specifications for products and other items and lists of approved suppliers may be listed in the Confidential System Standards Manual (the "**System Standards Manual**"). By written notice to you and/or through changes in the Confidential System Standards Manual, we may revise our requirements and specifications, add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers.

If you desire to purchase any item not authorized by us or to purchase items from a supplier not expressly approved by us in writing, you must first submit all information we may request, including specifications and samples, to enable us to determine whether the item complies with our standards and whether the supplier meets our approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending our evaluation of the supplier. We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Our criteria for suppliers of specific products are available upon your written request. We may revoke our approval of a supplier at any time in our sole discretion.

We may attempt to negotiate discounted prices and favorable terms from suppliers for your benefit. We may also negotiate with various vendors to obtain for all of our franchisees and us and our affiliates various advertising

related discounts and/or cooperative advertising programs. If we negotiate these programs, you will have the right to participate in the programs, but will not be obligated to do so, unless we make it a requirement. These optional advertising programs in no way affect your obligations to use only approved suppliers and all required suppliers.

We require that you purchase certain inventory, exercise equipment, furniture, fitness flooring and technology equipment for your Hot Ground Gym® business from us or our affiliates. Our affiliate, HGE is currently our only approved supplier for certain proprietary obstacle course and training equipment, and collateral material such as student shirts, patches, staff polos and shirts, sweatshirts, hats and other headgear, water bottles, towels, paracord bracelets, and stickers/magnets, and other similar brand memorabilia. Comrade Digital Marketing is our only approved supplier of digital marketing services. You must purchase, lease or license from other designated suppliers all other fitness equipment and fitness accessories.

We and our affiliate may derive revenue from your required purchases in connection with the operation of your Hot Ground Gym® Location. For the fiscal year ended December 31, 2022 neither we nor our affiliate received any revenue from required purchases or leases by franchisees.

Mr. Doug Gialds, our President and Founder, owns a controlling interest in HGE. Other than HGE, none of our officers have any interests in any suppliers.

We may receive discounts, rebates, commissions, promotional allowances, and other benefits if you buy items from certain suppliers we designate based on the quantities of products you and other franchisees buy. If we negotiate these programs, you will have the right to participate in the programs, but will not be obligated to do so, unless we make it a requirement. These optional advertising programs in no way affect your obligations to use only approved suppliers and all required suppliers. The purchase of products from approved sources will represent approximately 80% to 90% of your overall product purchases in opening your Hot Ground Gym® business and less than 20% of your overall product purchases in operating the franchise.

We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers, but you must use only suppliers we approve.

We do not currently have any purchasing or distribution cooperatives.

We may add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers at any time.

We may require you to purchase computer hardware or any software programs from us or suppliers designated by us. We currently require you to use Pike 13, Deputy, Waiver Forever MailChimp, and Bookeo, which will cost you between \$250 and \$500 per month depending upon the options you choose. If you utilize wireless technology, you must have an encrypted wireless setup wherever your computers will be used. You will be required to exclusively use the accounting, scheduling, point of sale and business management software specified by us.

Within 60 days of the date you sign the Franchise Agreement you must hire architects, contractors, designers and/or engineers that we approve or designate in writing to prepare the plans and complete the build-out of your business. We reserve the right to withdraw our approval of any architects, contractors, designers and/or engineers if the service provider's continuation of a relationship with you is deemed harmful to the Hot Ground Gym® System, us or the Marks, as determined in our reasonable discretion.

You must use, at your expense, such internet/wireless services, e-mail services, telephone systems and services as we may require in connection with the operation of the Location and use only those vendors designated by us, as set forth in the Confidential System Standards Manual or otherwise.

To maintain the integrity of the Marks, we require that all apparel, signs, stationery, forms, labels and similar materials used in the operation of your Hot Ground Gym® Location be purchased from us, any of our affiliates, or our designated suppliers.

You are required to maintain in full force and effect during the Term, at your expense, the insurance specified by us for your Location. With 30 days notice, we may periodically increase the amount and change the types of insurance specified through changes in the Confidential System Standards Manual. As of the issuance date of this disclosure document, the following insurance policies (in addition to any insurance that may be required by applicable law, any lender, or any lessor): (a) comprehensive commercial general liability insurance against claims for bodily or personal injury, death and property damage caused by or occurring in connection with the operation of your Location; (b) property/casualty insurance for your Location and its contents; (c) worker's compensation insurance and employer's liability insurance as required by law; (d) if you use a vehicle in connection your Hot Ground Gym® business, automobile liability insurance; and (e) any other insurance that we specify in the Confidential System Standards Manual or otherwise require from time to time. You are required to provide us with proof of coverage on demand. All insurance policies must: (1) (except for worker's compensation insurance) name us (and our members, officers, directors, and employees) as additional insureds; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time; (3) contain a waiver by the insurance carrier of all subrogation rights against us; (4) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy; and (5) include such other provisions as we may require from time to time. Upon 30 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within ten (10) days after invoicing, all costs and premiums that we incur plus 20% of the cost as a service fee.

ITEM 9: FRANCHISE OWNER'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/Lease	Franchise Agreement ("FA") Sections 1.2, 3.1, & 3.2	Items 1, 7, 11 and 12
(b) Pre-Opening purchases/leases	FA Sections 6.9 & 6.11	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	FA Sections 3.1 - 3.3, 4.1 - 4.5, and 6.1	Items 7, 8 and 11
(d) Initial and ongoing training	FA Sections 5.2 - 5.3 and 6.16	Items 6 and 11
(e) Opening	FA Section 6.1	Items 5 and 11
(f) Fees	FA Sections 1.5, 2.1, 3.4, 5.3, 8.3, 9.2, 9.3, 9.7, 9.10, 13.4	Items 5, 6, and 7
(g) Compliance with standards and policies/Operating Manual	FA Recitals, Sections 5.1, 5.5, & 6.1 - 6.25, 8.1, 8.4	Items 11 and 16
(h) Trademarks and proprietary information	FA Recitals, FA Sections 14.1-14.8	Items 13 and 14
(i) Restrictions on products/services offered	FA Sections 5.5, 6.4, 6.8 - 6.10	Items 8, 11 and 16
(j) Warranty and Customer Service requirements	FA Section 6.2, 6.12 and 6.24	Item 16

(k) Territorial development and sales quotas	Not applicable	Not applicable
(l) Ongoing product/service purchases	FA Sections 5.5, 6.2, 6.8 and 6.10	Items 8 and 11
(m) Maintenance, appearance and remodeling requirements	FA Sections 6.3 and 13.4	Items 6 and 11
(n) Insurance	FA Sections 7.1 - 7.4	Items 6 and 8
(o) Advertising	FA Sections 8.1 - 8.5	Items 6, 7 and 11
(p) Indemnification	FA Sections 4.4, 13.4, 14.6 and 15.2	Item 6
(q) Owner's participation / management / staffing	FA Sections 6.6 - 6.7	Items 9, 11 and 15
(r) Records and reports	FA Sections 6.11, 6.14, 6.15, 6.20, 6.21, 8.3, 10.1 and 10.2	Item 6
(s) Inspections and audits	FA Sections 6.14 and 10.2	Item 6
(t) Transfer	FA Sections 13.1 - 13.7	Items 6 and 17
(u) Renewal	FA Section 1.5	Items 6 and 17
(v) Post-termination obligations	FA Section 17.1	Item 17
(w) Non-competition covenants	FA Sections 12.1 - 12.4 and 13.4	Item 17
(x) Dispute resolution	FA Sections 23.1 - 23.7	Item 17
(y) Other: Guarantee of franchisee obligations (note 1)	FA Section 6.15	Item 22

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 Obligations

Before you open your Location, we will:

1. Designate your Site Search Territory, if applicable, and Protected Territory. (Franchise Agreement, Section 1.2 and Exhibit A)
2. Provide you with support to navigate the development process from Franchise Agreement execution to your Location opening. (Franchise Agreement, Section 6.11)
3. Provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Location. (Franchise Agreement, Sections 3.1 and 3.2)
4. Approve or disapprove a site for your Location within 15 business days after you have provided all the information we request to evaluate the site. (Franchise Agreement, Sections 1.2, 3.1 and 3.2)
5. Approve or disapprove the lease or purchase agreement for the Location within 15 business days after we receive it. (Franchise Agreement, Sections 1.2 and 3.2)

6. Review your list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. (Franchise Agreement, Section 4.1)
7. Provide you with specification for typical furniture, fixtures and equipment. (Franchise Agreement Section 4.3)
8. Approve or disapprove your signage vendor. (Franchise Agreement, Section 4.5)
9. Provide you with electronic access to our confidential and proprietary Confidential System Standards Manual (Franchise Agreement, Section 5.1)
10. Make available to you and one other employee of yours an initial training program. (Franchise Agreement, Section 5.2)
11. Provide you with information regarding the required computer systems and related software and up to 3 e-mail addresses with the hotgroundgym.com domain name for use in connection with the operation of the Location only, and for no other purpose. (Franchise Agreement, Section 6.11).
12. Designate the opening inventory of products and services you must buy before the opening of the Location. (Franchise Agreement, Section 6.9)
13. Furnish you with written specifications and/or names of approved suppliers for required products, services, signs, fixtures and supplies. (Franchise Agreement, Section 6.8)
14. Either provide or approve or disapprove advertising, promotions, signs, posters and displays before installation or display. (Franchise Agreement, Section 8.1).

Continuing Obligations

During the operation of your Location, we will:

1. Furnish you with those support services we consider advisable. We may provide these services on-site, off-site, by telephone or through other means. Timing will depend on the availability of our personnel. (See Franchise Agreement, Section 5.4)
2. Furnish you with any specifications for required products and services. (Franchise Agreement, Sections 5.5 and 6.8)
3. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services. (Franchise Agreement, Section 5.6)
4. Administer the Marketing Fund (Franchise Agreement, Section 8.5)
5. Use commercially reasonable efforts to correct any failure or cause vendors to correct any failure of computer systems and related software (Franchise Agreement, Section 6.11)

System Standards Manual

Currently, we have a Confidential System Standards Manual we make available to you through a password protected Web Site. The Confidential System Standards Manual includes descriptions of marketing techniques, operational procedures, business practices, and management methods for our Hot Ground Gym® System. The purpose of the Confidential System Standards Manual is to protect our reputation and goodwill and to maintain uniform standards under the Marks and the Hot Ground Gym® System. You must operate your Hot Ground Gym Business in accordance with the standards, methods, policies, and procedures in these manuals. You may view the Confidential System Standards Manual at our corporate office. See Exhibit G to this disclosure document for further information.

There are a total number of 275 pages in our Confidential System Standards Manual.

Advertising and Promotion.

You may only use advertising, marketing, identification and promotional materials and programs which we have either furnished to you or approved in writing in advance. If we make advertising, marketing, identification and promotional materials and programs available to you, you must use only those materials furnished by us for all of your advertising, marketing, identification and promotion of the Location, at your cost. In the event that we do not furnish you with advertising, identification and promotional materials and programs for the Location, you must submit to us, in the form and manner we prescribe, for prior approval, samples of all advertising and promotional materials not prepared or previously approved by us, including materials you wish to present on a website. If you do not receive written or oral approval within 10 days from the date of our receipt of such materials, we will be deemed to have disapproved the submitted materials. You may not use any advertising or promotional materials that we have not approved, have disapproved or that do not include the copyright registration notices and trademark registration notices we designate (Franchise Agreement - Section 14.3). Any advertising, promotion and marketing you do must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Except for listing your Location on a local Internet directory, you are not permitted to have or advertise on the Internet or World Wide Web without our prior written consent (Franchise Agreement – Section 8.2). You may not solicit business through a toll-free number, direct mail, internet, or other advertising method without our prior written consent. (Franchise Agreement - Section 8.1).

Marketing Fund

You must pay a Marketing Fund Fee of 2% of your Location's prior month's Gross Revenue (“**Marketing Fund Fee**”). We may increase this fee at any time in our discretion. We will, at our sole discretion, direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures for advertising or promotions for you which are equivalent or proportionate to your pro rata contributions. We need not attempt to and are not required to ensure that you benefit directly or proportionately from the Marketing Fund. We are not required to spend any amount in your Protected Territory. The Marketing Fund is not a trust and we are not a fiduciary in any capacity. (Franchise Agreement, Section 8.5)

The Marketing Fund may, but is not required to, be used to meet all costs of administering, directing, preparing, placing and paying for national and/or regional advertising. This may include the cost of preparing and conducting television, radio, magazine, newspaper or other advertising campaigns and other public relations activities; the cost of employing advertising agencies and/or in-house marketing support; paying interest on monies borrowed by the Marketing Fund from third parties unaffiliated with us; providing customer service comment cards to you and other Hot Ground Gym® franchisees; and, sponsoring sporting, charitable or other special promotional events, if we choose to do so at our sole discretion.

The Marketing Fund monies are accounted for separately from our other funds, and such funds are held in a dedicated bank account. We may not use these funds for any purpose other than those provided for in the Franchise Agreement. We may use the Marketing Fund to cover salaries, travel costs, and reasonable administrative costs.

The Marketing Fund is not audited.

No money will be spent by the Marketing Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the Hot Ground Gym® brand. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and will be furnished to you upon written request.

We will spend most contributions to the Marketing Fund for advertising and marketing purposes during the fiscal year in which the contributions are made. If we spend more than the amount the Marketing Fund collects in any fiscal year (not including any money we had to spend because we did not spend all the money in the Marketing Fund during the year before), then we are entitled to reimburse ourselves (without interest) from the Marketing Fund during the next fiscal year for all excess expenditures during the preceding fiscal year. If we spend less than

the total in the Marketing Fund during any fiscal year, then we can spend the unused money during the next fiscal year.

We have no obligation in administering the Marketing Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts or penetrates your Location or Protected Territory. If we receive any promotional allowances with respect to your purchases of goods or services from vendors other than us or our affiliates, then we will be under no obligation to contribute the promotional allowances to the Marketing Fund.

Although we intend the Marketing Fund to be perpetual, we have the right to terminate the Marketing Fund. We will not terminate the Marketing Fund until we have spent all money in the Marketing Fund for marketing, advertising and promotional purposes.

The Hot Ground Gym Business owned and operated by our affiliate participates equally with franchisees in contributing to the Marketing Fund.

During the fiscal year ended December 31, 2022 we did not collect or spend any Marketing Fund monies.

Local Marketing, Advertising and Promotion

You must expend each month an amount between \$1,400 and \$1,900 per month, depending on what options you choose, as provided from the vendor, on Local Marketing Expenditures that we have approved and between \$300 and \$600 per month on digital advertising (Franchise Agreement, Section 8.3). "**Local Marketing Expenditures**" means the local or regional marketing services, advertising and promotional activities that we specify in our Confidential System Standards Manual or otherwise or approve in writing in advance. Upon our request, you must submit to us a report detailing your Local Marketing Expenditures made during the time period we specify. You are also required to provide us invoices or other documentation to support your Local Marketing Expenditures reported, if requested by us. You may spend more than the minimum required, at your discretion. If you fail to make the required minimum expenditures for local advertising and promotion, we may, at our option, require you to: (i) contribute the deficient amount to the Marketing Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your required Local Marketing Expenditures, plus our related expenses.

You may not advertise or use any of the Marks on the Internet without our prior written consent. We maintain the web site www.hotgroundgym.com. We will provide contact information for your Hot Ground Gym Business on our web site. Further, you shall not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name or in the content of any World Wide Web Site.

Cooperatives

You may be afforded the option to participate in a regional or local advertising cooperative ("**Co-op**"). Such participation is not mandatory. If an advertising cooperative is created, your Local Marketing Expenditures (or, 4% of previous month's Gross Revenues) will be applied to the Co-op's expenditures. No additional fees are required to be paid to the advertising cooperative. Franchisor-owned outlets may participate in such cooperatives. (Franchise Agreement, Section 8.1)

Grand Opening Advertising

Beginning 2 months before the commencement of the operation of the Location, and continuing for two months thereafter, you must expend \$2,000 and \$5,000 for the grand opening advertising and promotion of your Location (the "**Grand Opening Advertising**"). You must make these Grand Opening Advertising expenditures using the advertising and promotional material, media, special events and other public relations activities that we require or approve, in our Confidential System Standards Manual or otherwise. (Franchise Agreement, Section 8.3)

Periodic Promotions

You must offer such rebates, giveaways and other promotions ("**Promotions**") as may be required by us. You must honor all promotions so long as doing so does not contravene with any laws. You may not create or issue any

Promotions or sell any Promotions that are not required or sponsored by us. You may not issue coupons or discounts of any type. Your participation in Promotions will be at your expense.

Advertising Council/Advisory Committee

At this time, there is no advertising council composed of Hot Ground Gym® franchisees.

We may periodically establish an advisory committee (the “**Advisory Committee**”), which will be made up of our representatives and representatives of 1 or more of our franchisees (the exact composition of the Advisory Committee to be determined by us in our sole and absolute discretion), and which will advise us regarding proposed uses of Marketing Fund Fees and the Hot Ground Gym® Marketing Fund, suggestions for new services and products and general operations of our franchised facilities. Whether or not the Advisory Committee is formed, how it is established and how it shall conduct its business will be determined by us in our sole and absolute discretion. We will not be required to follow the advice of the Advisory Committee and we can terminate the Advisory Committee at any time. Any expenses of establishing, maintaining or terminating the Advisory Committee will be paid for by Marketing Fund Fees out of the Hot Ground Gym® Marketing Fund. Franchised facilities owned or operated by any of our affiliates will also contribute to the Hot Ground Gym® Marketing Fund.

Computer Requirements

You will be required to purchase the computerized point of sale and booking systems and related software, any other required operational or management software, project management software for the development of your Location, computer or mobile applications and/or web-based programs, associated computer hardware, phone system and required dedicated telephone and power lines, modem(s), printer(s), fax machines, and other related accessories or peripheral equipment which we specify in our Confidential System Standards Manual or otherwise.

Currently, you must have at least one computer and one printer meeting our specifications and software as determined by us in our sole discretion. The estimated initial cost of purchasing your computer systems is \$3,000-\$6,000, but may change from time to time based on our equipment and software requirements. We currently require you to maintain software from Bookeo, Waiver Forever, Deputy, MailChimp, and Pike 13. The subscription fees for these programs are currently \$250 - \$500, but that price may be changed by the manufacturers of the product. There are no costs associated with updates to the programs other than the subscription fees. We may modify the software programs at any time in our sole discretion.

We will have independent access to your sales and other information in your POS system. There are no contractual limitations on our right to access information in your POS system. You must maintain at all times, the ability to receive and transmit communications from and to us over the Internet. You will be required to provide us independent access to the information and data in your computer systems via a broadband Internet connection.

You must install, maintain and use computer software programs to maintain data and business records for your Hot Ground Gym Business as designated by us. To ensure full operational efficiency and communication capability between our computers and yours, you must at all times, at your own expense, keep your computer system in good repair and purchase certain annual maintenance and service contracts from the manufacturer of the hardware or the licensor of the software. You must upgrade/update your software programs, as required by us or as otherwise needed. You must also replace any systems which are inoperable and/or outdated and the cost for replacing the systems will depend upon the systems you are purchasing and the market prices for those systems. We have to approve, in writing, all hardware and software to be used by you in connection with your Hot Ground Gym Business. We reserve the right to require franchisees, at their expense, to install and maintain additional hardware and software, including software that will interface with our computer system over the Internet. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates. We estimate that the annual cost of maintenance, repair and upgrades/updates to your Computer Systems will be between \$500 and \$2,500. You must use, at your expense, such internet/wireless services, e-mail services, telephone systems and services as we may require in connection with the operation of the Location and use only those vendors designated by us, as set forth in the Confidential System Standards Manual or otherwise. You shall pay the service or maintenance fees charged by vendors for such internet/wireless services, e-mail services and/or telephone system services, which may vary

depending on the vendor you use. We estimate that the annual cost of these services will be \$1,000 to \$4,000.

Site Selection

We will offer you consulting services to assist you in determining the evaluation criteria for selecting the site location for your Location. We do not select the site for your Location, although we must consent to the site. The general site selection criteria you should consider includes traffic patterns, site visibility and size, area demographics, ease of ingress and egress, adequacy of parking, Lease rates, competitors, and tenant mix at the proposed location. You are solely responsible for locating a site that meets our standards and criteria and that is acceptable to us. If you do not provide us with a proposed Lease or do not otherwise secure an acceptable location for your Location within 90 days of executing the Franchise Agreement, supply us with plans and specifications to approve within 60 days of executing the Franchise Agreement, and complete construction and begin operations of your Hot Ground Gym Business within 120 days from the date of executing the Franchise Agreement, any such failure constitutes a material breach of the Franchise Agreement, and we may, at our option, terminate the Franchise Agreement upon notice without affording you any opportunity to cure the breach. (Franchise Agreement, Section 16.2.D).

Typical Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the opening of a Location depends, in part, on the specific location of the Location but generally is between 90 and 120 days from the date you execute your Franchise Agreement. You are expected to begin operations within 120 days from the signing of the Franchise Agreement. Factors affecting this length of time usually include obtaining a satisfactory site, build out complexity, permits, financing arrangements, completing training, local ordinance compliance questions and delivery/installation of equipment, materials, products and signs.

Initial Training Program

Our Initial Training consists of a maximum of 100 hours of training for 2 individuals (“**Trainees**”) in our corporate headquarters and/or at any other location as we may specify in writing. You will not be charged for attendance by these 2 Trainees but you will be responsible for all travel, meals and lodging expenses incurred by the Trainees. You will be charged \$350 per Trainee, per day for more than 2 individuals. All Trainees must complete the Initial Training to our satisfaction at least 3 weeks, but not more than 6 weeks, before your Hot Ground Gym® Location opens for business. We will provide you with a commencement date for the Initial Training Program.

We will provide, at our expense, instructors, facilities and training materials consisting of online Webinars, books, manuals, outlines, pamphlets and live instruction, for the Initial Training of you and another employee or individual. You will be responsible for all expenses of your Trainees in the Initial Training including all travel, lodging and meal expenses and compensation of, including workers’ compensation insurance for, your Trainees. All costs and expenses incurred to have additional employees or agents attend the Initial Training, including reasonable training fees, will be borne by you. Attendance by any additional employees or agents is subject to our prior written approval and a \$350 per day, per person fee may be charged for each additional trainee.

If the person having responsibility for the day-to-day operation of your Hot Ground Gym® Location (the “**Designated Location Manager**”) is no longer willing or able to exercise day-to-day control over your Hot Ground Gym® Location, you must hire a new, qualified Designated Location Manager for your Hot Ground Gym® Location within 30 days of the date of the prior manager's last working day. The new Designated Location Manager and all other successive Designated Location Managers, if any, shall be required to attend the Initial Training at your sole cost and expense within 30 days of the Designated Location Manager hire date. You are solely responsible for the costs and expenses associated with your Designated Location Manager's attendance at the Initial Training, including the then prevailing standard rates charged by us for additional attendees at the Initial Training and all travel, meals and lodging costs and compensation of, including workers’ compensation insurance for, your new Designated Location Manager.

The Initial Training Program will be taught by Doug Gialds, who founded the Hot Ground Gym business 10 years ago and has 18 years of experience in obstacle course-based fitness, team building, and life skills developing experience, as well as 8 years of experience serving in the military as Sergeant, Armory Chief, and Martial Arts Instructor in the United States Marine Corps. Other members of our team may provide various education sessions. Occasionally, different guest speakers may make an appearance at the Initial Training Program to provide information about various pieces of exercise equipment, products and services used and offered by us. For example, some speakers may be our franchisees, suppliers, or industry experts.

A schedule for our Initial Training program is as follows:

Subject	Hours of Classroom Training	Hours of on-the-Job Training	Location
Tour/History/Philosophy of Hot Ground Gym	1	0	8 W College Dr #! Arlington Heights, IL 60004
Pre-Opening Procedures	5	0	8 W College Dr #! Arlington Heights, IL 60004
People Development	3		8 W College Dr #! Arlington Heights, IL 60004
Marketing	4	4	8 W College Dr #! Arlington Heights, IL 60004
Recruiting Students	4	4	8 W College Dr #! Arlington Heights, IL 60004
Management Procedures	4	8	8 W College Dr #! Arlington Heights, IL 60004
Session Procedures (Jr. Boots, Camp, Birthday Parties)	4	45	8 W College Dr #! Arlington Heights, IL 60004
Gym Operating Procedures	4	8	8 W College Dr #! Arlington Heights, IL 60004
TOTAL	29	71	100 Hours

The Confidential System Standards Manual will detail all aspects of franchise operations presented in the Initial Training Program and serve as an ongoing reference. Updates to the System Standards Manual will be made available to you through various means including online.

We may require you, or you may request that, you, your owners or managers to receive or attend and complete to our satisfaction additional or advanced training from time to time. You may be required to pay a fee for such education as we reasonably determine. While the Initial Franchise Fee includes the cost of our Initial Training Program, the Initial Franchise Fee only covers the program for up to 2 individuals, must occur prior to opening, and is non-transferable to other locations or to other franchisees. We may charge you an additional education session fee equal to \$350 per person, per day plus our travel, lodging and meal expenses, for any additional education that we provide to you or your staff. You must also pay for travel, food, and accommodations and all other related expenses. We may, in our sole discretion, hold refresher and ongoing education courses. We may require you and your management personnel to attend education at the location we designate.

We may conduct training at regional and/or annual meetings and reserve the right to require that you and your Designated Location Manager attend. We may charge a reasonable training fee for these regional and/or meetings. You, your Operator and your General Manager must attend regional or annual meetings and pay the then current fee plus travel, lodging, meals, and all other expenses incurred by attendees. If we choose to have an annual conference, the current fee to attend is \$500 per person.

If you cancel or reschedule any scheduled Initial Training or additional training, we reserve the right to charge you a Training Cancellation Fee, which is currently \$500 per Trainee.

ITEM 12: PROTECTED TERRITORY

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

Under the Franchise Agreement, you will receive a Protected Territory (defined below), meaning that, as long as you comply with the Franchise Agreement, neither we nor our affiliates will open and operate, nor authorize a third party to open and operate, a Location in the Protected Territory we designate for you on Exhibit A to the Franchise Agreement.

The Franchise Agreement permits you to establish and operate a Hot Ground Gym[®] Location in a specified type of facility at a designated location. If, at the time the Franchise Agreement is executed, a location for Franchisee's Location is not identified or obtained by you and approved by us, you must Lease or acquire a location within a specific geographic area (the "**Site Selection Territory**") within 60 days of executing your Franchise Agreement and begin operating your Hot Ground Gym[®] Location within 120 days after the date you sign your Franchise Agreement.

The location of your Hot Ground Gym[®] Location shall be located within the Site Selection Territory that we agree to. Once a location has been determined, we will grant you rights within a geographic area ("**Protected Territory**"). There will be no minimum geographic size to your Protected Territory. The Protected Territory will be determined by the demographics and population size specific to your location. The minimum population size of the target demographic group within your Protected Territory is determined on a case-by-case basis depending on the results of demographic research. The source of the population and demographic determinations are from the current reports issued by Google Earth Pro, or similar demographic software. Protected Territories will range in size from a site-specific location, i.e., a street address, to a block, a zip code, or a defined measurable area, depending on where your Hot Ground Gym[®] Location is located. Typically, Locations located in metropolitan areas will receive a small Protected Territory than Locations located in suburban/rural areas. You will negotiate and agree upon the size of your Protected Territory with us at the time you identify a Location. The Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory. Your Site Selection Territory and Protected Territory will be described in Exhibit A to your Franchise Agreement. During the term of your Franchise Agreement, and provided that you are not in default, we will not establish or license another person to establish another Hot Ground Gym[®] Location within your Protected Territory.

You may not relocate your Hot Ground Gym[®] Location or change your Protected Territory without obtaining our prior written approval, which we will not unreasonably withhold. Any relocation of your Location or change to your Protected Territory will be at your sole expense. All leases, subleases or other agreements you enter into to relocate the Hot Ground Gym[®] Location must conform to the provisions of the Franchise Agreement. If we approve of your request to relocate your Hot Ground Gym[®] Location or change your Protected Territory, then you must complete a new Exhibit A to the Franchise Agreement and pay us a fee of the greater of (i) \$5,000 or (ii) our costs and expenses associated with the relocation. This payment is not refundable under any circumstances. You will operate your Hot Ground Gym[®] Location only from the approved location within the Protected Territory, and you must receive our permission before relocating. Although we may assist you in selecting a location, and we must approve the location, you are solely responsible for selecting the location and negotiating the Lease or purchase terms. You are also responsible for build-out of the Hot Ground Gym[®] Location and for ensuring it is constructed consistent with the plans and specifications we designate.

Unless specified in writing, you do not have options, a right of first refusal, or similar rights to acquire additional franchisees in the Protected Territory, or otherwise.

You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Hot Ground Gym[®] Location on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by us. You do not have the right under the Franchise Agreement to open

or operate more than one Hot Ground Gym® Location regardless of its location. We will not operate or cause another Franchisee to operate a Hot Ground Gym® Location within your Protected Territory. You may have competition from other franchisees or us within your Protected Territory. Your Protected Territory only prohibits us from placing another Hot Ground Gym® Location within its boundaries. It does not prohibit us or other franchisees from soliciting and accepting customers that may be located in your Protected Territory and you will not be paid any compensation for those solicited and accepted customers. Your territorial rights are not dependent upon achievement of a certain sales volume or market penetration. You will not have the right of first refusal or any similar rights in the contiguous territories or areas surrounding or near your Protected Territory should we decide to sell a Hot Ground Gym® Location outside of your Protected Territory, wherever located.

Continuation of your Protected Territory is not dependent upon achievement of a certain sales volume or market penetration.

Reserved Rights


We (on behalf of ourselves and our affiliates) retain all rights with respect to the Hot Ground Gym® System, the Marks, and the sale of any products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate Hot Ground Gym® Locations anywhere outside the Site Selection Territory and Protected Territory, as Franchisor considers appropriate, including within close proximity to the Location, Site Selection Territory or Protected Territory; (b) offer and sell products and services within the Site Selection Territory and Protected Territory that are not part of the Hot Ground Gym® System through any distribution method; (c) offer and sell within the Site Selection Territory and Protected Territory (either themselves or through franchisees), those Proprietary Products and other products and services which this Agreement contemplates Franchisee will offer and sell; (d) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Site Selection Territory and Protected Territory so long as the Marks are not used, and/or (e) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Proprietary Products, components thereof or variations thereon, which now or in the future are a part of the Hot Ground Gym® System, to any person or entity, both within and outside Franchisee's Site Selection Territory and Protected Territory, from and/or to any location whatsoever or by means of any channel of distribution. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future. You will not be granted any rights with respect to such sales whether conducted now or in the future.

You will not receive any compensation for customers we solicit or accept from inside your Site Selection Territory or Protected Territory.

ITEM 13: TRADEMARKS

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

HGG owns the following marks, which have been filed with the United States Patent and Trademark Office (“USPTO”) on the Principal Register:

Description of Mark	Registration Number	Registration Date	Status
	4,987,331	June 2, 2016	Registered

Description of Mark	Registration Number	Registration Date	Status
Hot Ground Gym	4,987,255 (Class XX)	June 28, 2016	Registered
Hot Ground Gym (retail products)	Serial No. 97,443,230; Prior Registration Numbers: 4987255 and 4987331	June 4, 2022	Registered

All required affidavits have been filed.

There are currently no effective determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation and pending material litigation involving the principal trademarks.

The Proprietary Marks are licensed to us pursuant to a Trademark License Agreement with our affiliate HGG. In the Trademark License Agreement, HGG authorizes us to use the Proprietary Marks in connection with the offer, sale, and support of Hot Ground Gym® franchises. The Trademark License Agreement has a perpetual term.

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

You must notify us immediately of any infringement of, or challenge to your use of our trademarks. We will have sole discretion to take any action we deem appropriate. You must assist us if we do decide to take action. You must assist us in protecting any of our rights, at our expense. We are not obligated by the Franchise Agreement to protect your rights to use our trademarks, but may, in the ordinary course of our business, defend, prosecute or settle claims or litigation. We require you to modify or discontinue the use of any trademarks or to use one or more substitute trademarks if, in our sole discretion, it becomes advisable to do so. Our only obligation in this event will be to reimburse you for the tangible costs of new signs and stationery. You may not contest, directly or indirectly, our ownership, title, right or interest in our trademarks. Upon termination of the Franchise Agreement for any reason, you must cease using our trademarks. You may not use any of our trademarks as part of your business entity name or Internet domain name or Internet address. We control all Internet access, usage and marketing.

We are not aware of any infringing uses that would materially affect your use of our trademarks in the state in which the franchised business is to be located. We require you to physically inspect your proposed Protected Territory to conduct a reasonable investigation into the business organizations, if any, which may provide competitive services using trade names and marks in any way similar to those of HGGF.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents. We have no registered copyrights with the United States Copyright Office. We claim copyright protection with respect to our training and marketing material, advertising, confidential operations content, software, designs, creative works, Web pages, and other works of authorship in any media.

We have no agreements currently in effect that significantly limit our rights to use or to license franchise owners to use the copyrighted materials to conduct the franchised business. HGGF will take appropriate action, if you notify us of an infringement of or challenge to your right to use the copyrighted materials. The Franchise Agreement does not require us to defend you against any copyright infringement claims. We may take any action we deem appropriate. You must assist us in protecting any of our rights, at our expense.

We also claim trade secret protection with respect to our knowledge, trade secrets, methods, products, systems, information, confidential operations content, proprietary software (if any), confidential electronic or other communications, methods of Internet and trademarks usage, marketing programs, and research and development.

In addition, we license the use of certain trade secrets to you, some of which are contained in the confidential operations content. The Franchise Agreement requires strict adherence to all of our security procedures. All of your owners, managers and employees must sign an approved form of non-disclosure agreement. Disclosure of trade secrets to your employees must be limited, on a need-to-know basis, to the absolute minimum extent necessary for performance of your duties under the Franchise Agreement. We prohibit you from using any of the trade secrets in any business or in any way not specifically authorized by us. You must, at all times, maintain a high degree of diligence and use best efforts to maintain the absolute confidentiality of our proprietary information and trade secrets.

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

You will be required to personally and directly supervise the operation of the Location, unless otherwise permitted in writing by us. You agree to devote the amount of its time, attention and best efforts to the performance of your duties under the Franchise Agreement as is necessary for the proper and effective operation of the Location. If you are licensed to operate more than one Hot Ground Gym® Location, you will devote the amount of your time and attention to the performance of your duties under the Franchise Agreement that is necessary for the proper and effective operation of the Location.

You shall serve as Gym Manager or designate a Gym Manager that we approve (“**Designated Location Manager**”). The Gym shall at all times be under the direct, on-site supervision of you or your Designated Location Manager, an additional Designated Location Manager (if you employ more than one Gym Manager), or an assistant manager who has successfully completed either our Initial Training Program or a training program conducted by you and approved by us.

You shall inform us in writing as to the identity of your Designated Location Manager and any successor Designated Location Managers of your Location. Each Designated Location Manager must complete to our satisfaction, the Hot Ground Gym Initial Training Program. Upon the death, disability or termination of employment of your Designated Location Manager, you agree to immediately notify us. You agree to designate a successor or acting Designated Location Manager no later than thirty (30) days following the death, disability or termination of the predecessor Designated Location Manager. Each successor Designated Location Manager must attend and successfully complete our next available Initial Training Program and complete any other reasonable training at the times we specify. This training will be at your sole expense. Any Designated Location Manager, all of your employees, independent contractors, agents and representatives, and, if you are an entity, an officer that does not own equity in the Franchisee entity, must sign the “**Confidentiality Agreement**”), the current form of which is attached to the Franchise Agreement as Exhibit C. If you are an entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) (“**Principal Equity Owner**”) must sign a “**Principal Owners Guaranty**” guarantying your operational and financial requirements, the form of which is attached to the Franchise Agreement as Exhibit B. We do not require that the spouses of the Principal Equity Owners sign the Principal Owners Guaranty unless they are also Principal Equity Owner.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE OWNER MAY SELL

You must confine your business to the operation of a Hot Ground Gym® business. You may not conduct any other business or activity at or from the Hot Ground Gym® location. You are limited to the Protected Territory in offering or selling your products/services, including your solicitation of customers. You may identify your Hot Ground Gym® business only by the Marks. You must offer all of the products and services that we prescribe, and we may change the products and services from time to time at our discretion. You may not offer or sell any product or service from the Hot Ground Gym® business except those we authorize. See Items 8 and 11.

We require you to open and operate your Hot Ground Gym® business during the standard staffed hours that we specify or approve in writing (except during such periods as you are required by law or permitted by use to be closed).

**ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

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

Provision	Section In Franchise Or Other Agreement	Summary
(a) Length of the franchise term	FA Section 1.4	Commences on the Effective Date of the FA and expires on the 7th anniversary of the date you open your Location for business.
(b) Renewal or Extension.	FA Section 1.5	If you satisfy the requirements to obtain a successor franchise, you may be granted the right to continue operating your Hot Ground Gym® business for one additional term of five (5) years.
(c) Requirements for franchisee to renew or extend	FA Section 1.5	You must have substantially complied with all of the provisions of the Franchise Agreement during its initial or renewal term. You must maintain possession of the Location and before the expiration date, bring the business into full compliance with the specifications and standards then applicable for new or renewing Hot Ground Gym® businesses. You must give notice of renewal to us at least nine (9) months, but no more than twelve (12) months, prior to the expiration of the Term. You must have satisfied all monetary obligations owed to us and our affiliates and have timely met these obligations throughout the term of the Franchise Agreement. You must execute our then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respect the initial agreement and the terms of which may differ materially from the terms of the initial Franchise Agreement including, without limitation, different percentages for Continuing Royalty Fees and Marketing Fund Contributions. You must comply with our then-current qualification and training requirements. You must execute a general release, in a form prescribed by us, of any and all claims against us, our subsidiaries, affiliates and our respective officers, directors, attorneys, agents, shareholders and employees. You must, at your expense, upgrade the business to conform to the then-current

Provision	Section In Franchise Or Other Agreement	Summary
		standards and specifications of the Hot Ground Gym® System, and complete this upgrading within the time reasonably specified by Franchisor. You must pay us our then current Successor Franchise Fee.
(d) Termination by franchisee	FA N/A	N/A
(e) Termination by franchisor without cause	FA N/A	N/A
(f) Termination by franchisor with cause	FA Sections 16.1 – 16.6	We can terminate you only if you default.
(g) Cause defined – curable defaults (h) Cause defined – non-curable defaults	FA Sections 8.1, 16.3 and 16.4	Defaults, other than those to which there is no cure period, payment defaults, or to advertising standards, may be cured within 15 calendar days after notice of cure is received. Payment defaults may be cured within 10 calendar days of receipt of a written notice. Advertising standards defaults must be cured within 3 calendar days after franchisee's receipt of notice.
(i) “Cause” defined – non-curable defaults	FA Section 16.2 – 16.3	Non-curable defaults: bankruptcy or insolvency; you do not commence operation of the franchised business within 120 calendar days following execution of the Franchise Agreement by us; abandonment; omission or misrepresentation of a material fact in the information you furnish to us; we and you agree in writing to terminate the Franchise Agreement; you do not provide a copy of the proposed Lease, or do not secure a business Location within the time limits and following the procedures specified in the Franchise Agreement; loss of possession of the business; you engage in an act that constitutes a crime or offense; a threat or danger to public health or safety results from your continued operation of the franchised business; You reuse and/or recycle any Proprietary Product, or sells such products to third parties without our prior approval and written consent; you fail to correct any local, state or municipal health or sanitation law or code violation within seventy- two hours after being cited for such violation; you purport to transfer any rights or obligations under the Franchise Agreement, the franchisee (if a legal entity), or the franchised business to any third party in violation of the terms of the Franchise Agreement; you conceal revenues; knowingly maintain false books or records; falsify information

Provision	Section In Franchise Or Other Agreement	Summary
		<p>or otherwise defrauds or makes false representation to us or, knowingly submit any substantially false report to us; you engage in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice; you are found to have understated by 5% or more for any calendar year, your Gross Revenue; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; or you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Marks and System or you make any use of the Marks not authorized under the Franchise Agreement; you receive three (3) notices of default within any eighteen (18) month period; you offer or sell any unapproved products and/or conduct (or permit the conducting of) any business other than the business contemplated by the Franchise Agreement at or from the business without our prior written consent.; or if Franchisee shall abandon the business.</p>
(j) Franchisee's obligations on termination/non-renewal	FA Sections 17.1 - 17.2	<p>Obligations include immediately paying all sums due and owing to us and paying to us the full amount of the business's outstanding gift card/certificate; discontinuing the use of the Marks, Confidential System Standards Manual, and System; cancel any assumed name or equivalent registration which contains the Mark "Hot Ground Gym[®]," or any other of our Marks; allow us to enter and take possession of your business to maintain continuous operation of the previously-franchised business; pay all of our expenses incurred as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees; at our option, which is exercisable in writing within thirty (30) calendar days from the date of expiration or termination of the Agreement, or if termination is contested by you, within thirty (30) calendar days after a court decides the propriety of the termination, assign to us any interest which you have in any Lease, right or entry or easement for the business Location, and vacate the business promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession; except as provided for in Section</p>

		<p>17.1.B.4 or as otherwise instructed by us, you shall immediately close the franchised business for business, and, during the thirty (30) day period following expiration or termination, you shall not take any action to remove, conceal, assign, transfer or sell, any items containing the Marks, signs, equipment, furniture, fixtures, or other tangible assets used in, or necessary for, the effective operation of the business; if you own the business, to execute and deliver to us a Lease for the business Location on commercially reasonable terms; return all training or other manuals furnished to you, including the Confidential System Standards Manual and supplements to the Confidential System Standards Manual; immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner; arrange with Franchisor for an inventory to be made by Franchisor, at Franchisor's cost, of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets of Franchisee and the franchised business, including, without limitation, all items bearing the Marks. We shall have the right (but not the duty), to be exercised by notice of intent to do so within fifteen (15) days after the Effective Date of Termination, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing the Marks at your cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent qualified appraiser shall be designated by each party and their determination shall be binding on both parties. If these appraisers are unable to arrive at a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If we elect to exercise any option to purchase under this Section 17.1.B.9, we shall have the right to set off all amounts due from you under this Agreement, and the cost of the appraisal, if any, against any payment for the appraisal. Franchisee shall not, for a period of thirty (30) days after termination or expiration of this Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised business; cease using the telephone numbers listed in any</p>
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Provision	Section In Franchise Or Other Agreement	Summary
		<p>telephone directories, local listings or local internet search engines under the name "Hot Ground Gym®" or any other confusingly similar name or, upon our written demand, direct the telephone company to transfer the telephone numbers listed for the franchised business to us or to any other person and location that we direct; comply with the post-termination/post- expiration covenants not to compete set forth in the Franchise Agreement; continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in the Franchise Agreement; immediately refrain from engaging in any contacts with customers; immediately surrender to us all computer software, data storage disks or tapes used in the operation of the franchised business, printouts, and other information pertaining to computer operations, codes, procedures and programming; if we elect not to assume possession of the business, then promptly upon termination or expiration, perform all reasonable redecoration and remodeling of the business as we consider necessary in our reasonable judgment to distinguish the business from a Hot Ground Gym® business. Remit payment within 30 days of liquidated damages as follows: liquidated damages will be equal to the Continuing Royalty Fees and Marketing Fund Fees that Franchisor would have received for three (3) years based on Franchisee's most recent annual Gross Revenues. If Franchisee's Hot Ground Gym® business has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Continuing Royalty Fees and Marketing Fund Fees payable to Franchisor from the date Franchisee's Hot Ground Gym® business was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of this Agreement.</p>
(k) Assignment of contract by franchisor	FA Section 13.1	We have an unlimited right to assign the Franchise Agreement.

Provision	Section In Franchise Or Other Agreement	Summary
(l) “Transfer” by franchisee – defined	FA Sections 13.2 – 13.4	Includes any transfer of your interest in the Franchise Agreement or business.
(m) Franchisor approval of transfer by franchisee	FA Sections 13.2 – 13.4	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
(n) Conditions for franchisor approval of transfer	FA Sections 13.2 – 13.4	<p>New franchisee or principal owner qualifies; you are not in default under the Franchise Agreement; transfer fee of:</p> <p>(a) In connection with an internal transfer of shares or ownership interests where there is no change of control or majority interest, one thousand five hundred and no/100 dollars (\$1,500);</p> <p>(b) In connection with a transfer to a franchisee that is an existing franchisee of the Hot Ground Gym® business, 40% of the then current Initial Franchise Fee; or</p> <p>(c) In connection with a transfer to a party that is not currently a franchisee of the Hot Ground Gym® business, the greater of (i) five thousand and no/100 dollars (\$5,000.00) or (ii) Franchisor's reasonable out-of-pocket expenses (including, without limitation, attorneys' fees), incurred in connection with the assignment</p> <p>In addition, all amounts owed by you must be paid; training completed; general release signed; new franchise agreement signed; right of first refusal to us provided.</p>
(o) Franchisor’s right of first refusal to acquire franchisee’s business	FA Section 13.6	We can match the offer you receive for the sale of your business.
(p) Franchisor’s option to purchase franchisee’s business	FA Section 17.1.B	We have the right to purchase your business or your assets upon the expiration or termination of the Franchise Agreement.
(q) Death or disability of franchisee	FA Section 13.5	The franchise can be transferred to a third party approved by us upon your death, disability or incapacity. Transfer conditions apply (see M above). We may temporarily operate the business until a third party qualifies.
(r) Non-competition covenants during the term of the franchise	FA Section 12.1	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your Hot Ground Gym® business within a 25 mile radius of company-owned or franchised locations.

Provision	Section In Franchise Or Other Agreement	Summary
(s) Non-competition covenants after the franchise is terminated or expires	FA Section 12.2	No competing business for two (2) years within the Protected Territory or twenty (20) miles of the Protected Territory of the perimeter of or within any other Hot Ground Gym® business Protected Territory.
(t) Modification of the agreement	FA Section 20; 5.1, 6.4.	No modification unless in writing, although we can change our list of Marks, Confidential System Standards Manual, or System. Franchisee shall receive 15 days notice prior to changes to the Confidential System Standards Manual or System taking affect.
(u) Integration/merger clause	FA Section 20	No statements or promises binding unless contained in the Franchise Agreement. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement or in any related agreement is intended to waive Franchisee's reliance on any representation made by Franchisor in this disclosure document or in its exhibits or amendments, or to disclaim liability for statements authorized by Franchisor in this disclosure document.
(v) Dispute resolution by arbitration or mediation	FA N/A	N/A
(w) Choice of Forum	FA Section 23.4	All disputes shall be litigated solely in Lake County, Illinois, subject to applicable state law.
(x) Choice of Law	FA Section 23.3	Delaware law governs, subject to applicable state law.

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ITEM 18: PUBLIC FIGURES

No public figure or personality is used to promote the franchise in any way.

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.

Overview

This financial performance representation (“**FPR**”) includes the Gross Revenues for 3 Hot Ground Gym locations operated by our affiliates for the full fiscal years 2018, 2019, 2020, 2021 and 2022 (“**Reporting Period**”), excepting only one affiliate HGGVH, which closed in 2021 and transferred its operations to the Hot Ground Gym® business operated by our affiliate HGGLV. Each Hot Ground Gym® business is referred to as a “**location**”. No data is provided for franchised locations because we just began offering franchises and, as of the issuance date of this disclosure document, no franchise locations are open yet.

Financial Performance Representations

The following table presents the annual Gross Revenues data for the 4 affiliate owned locations described above.

HGG Gross Revenues Through December 31 of each Year

Year	Gross Revenues
2016	\$495,651.56
2017	\$747,848.31
2018	\$560,771.36
2019	\$557,430.10
2020	\$121,430.27

*HGG formerly operated a location in the Northbrook, IL area beginning in January of 2014. As of April 2021, HGG no longer operates corporate stores and serves as the IP holding Company and affiliate supplier.

HGGAH Gross Revenues Through December 31 of each Year

Year	Gross Revenues
2018	\$306,218.98
2019	\$446,923.15
2020	\$162,329.57
2021	\$352,848.19
2022	\$463,886.28

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HGGLV Gross Revenues Through December 31 of each Year

Year	Gross Revenues
2021	\$14,026.22*
2022	\$345,317.75

*HGGLV closed in 2021 and transferred its operations to the Hot Ground Gym® business operated by our affiliate HGGLV, which had a temporary impact on income due to renovations and ordinary and usual business matters associated with merging two previously separately operated locations.

HGGVH Gross Revenues Through December 31 of each Year

Year	Gross Revenues
2018	\$409,941.28
2019	\$418,128.88
2020	\$164,298.89
2021	See HGGLV

*Our former affiliate, Hot Ground Gym VH, Inc. (“HGGVH”), closed its location in 2021 and transferred operations to the Hot Ground Gym® business operated by our affiliate HGGLV, which had a temporary impact on income due to renovations and ordinary and usual business matters associated with merging two previously separately operated locations.

Notes to FPR Table:

1. For purposes of this FPR, “**Gross Revenues**” means the gross amount, in money or other forms of consideration, earned or received from any source-related to, or in connection with, the operation the Hot Ground Gym® businesses disclosed above.
2. The FPR does not reflect the operating costs and expenses that you will incur in operating your Hot Ground Gym® business, such as royalties, technology fees, system brand fees, local marketing expenses, rent, payroll, insurance, utilities, inventory replenishment, etc.
3. As a result of the COVID-19 pandemic, certain of the locations whose data has been presented were subjected COVID-19-related restrictions (such as mask mandates, limited hours of operation and occupancy restrictions to ensure proper social distancing).
4. The Gross Revenues figures are based on the historical results from the Hot Ground Gym® locations described above.

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

Written substantiation of the data used in preparing this information will be made available upon reasonable request.

You should utilize the services of an accountant or other financial professional to help you if you want to prepare budgets or projections. You should consult other sources for financial information, including your financial advisers and our franchisees in order to compare sales experience and to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings and profits of Hot Ground Gym® outlets.

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 such representations either orally or in writing. If you are purchasing an existing outlet, however, we

may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Doug Gialds, 1950 North US Highway 45, Libertyville, IL 60048, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

The name of each of our current franchisees, including those who have signed franchise agreements but are not yet open, and the address and telephone number of each of their outlets as of the end of our last fiscal year (unless another date is stated on the list) is in Exhibit E to this disclosure document. Our fiscal year ends on December 31 of each year.

**(Table No. 1) Systemwide Location Outlet Summary
For Years 2020 to 2022**

Outlet Type	Year	Outlets Operating at the Start of the Year	Outlets Operating at the End of the Year	Net Change
Franchised US	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	3	3	0
	2021	3	2 ¹	-1
	2022	2	2	0
Total Outlets	2020	3	3	0
	2021	3	2	-1
	2022	2	2	0

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

State	Year	Number of
Illinois	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

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¹ Our affiliate, HGGVH was the operator of a Hot Ground Gym® business located at 960 Woodlands Parkway, Vernon Hills, IL 60061. In 2021, HGGVH's operations were merged with HGGLV and the business relocated to HGGLV's business location in Libertyville, IL

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

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets Operating at End of Year
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

(Table No. 4)
Status of Operating Company Owned Outlets For Years 2020 to 2022

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating at End of Year
Illinois	2020	3	0	0	0	0	3
	2021	3	0	0	1	0	2
	2022	2	0	0	0	0	2
Totals	2020	3	0	0	0	0	3
	2021	3	0	0	1	0	2
	2022	2	0	0	0	0	2

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

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Illinois	0	3	5
Minnesota	0	1	3
Wisconsin	0	1	3
Total	0	5	11

The name, last known city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee within the most recently completed fiscal year who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has not communicated with us within 10 weeks of the issuance date of this disclosure document, is in Exhibit E. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

We are not aware of any trademark-specific franchisee organization associated with our franchise system.

The name of each of our current franchisees, including those who have signed franchise agreements but are not yet open, and the address and telephone number of each of their outlets as of the end of our last fiscal year (unless another date is stated on the list) is in Exhibit E. Our fiscal year ends on December 31 of each year.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

We are not aware of any trademark-specific franchisee organization associated with our franchise system.

ITEM 21: FINANCIAL STATEMENTS

Attached as Exhibit A are HGGF's audited financial statements for the period from January 11, 2023 to July 17, 2023. We have not been in business for 3 full years.

ITEM 22: CONTRACTS

Exhibit C	Franchise Agreement and the following Addenda: Exhibit B to FA Principal Owners Guaranty Exhibit C to FA Confidentiality/Non/Compete Agreement Exhibit D to FA Electronic Funds Transfer Authorization Exhibit E to FA Lease Addendum
Exhibit D	General Release
Exhibit F	State Specific Addenda to Franchise Disclosure Document

ITEM 23: RECEIPTS

Attached to the end of this Franchise disclosure document are the receipt pages. Please sign them, date them the date you receive the Franchise disclosure document and return the first copy to us. Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise.

EXHIBIT A
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

If a state is not listed below, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed below.

STATE	AGENCY	PROCESS, IF DIFFERENT
California	Department of Financial Protection and Innovation <i>Los Angeles</i> 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 <i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 <i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 Toll Free (866) 275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division P.O. Box 40 Honolulu, HI 96810 (808) 586-2727 (808) 586-2740 (808) 586-2744	Commissioner of Securities of Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813
Illinois	Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62701 (217) 782-4465	

STATE	AGENCY	PROCESS, IF DIFFERENT
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building, 1st Floor 525 W. Ottawa St. Lansing, MI 48913 (517) 335-7567	
Minnesota	Minnesota Department of Commerce Securities Location 85 7 th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500	Minnesota Department of Commerce Securities Location Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101
New York	Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8222	Attention: New York Secretary of State New York Department of State The Division of Corporations One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510

STATE	AGENCY	PROCESS, IF DIFFERENT
Rhode Island	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Bldg 69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760 -or 150 Israel Road SW Tumwater, WA 98501	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 -or 345 West Washington Avenue Fourth Floor Madison, WI 53703 (608) 266-2801 (608) 266-2139	Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

EXHIBIT B
FINANCIAL STATEMENTS

HOT GROUND GYM FRANCHISING LLC
FINANCIAL STATEMENTS
PERIOD FROM JANUARY 11, 2023 (INCEPTION DATE) TO
JULY 17, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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**HOT GROUND GYM FRANCHISING LLC
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JULY 17, 2023**

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CliftonLarsonAllen LLP
CLAconnect.com

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Hot Ground Gym Franchising LLC
Arlington Heights, IL

Management is responsible for the accompanying financial statements of Hot Ground Gym Franchising LLC, which comprise the balance sheet as of July 17, 2023 and the related statements of income, changes in stockholders' equity, and cash flows for the period from January 11, 2023 (inception date) to July 17, 2023, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, WI
July 28, 2023

HOT GROUND GYM FRANCHISING LLC
BALANCE SHEET
JULY 17, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 10,000
Deferred Costs	103,557
Total Assets	<u>113,557</u>

LIABILITIES

LONG-TERM LIABILITIES

Long-Term Debt - Member	10,000
Long-Term Debt - Related Parties	<u>103,557</u>
Total Liabilities	<u>\$ 113,557</u>

See accompanying Notes to Financial Statements.

HOT GROUND GYM FRANCHISING LLC
STATEMENT OF OPERATIONS
PERIOD FROM JANUARY 11, 2023 (INCEPTION DATE) TO JULY 17, 2023

REVENUES	
Total Revenues	<u>\$ -</u>
NET INCOME	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**HOT GROUND GYM FRANCHISING LLC
STATEMENT OF MEMBER'S EQUITY
PERIOD FROM JANUARY 11, 2023 (INCEPTION DATE) TO JULY 17, 2023**

	<u>Member's Equity</u>
BALANCE - JANUARY 11, 2023	\$ -
BALANCE - JULY 17, 2023	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

HOT GROUND GYM FRANCHISING LLC
STATEMENT OF CASH FLOWS
PERIOD FROM JANUARY 11, 2023 (INCEPTION DATE) TO JULY 17, 2023

CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Proceeds on Long-Term Debt	\$ 10,000
Net Cash Provided by Financing Activities	<u>10,000</u>
NET CHANGE IN CASH	10,000
Cash - Beginning of Year	<u>-</u>
CASH - END OF YEAR	<u>\$ 10,000</u>

See accompanying Notes to Financial Statements.

HOT GROUND GYM FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Hot Ground Gym Franchising LLC (the Company), will operate a franchising business under the concept name Hot Ground Gym®. The Company will sell franchises in a majority of the states. The Company was organized in the State of Delaware. The Company's year-end is December 31.

Basis of Accounting

The accompanying financial statements has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statement in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Deferred Costs

Deferred Costs represent organizational costs that have been incurred, but will not be recognized until future periods.

Income Taxes

The Company, with the consent of its member, has elected to be treated as a single member LLC for federal and state tax purposes. Under those provisions, the Company does not pay federal or state corporation income taxes. Instead, the member is taxed on their share of the Company's taxable income. As the Company was incorporated in 2023, all income tax returns are open for examinations upon filing.

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Company adopted the requirements of the new guidance upon inception.

HOT GROUND GYM FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The primary result of Topic 606 on the Company's revenue recognition policies is the accounting for initial franchising fees. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools, and support associated with their franchise business. Under Topic 606, initial franchise fees will be recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years from the date a store opens. The unrecognized portion of initial franchising fees will be recorded as deferred revenue.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)—Practical Expedient*. FASB Subtopic 952-606 creates a practical expedient allowing franchisors that are not public business entities to account for certain pre-opening services enumerated in FASB ASC 952-606-25-2 as a single performance obligation.

The Company adopted the requirements of the new guidance upon inception.

NOTE 2 TRANSACTIONS WITH RELATED PARTIES

The Company will, at times, share revenues and expenses with its member and related parties and tracks these amounts in "Long-Term Debt – Member" and "Long-Term Debt – Related Parties" accounts as noted on the balance sheet.

NOTE 3 FRANCHISE SALES AND AGREEMENTS

At July 17, 2023, there was 0 franchised locations in operations and no additional franchise agreements signed.

NOTE 4 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 28, 2023, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

EXHIBIT C
FRANCHISE AGREEMENT AND ADDENDA

**HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT**

Effective Date: _____

Name of Franchisee: _____

Address of Franchisee: _____

Location: _____
(if different) _____

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Exhibits

Exhibit A	Franchise Protected Territory, Site Selection Territory and Location
Exhibit B	Principal Owners Guaranty
Exhibit C	Confidentiality/Non-Compete Agreement
Exhibit D	Electronic Funds Transfer Authorization
Exhibit E	Lease Addendum

HOT GROUND GYM FRANCHISING FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of, 20____ (“**Effective Date**”), between Hot Ground Gym Franchising, a Delaware limited liability company, with its principal office at 1950 North US Highway 45, Libertyville, IL 60048 (“**Franchisor**”) and _____ whose principal address is _____ (“**Franchisee**”).

RECITALS

WHEREAS, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the operation of a health and fitness center that offers a first of its kind obstacle course-based fitness, team building, and life skills developing experience under the Hot Ground Gym® name and marks. Founded by military veterans and first responders that have worked tirelessly to build programs that encompass only the very best qualities of military and civil service and offering these programs solely to children and young adults. Qualities such as pride, determination, grit, belonging, physical training, adaptive mindset, teamwork, and confidence are the essence of the programs offered. Franchisee will develop these pivotal qualities in children at a vital point in so many young person’s lives (the “**Hot Ground Gym® System**”). The Hot Ground Gym® System includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed by Franchisor from time to time:

Plans and specifications for distinctive standardized premises, featuring characteristic exterior style, colors and design, interior design and furnishing, equipment, layout, exterior signage, and marketing techniques and materials;

A uniform method of operating, which is described in the Confidential System Standards Manual;

Distinctive and characteristic trade names, trade dress, trademarks and service marks, including, but not limited to: “Hot Ground Gym®” (the “**Trademarks**” or “**Marks**”), signs, designs, color schemes, standardized premises featuring characteristic exterior style, colors, and design, interior design and furnishings and equipment layout, and emblems as Franchisor designates in the Confidential System Standards Manual or otherwise in writing or as prescribed for use with the Hot Ground Gym® System and as may from time to time be developed;

Systems and procedures necessary to operate a franchised business; and

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees in confidence in connection with the construction and operation of a Hot Ground Gym® Location.

WHEREAS, Franchisee wishes to obtain the right from Franchisor to operate a Hot Ground Gym business pursuant to the Hot Ground Gym® System, and to be afforded the assistance provided by Franchisor in connection therewith, and understands and accepts the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Franchisor’s high and uniform standards of quality and service designed to protect the goodwill and enhance the public image of the Marks and the Hot Ground Gym® System and recognizes the necessity of operating its Hot Ground Gym® Location in faithful compliance therewith, and with Franchisor’s standards specifications.

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

ARTICLE 1: GRANT OF FRANCHISE AND SUCCESSOR FRANCHISE

1.1 Grant of Franchise

Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right to operate one Hot Ground Gym® Location (the “**Location**”) and to use the names and Marks and the Hot Ground Gym® System during the Term (as defined below) solely at the location identified in Exhibit A to this

Agreement (the “**Location**”). Franchisee may not operate the Location from any other location, and Franchisee may not relocate the Location for any purpose without the express prior written approval and consent of Franchisor. Franchisee also may not sell any products or services at any other location or through any other channel of distribution other than at, and through, the Location identified in Exhibit A.

1.2 Approved Location

If, at the time this Agreement is executed, a location for Franchisee’s Location is not identified or obtained by Franchisee and approved by Franchisor, Franchisee shall Lease or acquire a location within sixty (60) days after the date of this Agreement. The location of Franchisee’s Location shall be within the site selection territory (the “**Site Selection Territory**”) identified on Exhibit A by a map or written description. Franchisee may operate its Location from only one location situated within the Site Selection Territory. Franchisee’s failure to Lease or acquire a location for the Location within this period of time shall constitute a material default under this Agreement.

Immediately following Franchisee’s selection of a proposed site for the Location, Franchisee shall deliver to Franchisor all the information Franchisor may request to evaluate the proposed location, as provided in its Confidential System Standards Manual or otherwise, including, but not limited to, a copy of the proposed Lease for the Location as provided in Section 3.2 below. Franchisor will use reasonable commercial efforts to accept or reject a proposed Location and Lease within fifteen (15) business days after Franchisor receives all of the requisite materials. Franchisee’s proposed Location is deemed rejected if Franchisor fails to issue its written acceptance within such fifteen (15) day period. Franchisor may terminate this Agreement if an acceptable Location with an acceptable Lease has not been selected and approved within ninety (90) days of the Effective Date. Franchisee’s deadlines to locate an acceptable Location and open its Hot Ground Gym[®] Location will apply even if Franchisor has not approved any Location for Franchisee’s Location.

So long as Franchisee is not in default under this Agreement and all other related agreements, and except as provided in this Agreement, Franchisor, its affiliates, subsidiaries and designees shall not operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the territory (the “**Protected Territory**”) identified on Exhibit A by a map or written description). Franchisee acknowledges and understands that the Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory.

Franchisee authorizes Franchisor to complete Exhibit A to define the Location, the Protected Territory and, in the event that a Location and the Protected Territory is not identified at the time this Agreement is executed, the Site Selection Territory.

1.3 Rights Reserved By Franchisor

Franchisor (on behalf of itself and its affiliates) retains all rights with respect to Hot Ground Gym[®] System, the Marks, the sale of Proprietary Products and any other products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate Hot Ground Gym[®] Locations anywhere outside the Site Selection Territory and Protected Territory, as Franchisor considers appropriate, including within close proximity to the Location, Site Selection Territory and Protected Territory; (b) offer and sell products and services within the Site Selection Territory and Protected Territory that are not part of the Hot Ground Gym[®] System through any distribution method; (c) offer and sell within the Site Selection Territory and Protected Territory (either themselves or through franchisees), those Proprietary Products and other products and services which this Agreement contemplates Franchisee will offer and sell; (d) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Site Selection Territory and Protected Territory so long as the Marks are not used, and/or (e) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Proprietary Products, components thereof or variations thereon, which now or in the future are a part of the Hot Ground Gym[®] System, to any person or entity, both within and outside Franchisee's Site Selection Territory and Protected Territory, from and/or to any location whatsoever or by means of any channel of distribution. Franchisor and its affiliates may engage in such wholesale or retail sales

activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future.

1.4 Term

Unless otherwise terminated as provided for in this Agreement, the term of this Agreement shall commence on the Effective Date and expire on the seventh (7th) anniversary of the date Franchisee's Location opens for business ("**Opening Date**") (the "**Term**").

1.5 Successor Franchise Term

Upon expiration of this Agreement, subject to the conditions of this Section, Franchisee will have the right to acquire a successor franchise to operate its Hot Ground Gym[®] Location for one five (5) year period on the terms and conditions of the franchise agreement Franchisor is then using in granting franchises for Hot Ground Gym[®] Locations ("**Successor Franchise Agreement**"), if:

A. Franchisee has substantially complied with all of the provisions of this Agreement during its term;

B. Franchisee maintains possession of the Location and before the expiration date of this Agreement has brought the Location into full compliance with the specifications and standards then applicable for new or renewing Hot Ground Gym[®] Locations, and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Location for the duration of any renewal term; or, in the event Franchisee is unable to maintain possession of the Location or, in the judgment of Franchisor, the Location should be relocated, Franchisee secures a substitute location approved by Franchisor and has furnished, stocked and equipped such premises to bring the Location at its substituted location into full compliance with the then current specifications and standards before the expiration date of this Agreement;

C. Franchisee has given notice of its intent to obtain a successor franchise to Franchisor as provided hereinafter;

D. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and affiliates and has timely met these obligations throughout the term of this Agreement;

E. Franchisee has executed, upon the granting of the successor franchise by Franchisor, Franchisor's Successor Franchise Agreement, which such Successor Franchise Agreement shall supersede in all respect this Agreement and the terms of which may differ from the terms of this Agreement including, without limitation, different percentages for Continuing Royalty Fees and Marketing Fund Contributions;

F. Franchisee has complied with Franchisor's then-current qualifications and training requirements;

G. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its subsidiaries, affiliates and their respective officers, directors, agents, shareholders and employees.

H. Franchisee, at its expense, upgrades the Location to conform to the then-current standards and specifications of the Hot Ground Gym[®] System, and completes this upgrading within the time reasonably specified by Franchisor; and

I. Franchisee shall pay to Franchisor its then current Successor Franchise Fee.

If Franchisee desires to obtain a Successor Franchise Agreement, Franchisee shall give Franchisor written notice of its desire to do so at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Term of this Agreement. Within ninety (90) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to accept any such successor franchise notice including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (2) Franchisor's then-current requirements relating to the images,

appearance, decoration, furnishing, equipping and stocking of Hot Ground Gym® Locations and a reschedule for effecting upgrading or modifications in order to bring the Location in compliance therewith, as a condition of granting the successor franchise. If Franchisor fails to respond to Franchisee's request for a successor franchise, Franchisee's request shall be deemed rejected. The granting of a successor franchise shall be conditioned upon Franchisee's compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of expiration of the Term or as set forth in writing by Franchisor.

Franchisor shall give Franchisee written notice of its election not to grant a successor franchise at least six (6) months prior to the expiration of the Term of this Agreement. Such notice shall specify the reasons for not granting the successor franchise.

ARTICLE 2: INITIAL FRANCHISE FEE

2.1 Initial Franchise Fee

On the Effective Date of this Agreement, Franchisee must pay a non-refundable Initial Franchise Fee of forty thousand and no/100 dollars (\$40,000); provided, however that, if Franchisee is a qualified veteran, active-duty military, active Reserves, a member of the National Guard or Coast Guard, or a qualified first responder, the Initial Franchise Fee due is thirty thousand and no/100 dollars (\$30,000). The Initial Franchise Fee is payable in a lump sum, is fully earned when you pay it, and is not refundable.

ARTICLE 3: SITE SELECTION REQUIREMENTS

3.1 Location

Franchisee shall operate its franchised Location only at and from the Location. As used herein, "**Location**" means that location within the Site Selection Territory selected by Franchisee and approved by Franchisor from which Franchisee shall operate its Location continuously and without interruption throughout the term of this Agreement. Franchisor may assist Franchisee in its efforts to select a suitable Location within the Site Selection Territory for its Location, but Franchisee understands and agrees that it will remain the ultimate responsibility of Franchisee to select and choose the Location.

3.2 Location Lease

Not later than sixty (60) days following the Effective Date, Franchisee shall deliver to Franchisor a copy of any proposed Lease or purchase agreement, if applicable, for the Location and any proposed related documents, or -- if otherwise acquired -- a copy of the relevant documents. Any purchase agreement, Lease, sublease or other rental agreement for the Location (each, as applicable, a "**Lease**") will be subject to Franchisor's prior written approval, which Franchisor may not unreasonably withhold or delay. If Franchisor does not communicate its approval or disapproval of the proposed purchase agreement, Lease or sublease to Franchisee within fifteen (15) business days following Franchisor's receipt of same, the proposed Lease or sublease will be deemed rejected by Franchisor as the Lease hereunder.

- A. With regard to any Lease:
1. Franchisee may not create any obligations on behalf of Franchisor, grant any rights against Franchisor or agree to any other term, condition, or covenant which is inconsistent with any term of this Agreement;
 2. Franchisee agrees to duly and timely perform all terms, conditions, covenants and obligations under the Lease; and
 3. Except as otherwise provided in this Agreement, Franchisee may not assign, charge, encumber or transfer its Lease, or sublet all or any part of the Location, without Franchisor's prior written approval. All Leases or other agreements entered into by Franchisee to secure the Location must contain provisions acceptable to Franchisor and which provide that:
 - (i) After the expiration or termination of this Agreement (the Franchise Agreement) for any reason, Franchisor shall have the right, but not the obligation, to be

exercised in the Franchisor's sole discretion, to cure any of Franchisee's defaults under the Lease within thirty (30) days of Franchisor's receipt of notice of such defaults. Franchisor shall also have the right, but not the obligation to either to assume the obligations of and replace Franchisee as the lessee under the Lease, or to have another franchisee assume the obligations of and replace Franchisee as the lessee under the Lease; and, if Franchisor has assumed the obligations of and replaced Franchisee as the lessee under the Lease, to reassign the Lease to another franchisee.

- (ii) The lessor or sublessor will furnish to Franchisor written notice specifying any default and the method of curing the default; allow Franchisor thirty (30) days after receipt of the notice to cure the defaults (except that if the default is the non-payment of rent, Franchisor will have only fifteen (15) days from receipt of notice to cure the default); and, allow Franchisor to exercise its option for Franchisor or another franchisee, who is acceptable to the lessor, to succeed to Franchisee's interest in the Lease.
- (iii) The lessor or sublessor will accept Franchisor or another franchisee designated by Franchisor, and who is acceptable to the lessor, as a substitute tenant under the Lease upon notice from Franchisor that it is exercising its option for Franchisor or another franchisee to succeed to Franchisee's interest in the Lease and/or to reassign the Lease to another franchisee following Franchisor's assumption of obligations under the Lease.
- (iv) The lessor or sublessor acknowledges that Franchisee alone is responsible for all debts, payments and performances under the Lease before Franchisor or another franchisee takes actual possession of the premises.
- (v) The Lease may not be modified or amended without Franchisor's prior written consent. The lessor will promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the executed modifications and amendments.
- (vi) The lessor or sublessor may, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the lessor or sublessors possession (as applicable) with respect to sales made in, upon or from the leased Location premises.
- (vii) Following the expiration or termination of this Agreement (the Franchise Agreement) for any reason, Franchisor may enter the premises to remove its Marks and other proprietary property or property containing the Marks.
- (viii) The lessor or sublessor will not Lease space in the shopping center, building, or plaza to a tenant who offers fitness services or that is a Competitive Business.

B. Franchisee and the lessor or sublessor for the Location must execute the Lease Addendum attached hereto as Exhibit E.

3.3 Government Approvals, Consents and Licenses

It will be Franchisee's sole responsibility to promptly seek and obtain all government and quasi-governmental approvals, consents and licenses required to open and operate the Location. Franchisee undertakes to use all possible efforts to obtain all required approvals, consents and licenses. Franchisor makes no representation or warranty of any kind that Franchisee will be able to obtain all required approvals, consents and licenses.

3.4 Relocation of the Franchised Location

Franchisee may not relocate its Location to another location or modify its Protected Territory or its Site Selection Territory without first obtaining Franchisor's written approval, which may be withheld for any reason, in Franchisor's sole discretion. Any relocation of the Location or modification to the Protected Territory or Site Selection Territory will be at Franchisee's sole expense. All leases, subleases or other agreements that Franchisee enters into to relocate the Location must conform to the provisions of this Agreement. At the time Franchisee requests from Franchisor the right to relocate the Location or modify its Protected Territory or Site Selection Territory, Franchisee shall pay Franchisor the greater of (i) five thousand and no/100 dollars (\$5,000.00) or (ii) the costs and other expenses Franchisor may incur in its consideration of the request. This payment is not refundable under any circumstances.

ARTICLE 4: LEASEHOLD IMPROVEMENTS, FIXTURES, EQUIPMENT AND SIGNS

4.1 Buildout of Location, Layout and Specifications

Franchisee agrees, at its expense, to make all leasehold improvements and install all fixtures, furniture and equipment at the Location required to comply with Franchisor's current requirements and specifications. Franchisor may furnish Franchisee with a sample layout for the interior of a typical Hot Ground Gym[®] Location and a set of typical preliminary plans and specifications for furniture, fixtures, equipment and/or decor. Franchisee agrees, at its expense, to employ licensed architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Location. Within sixty (60) days of the Effective Date of this Agreement, Franchisee agrees to submit for Franchisor's approval:

- A. A list of architects, contractors, designers and/or engineers Franchisee intends to employ;
- B. A complete set of final plans and specifications and CAD files for the Location site before commencing construction of the Location. If CAD files are not available, then Franchisee must obtain a site survey; and
- C. Certification from Franchisee's general contractor and architect stating that the as-built plans for the Location comply with the ADA; the architectural guidelines under the ADA; all applicable state and local codes for accessible facilities; and, all other federal, state and local laws, rules or regulations applicable to the Location.

Franchisor will review the list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. If Franchisor fails to approve such items in writing, they will be deemed disapproved. Franchisee may not begin construction of the Location until Franchisor has approved all items listed in Section 4.1 A-C above in writing.

Franchisor will consult with Franchisee, to the extent Franchisor considers necessary, on the construction and equipping of the Location, but it will be Franchisee's sole responsibility to diligently construct, equip, ready and open the Location at Franchisee's sole cost and expense.

4.2 Construction, Inspection and Opening

Franchisee agrees to use a licensed general contractor to perform construction work at the Location. Franchisee shall immediately furnish the following to Franchisor before commencing construction, remodeling or refurbishing, and from time to time thereafter on request: the names and addresses of any sub-contractor and/or vendor to be involved in these activities; copies of all permits, licenses, contractors' liability insurance certificates or other items required for the construction, equipping and operation of the Location; and copies of all construction contracts and documents, and originals of all lien waivers, as Franchisor may require.

Franchisor will not be responsible for delays in construction, equipping or decoration or for any loss resulting from the Location design or construction, including but not limited to the actions or inactions of any approved, required or recommended general contractor and/or architecture firm. Franchisee shall obtain Franchisor's written approval for all changes to the Location plans furnished by Franchisee before construction or

implementing the changes. Franchisor will have access to the Location while construction is in progress. Franchisor may require any reasonable alterations or modifications of the construction of the Location it considers necessary. If Franchisee fails to promptly begin the design, construction, equipping and opening of the Location with due diligence, this will be grounds for the termination of this Agreement.

Franchisor will have the right, but not the obligation, to conduct a final inspection of the completed Location. Franchisor may require any corrections and modifications it considers necessary to bring the Location into compliance with the plans and specifications approved by Franchisor. The Location will not be allowed to open if it does not conform to the approved plans and specifications, including changes approved by Franchisor. If Franchisee does not promptly correct any unauthorized variance from the approved plans and specifications, this will be grounds for termination of this Agreement.

4.3 Furniture, Fixtures, and Equipment

The specifications for typical furniture, fixtures, and equipment which Franchisor may furnish to Franchisee do not limit Franchisee's obligation to provide all required furniture, fixtures and equipment for the Location at its expense.

4.4 Indemnification of Franchisor

Franchisee will be solely responsible for the acts, errors or omissions of itself, its general contractor, its architects, designers, engineers and others regarding compliance with this Article. Franchisor will have no responsibility or liability for the acts, errors or omissions of Franchisee, its general contractors, architects, designers, or engineers. Franchisor will not be liable for any loss or damage arising from the construction, design or plan of the Location, whether because of its approval of plans and specifications or for any other reason. Franchisee agrees to indemnify Franchisor for any loss, cost or expense, including attorneys' and experts' fees, which Franchisor sustains because of the acts, errors or omissions of Franchisee, its contractors, architects, designers, or engineers arising out of or related to the design, construction or outfitting of the Location, whether or not approved by Franchisor.

4.5 Signs

Franchisee will submit to Franchisor the signage vendor Franchisee intends to use for approval prior to any signs being produced. Franchisor will approve or disapprove such vendor promptly in writing. A failure of Franchisor to approve such vendor in writing shall be deemed a disapproval. All exterior and interior signs used in connection with the franchised Location (including those related to pre-opening) must conform to Franchisor's sign criteria as to type, color, size, design and location then in effect. All signs must also be approved in writing by Franchisor before installation or display.

ARTICLE 5: DUTIES OF FRANCHISOR

5.1 Confidential Operating System Standards Manual

During the term of this Agreement, Franchisor shall loan Franchisee one (1) copy of its confidential operating manual (the "**System Standards Manual**") through Franchisor's extranet website or such other technology which may then be in existence, e-mails, and other hand-outs. At Franchisor's option, the Confidential System Standards Manual may be provided by the Internet. The Confidential System Standards Manual contains Franchisor's mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for Hot Ground Gym® Locations. Franchisee agrees to operate its Location in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed from time to time in the Confidential System Standards Manual. Franchisor shall have the right to add to and otherwise modify the Confidential System Standards Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for Hot Ground Gym® Locations. Modifications in the Confidential System Standards Manual shall become effective upon delivery of written notice thereof to Franchisee unless a longer period is specified in such written notice, and Franchisee shall have 15 days to comply with or implement modifications in the Location after Franchisor notifies Franchisee of the modifications. The Confidential System Standards Manual, as modified from time to time, shall be an integral

part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Confidential System Standards Manual shall be deemed to mean the Confidential System Standards Manual kept current by amendments from time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the Confidential System Standards Manual or the System.

The Confidential System Standards Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement. Franchisee agrees that it, its agents, independent contractors, and employees will treat the Confidential System Standards Manual and the information contained in it as confidential; maintain this information as secret and confidential; at no time copy, share, print, disclose, duplicate, record or otherwise reproduce the Confidential System Standards Manual or supplements to the Confidential System Standards Manual, in whole or in part; and, not otherwise make the Confidential System Standards Manual, supplements to the Confidential System Standards Manual or information in them available to any unauthorized person. Franchisee shall have its employees sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit C.

Franchisee agrees to ensure at all times that its copy of the Confidential System Standards Manual is current and up-to-date. Franchisee shall, if required by Franchisor, subscribe to receive alerts by electronic mail of any changes to the Confidential System Standards Manual. If there is any dispute as to Franchisee's compliance with the provisions of the Confidential System Standards Manual and any supplements to the Confidential System Standards Manual, the master copy of the Confidential System Standards Manual maintained by Franchisor (including its additions, deletions, or revisions) shall control.

5.2 Initial Training Program

Franchisor shall make an initial training program available to Franchisee and its Designated Location Manager (the “**Initial Training Program**”). The Initial Training Program shall be at least twenty (20) days in duration and may include online, classroom and on-the-job training. Franchisee and its Designated Location Manager are required to attend and successfully complete the Initial Training Program at least three (3) weeks, but not more than six (6) weeks, prior to the Location opening for business. The Initial Training Program shall be conducted at a site designated by Franchisor, which may include an existing Hot Ground Gym[®] Location. Franchisor will determine and notify Franchisee of the date of commencement of the Initial Training Program.

The actual cost for the Initial Training Program for Franchisee and its Designated Location Manager will be included in the Initial Franchise Fee. Franchisee agrees to pay all expenses incurred by its trainees and itself in connection with training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses. If Franchisee requests that more than two (2) individuals attend the Initial Training Program, Franchisee will be responsible for remitting payment of Franchisor’s then current training fee as set forth in Franchisor’s Confidential System Standards Manual.

If Franchisor reasonably concludes that either Franchisee or its Designated Location Managers have failed to attend or successfully complete Franchisor's Initial Training Program, then that person may re-enroll in Franchisor's next scheduled Initial Training Program at an additional charge as then stated in the Confidential System Standards Manual.

Franchisor reserves the right to determine the duration and subject matter of its training programs and the right to train any number of individuals from any number of franchised or non-franchised Hot Ground Gym[®] Locations at the same time.

If Franchisee cancels or reschedules any scheduled Initial Training, Franchisor may charge Franchisee its then current Training Cancellation Fee.

5.3 Additional Training

Franchisee shall also pay an additional charge, as then stated in the Confidential System Standards Manual, to Franchisor for (i) additional training requested by Franchisee or (ii) re-training in the event Franchisor determines, in its sole discretion and after an evaluation, that Franchisee or its Designated Location Manager

must be re-trained, or in the event that Franchisee's Designated Location Manager ceases working for the Location and a new Designated Location Manager is hired. Franchisee shall also pay all expenses incurred in connection with such training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

If Franchisee cancels or reschedules any scheduled additional training, Franchisor may charge Franchisee its then current Training Cancellation Fee.

5.4 Operating Assistance

Franchisor will furnish to Franchisee such assistance in connection with the operation of the Location as is from time to time deemed appropriate by Franchisor in its sole discretion. This assistance may be provided by Franchisor in person, by telephone, or through any other means it deems appropriate. Franchisee understands and agrees that all advice and guidance provided by Franchisor is only supportive of the operation of the Location and that the overall success of the Location is primarily dependent upon Franchisee's business abilities and efforts. Unless otherwise required by contract, any operating advice provided by the Franchisor is optional and Franchisee shall determine, in its sole discretion, whether to implement any change.

5.5 Products and Supplies

Franchisee shall cause the Location to conform to Franchisor's specifications and quality standards as specified in the Confidential System Standards Manual and shall purchase only from distributors and suppliers approved by Franchisor (which may include Franchisor or its affiliates), all Proprietary Products, products, equipment, fixtures, furnishings, supplies, signs, inventory and other materials. Franchisee may also be required by Franchisor, in Franchisor's sole discretion, to use required vendors for services necessary to establish or operate the Location, including, but not limited to, marketing, payroll, architectural, design, construction and/or engineering services, equipment installation services, and information technology setup and installation services, which Franchisor establishes from time to time as set forth in the Confidential System Standards Manual or otherwise. Franchisor has the right to change Franchisor's approved and required vendors, distributors and suppliers in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense. If Franchisor provides any services, Franchisor may charge Franchisee its then-current fees for such services as set forth in the Confidential System Standards Manual or otherwise.

Franchisee acknowledges and understands that Franchisor and/or its affiliates may be the only supplier of certain Proprietary Products and other items, products, materials and/or services to Franchisee, and that the cost of the Proprietary Products may be higher than the cost of the same or similar products that may be purchased elsewhere. Franchisor shall have the right during the Term of this Agreement to amend, alter, add to, delete, or revise the Proprietary Products that Franchisee is required to purchase directly from Franchisor or its affiliates. Franchisee acknowledges that Franchisor and/or its affiliates will make a profit on the sale of Proprietary Products and other products to Franchisee. Franchisee further understands that Franchisor and/or its affiliates may from time to time receive consideration from manufacturers, suppliers, vendors and/or other third parties in respect to sales of products or services to Franchisee or in consideration of services rendered or rights licensed to such persons. Franchisee agrees that Franchisor and/or Franchisor's affiliates shall be entitled to said profits and/or consideration.

The "**Proprietary Products**" are branded apparel, products, printed goods, and marketing materials, and certain training equipment, obstacle, and other fitness equipment and accessories used at Hot Ground Gym[®] Locations as Franchisor requires from time to time in its sole discretion. Franchisor expressly reserves the right to revise the definition of "Proprietary Products" at any time during the term of this Agreement. Franchisee shall pay Franchisor or its designee (as applicable) upon Franchisee's receipt of the invoice for the products purchased, pursuant to the terms of that invoice.

Franchisor shall have no obligation to sell Proprietary Products, or other products, supplies and equipment to Franchisee, if Franchisee is in default under this Agreement.

Franchisor agrees that it will use its reasonable efforts to fulfill or to cause its designees to fulfill Franchisee's orders for Proprietary Products pursuant to this Agreement. However, Franchisor shall not be liable to Franchisee in the event that Franchisor is not able to fulfill an order for Proprietary Products placed by Franchisee.

The cost of the Proprietary Products and other products and items purchased from Franchisor shall be based on the price then in effect, as set forth and identified from time to time on Franchisor's confidential published price lists, in its Confidential System Standards Manual, or through other written communications.

5.6 Minimum and Maximum Pricing

Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices Franchisee may charge for products or services.

5.7 Sales, Barter and Exchange

Franchisee may not perform, render or offer any products, services or programs, or sell, dispense, give away or provide any products bearing the Marks, except by sales by and through the Location, without Franchisor's prior written consent. Franchisee may not engage in any barter or exchange transactions or "grey marketing" (i.e. or buying or selling our Proprietary Products or services outside of the channels of distribution we authorize).

ARTICLE 6: DUTIES OF FRANCHISEE

6.1 Commencement of Operations

A. Franchisee shall commence the operation of its Location within one hundred twenty (120) days of the date from execution of this Agreement by Franchisor and no later than seven (7) days after the receipt of Franchisor's written approval to open as provided below.

B. Before commencing operations, Franchisee agrees to fulfill all the pre-opening obligations called for by this Agreement including (but not limited to) its obligations to:

1. Have its Designated Location Manager(s) (and Franchisee himself or herself) attend and satisfactorily complete Franchisor's Initial Training Program no less than three (3) weeks, but not more than six (6) weeks prior to opening of the Location;
2. Procure an acceptable Location and Lease within sixty (60) days after the execution of the Agreement;
3. Complete construction, remodeling, refurbishing and/or decorating of Franchisee's Location, including installing all furniture, fixtures, signs, equipment, furnishings, fax machines, and telephone and computer systems;
4. Obtain all required Location, building, zoning and other permits and licenses;
5. Employ and train all Location staff;
6. Purchase the opening inventory package of Proprietary Products and other products and supplies from Franchisor (or its designee);
7. Pay all amounts then due to Franchisor;
8. Provide Franchisor with the evidence of insurance coverage required under this Agreement;
9. Do all other acts necessary to make the Location ready to begin operations;
10. Obtain Franchisor's written approval for the commencement of operations of the Location; and

11. Comply with all pre-opening procedures required by Franchisor in its Confidential System Standards Manual or otherwise, including those related to marketing, advertising and promotional activities.

6.2 Manner of Operation

Franchisee agrees that it will operate the Location all times in compliance with the Hot Ground Gym[®] System, including all standards, procedures and policies Franchisor from time to time establishes in its Confidential System Standards Manual or otherwise, as though specifically set forth in this Agreement. Franchisee agrees to offer and sell all products, services and programs, and disseminate to the public all promotional and other materials, which are specified by Franchisor and made part of the Hot Ground Gym[®] System.

6.3 Maintenance and Repair; Periodic Renovation

A. At all times during the term of this Agreement, Franchisee agrees that it shall maintain the interior and exterior of its Location, and to keep and maintain all equipment, furniture, decorating, signs and appurtenances in or at the Location in the highest degree of cleanliness, maintenance, condition and repair. Franchisee may make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Location without the prior written consent of Franchisor.

B. Franchisee shall keep and maintain all products, premises and equipment at the Location in the highest degree of cleanliness, maintenance, condition and repair.

Franchisor shall have the right to require Franchisee to periodically renovate, refurbish and update its Location to ensure that it is in substantial conformity with Franchisor's then-current Hot Ground Gym[®] Location design. Franchisee agrees that it shall renovate, refurbish and update its Location in accordance with those standards and specifications then prescribed by Franchisor.

6.4 Modifications to the Hot Ground Gym[®] System

Franchisee understands and agrees that the Hot Ground Gym[®] System must not remain static if it is to meet presently unforeseen changes in services, technology, competitive circumstances and customer needs and to best serve the interests of Franchisor, Franchisee, and the Hot Ground Gym[®] System. Franchisee therefore agrees that Franchisor may from time to time change the components of the Hot Ground Gym[®] System, including, but not limited to, altering the products (including the Proprietary Products), services, programs, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those products (including the Proprietary Products), services and programs which Franchisee's Location is authorized to offer; and, changing, improving, modifying, adding to or deleting from the Marks. Modifications to the System shall be reflected in a revision to the Confidential System Standards Manual. As set forth herein, modifications to the Confidential System Standards Manual shall become effective upon delivery of written notice thereof to Franchisee, unless a longer period is specified in such written notice, and Franchisee shall have fifteen (15) days to comply with or implement modifications in the Location after Franchisor notifies Franchisee of the modifications. The Confidential System Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Confidential System Standards Manual shall be deemed to mean the Confidential System Standards Manual kept current by amendments from time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the Confidential System Standards Manual or the System.

6.5 Compliance with Laws, Rules and Regulations

Franchisee agrees to operate the Location in strict compliance with all applicable laws, rules and regulations of all governmental authorities; comply with all applicable wage, hour and other laws and regulations of federal, state and local governments; prepare and file all necessary tax returns; and, pay all taxes imposed on Franchisee related to the Location. Franchisee agrees that it will be responsible for compliance with all applicable laws, rules and regulations, including, without limitation, the Americans with Disabilities Act.

Franchisee shall obtain all required licenses, permits and other required forms of governmental approval for Franchisee to offer and sell the products and services which now or in the future are or become part of the Hot Ground Gym[®] System, including (without limitation) health permits; shall maintain such licenses and permits in full force and effect and good standing throughout the term of this Agreement; and, shall post same on the premises of the franchised Location as required by law. Franchisee shall forward copies of all health, sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof. Franchisee shall take prompt and effective action to correct any violation set forth in a notice issued by any governmental or municipal authority concerning such licenses and permits.

6.6 Franchisee Participation in Operation of Location; Designated Location Manager

Franchisee agrees to personally and directly supervise the operation of the Location, unless otherwise permitted in writing by Franchisor. Franchisee agrees to devote the amount of its time, attention and best efforts to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Location.

If Franchisee is licensed to operate more than one Hot Ground Gym[®] Location, it agrees to devote the amount of its time and attention to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Location.

Franchisee shall serve as Location Manager or designate a Location Manager that we approve (“**Designated Location Manager**”). The Location shall at all times be under the direct, on-site supervision of Franchisee or its Designated Location Manager, an additional Designated Location Manager (if Franchisee employs more than one Location Manager), or an assistant manager who has successfully completed either Franchisor's Initial Training Program or a training program conducted by Franchisee and approved by Franchisor.

Franchisee shall inform Franchisor in writing as to the identity of its Designated Location Manager and any successor Designated Location Managers of Franchisee's Location. Each Designated Location Manager must complete to Franchisor's satisfaction, the Hot Ground Gym Initial Training Program, under the terms and conditions specified in this Agreement.

Upon the death, disability or termination of employment of Franchisee's Designated Location Manager, Franchisee agrees to immediately notify Franchisor. Franchisee agrees to designate a successor or acting Designated Location Manager no later than thirty (30) days following the death, disability or termination of the predecessor Designated Location Manager. Each successor Designated Location Manager must attend and successfully complete Franchisor's next available Initial Training Program, and complete any other reasonable training at the times Franchisor specifies. This training will be at Franchisee's sole expense.

6.7 Staffing Requirements and Qualifications

Franchisee agrees to staff the Location in accordance with all criteria, specifications and directions Franchisor sets forth in its Confidential System Standards Manual or otherwise. Franchisee must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of its Location. Franchisee must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for its employees. These employees will be employees of Franchisee and not of Franchisor. Franchisee must ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of its Location at all times. Franchisee must ensure that its employees perform their duties in compliance with the terms of the Confidential System Standards Manual and any other materials applicable to employees that Franchisor communicates to Franchisee. Franchisee may give its employees only the minimum amount of information and material from the Confidential System Standards Manual that is necessary to enable them to perform their assigned tasks. Franchisee must ensure that its employees do not make or retain any copies of the Confidential System Standards Manual or any portion of thereof. Franchisor does not control the day-to-day activities of Franchisee's employees or the manner in which they perform their assigned tasks. Franchisor also does not control the hiring or firing of Franchisee's employees.

6.8 Requirements Concerning Products and Services

Franchisee may be required to purchase certain products, supplies, equipment, materials and services required for the operation of the Location only from Franchisor, its affiliates, or suppliers designated in writing by Franchisor; from suppliers selected by Franchisee and approved by Franchisor; and/or, in accordance with Franchisor's written specifications.

Franchisee may be required to purchase all of the Proprietary Products only from Franchisor, its affiliates, or from suppliers designated or approved by Franchisor.

Franchisor may approve other suppliers of required non-Proprietary Products that are not then designated by Franchisor as an approved supplier. Franchisee must notify Franchisor in writing of the product, material or supplies and of the proposed supplier and submit all information Franchisor may request, including specifications and samples, to enable Franchisor to determine whether the item complies with Franchisor's standards and whether the supplier meets Franchisor's approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending Franchisor's evaluation of the supplier. Franchisor will, within thirty (30) days, notify you of our decision in writing (if approval is not received within thirty (30) days, this constitutes a rejection by Franchisor). Franchisor periodically establishes procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Franchisor's criteria for suppliers of specific products are available upon Franchisee's written request. Franchisor may revoke its approval of a supplier at any time in its sole discretion.

6.9 Opening Inventory

Franchisor will designate, in its Confidential System Standards Manual or otherwise, the amount and nature of the opening inventory of products, supplies, equipment, materials and services required to be purchased by Franchisee for the operation of the Location, including an opening inventory package of Proprietary Products and other items which Franchisee shall purchase from Franchisor (or its designee). Franchisee agrees to purchase the required opening inventory before the commencement of operations of the Location.

6.10 Products and Services Sold by Franchisee

Franchisee agrees to offer and sell all products, services and programs which are part of the Hot Ground Gym[®] System, and all other products, services and programs which Franchisor in the future incorporates into the Hot Ground Gym[®] System. Franchisee is prohibited from offering or selling any item, product, service or program which is not a part of the Hot Ground Gym[®] System or is hereafter deleted from that System. Franchisee may not use the Hot Ground Gym name or the Marks for the benefit of any business other than the franchised Location business. Franchisee may not conduct (or permit the conducting of) any business other than the business contemplated by this Agreement at or from the Location without Franchisor's prior written consent, which Franchisor may withhold for any reason or for no reason.

6.11 Computerized Point of Sale System and E-Mail Address

A. Prior to the commencement of operations of the Location, Franchisee agrees to procure and install at the Location, at Franchisee's expense, the computerized point of sale and booking systems and related software, any other required operational or management software, project management software for Location development, computer or mobile applications and/or web-based programs, associated computer hardware, phone system and required dedicated telephone and power lines, modem(s), printer(s), fax machines, and other related accessories or peripheral equipment which Franchisor specifies in its Confidential System Standards Manual or otherwise ("Computer System").

B. Franchisee agrees to provide any assistance required by Franchisor to bring its Computer System on line with Franchisor's system at Franchisor's headquarters at the earliest possible time. Franchisee expressly affirms and agrees that Franchisor will thereafter have the free and unfettered right to retrieve such data and information from Franchisee's Computer System as Franchisor, in its sole and exclusive judgment,

deems necessary, desirable or appropriate, at such intervals as Franchisor determines in its sole and exclusive judgment. Franchisee agrees to accurately, consistently and completely record, structure, capture and provide through the Computer System all information concerning the operation of the Location as Franchisor requires, in the form and at the intervals that Franchisor requires (in its Confidential System Standards Manual or otherwise), including (without limitation) the recordation, at the time of receipt, of all sales of all services and products sold by Franchisee from the Location.

C. Franchisee agrees to bear the sole cost of the Computer System to be installed or purchased and activities to be accomplished by Franchisee, and the delivery, installation and maintenance costs of all hardware and software.

D. To ensure full operational efficiency and communication capability between Franchisor's computerized point of sale and booking systems and those of all Hot Ground Gym[®] Locations, Franchisee agrees, at its expense, to keep its Computer System in good maintenance and repair. Franchisee further agrees to use, at its expense, only Franchisor's designated vendors that are specified in the Confidential System Standards Manual or otherwise to perform any such maintenance and repairs.

E. Franchisee understands that the Computer System is designed to accommodate a certain maximum amount of data, and that, as such limits are achieved, and/or as technology and/or software is developed in the future, Franchisor at its sole discretion may mandate that Franchisee add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original Computer System purchased by Franchisee. Franchisee further understands that it may become necessary for Franchisee to replace or upgrade the entire Computer System with a larger system(s) capable of assuming and discharging all the tasks and functions specified by Franchisor. Franchisee also understands and agrees that, as designs and functions change periodically, Franchisor may be required to make substantial modifications to its specifications, or to require installation of entirely different systems (during the term of this Agreement or upon successor franchise or extension). Franchisee agrees to install at its own expense such additions, changes, modifications, substitutions and/or replacements to its hardware, software, telephone lines and power lines and other related facilities as Franchisor directs, on those dates and within those times specified by Franchisor in its sole and exclusive discretion, in its Confidential System Standards Manual or otherwise. Franchisee shall pay the service, license or maintenance fees charged by Franchisor or its designated vendors in connection with the Computer System, any other required software, computer or mobile applications and/or web-based programs, as stated in the Confidential System Standards Manual or otherwise.

F. Franchisor may provide Franchisee with up to three (3) e-mail addresses with the hotgroundgym.com domain name for Franchisee's use solely in connection with the operation of the Location only, and for no other purpose. Franchisee acknowledges and agrees that it will not own these e-mail addresses or domain name and its rights to use such e-mail addresses will immediately cease upon the expiration or termination of this Agreement. Franchisor will charge Franchisee an annual fee, as set forth in the Confidential System Standards Manual or otherwise, for each additional e-mail address Franchisee requests. These e-mail addresses shall only be assigned to and used by Franchisee, its owners and the Designated Location Manager.

G. Franchisee further agrees to use, at its expense, such internet/wireless services, e-mail services, telephone systems and services as Franchisor may require in connection with the operation of the Location and to use only those vendors designated by Franchisor, as set forth in the Confidential System Standards Manual or otherwise. Franchisee shall pay the service or maintenance fees charged by Franchisor or its designated vendor for such internet/wireless services, e-mail services and/or telephone system services, as stated in the Confidential System Standards Manual or otherwise.

H. Franchisee expressly understands and agrees that Franchisor shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the Computer System and/or other services, regardless of the basis upon which liability is claimed, even if Franchisor has been advised of the possibility of such loss or damage. Franchisor makes no representation or warranty, express or implied, that the

Computer System and/or other services will meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Franchisor make any warranty as to the results that may be obtained from the use of the Computer System and/or other services or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such Computer System or services. Franchisor shall not be responsible for any problems or technical malfunctions of the Computer System and/or other services, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or damage to the computer of Franchisee or any other person as a result of using the Computer System and/or other services. Franchisee acknowledges that the Computer System and other services are being provided to Franchisee "as-is".

I. In the event of any failure of the Computer System, or any part thereof, or any failure of the hardware installed by Franchisor or vendors to perform as a result of Franchisor's or vendors' installation of such hardware, the only liability of Franchisor or any vendors, and Franchisee's sole and exclusive remedy, shall be use by Franchisor of commercially reasonable efforts to correct the failure or cause vendors to correct the failure.

6.12 Rebates, Promotions and Gift Cards/Certificates

A. Franchisee agrees, at its sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by Franchisor, and further agrees to honor the rebates, giveaways and other promotions issued by other Hot Ground Gym® franchisees under any such program, so long as compliance with any of the foregoing does not contravene any applicable law, rule or regulation. Franchisee will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all Hot Ground Gym® Locations. Franchisee will not issue coupons or discounts of any type except as approved by Franchisor in writing.

B. In the event that the Location closes or is otherwise abandoned, whether due to termination or expiration of this Agreement or for any other reason, it shall be the obligation of Franchisee to pay Franchisor the full amount of the Location's outstanding gift card/certificate liability at the time of closing. Such amount shall be paid together with all other fees and amounts payable in connection with the Location closure pursuant to this Agreement.

6.13 Hours of Operation

Franchisee agrees to continuously operate the Location on the days and during the minimum hours that Franchisor may from time to time specify in its Confidential System Standards Manual or otherwise. Franchisee may establish hours of operation in addition to the required minimum hours.

6.14 Inspection and Operational Audit

Franchisee agrees that Franchisor or any of its authorized agents or representatives may at any time during normal business hours enter the Location to conduct an operational audit to determine compliance with this Agreement and with Franchisor's policies, procedures, programs, standards, specifications and techniques as set forth in its Confidential System Standards Manual or elsewhere. Franchisor's representatives may examine and inspect the Location, the products, programs and services provided from or at the Location, the products and supplies contained in the Location, and the condition of the Location.

Following any inspection and operational audit, and subject to the other provisions of this Agreement, Franchisee agrees to incorporate into its Location any corrections and modifications Franchisor requires to maintain the standards of quality and uniformity prescribed by Franchisor, as quickly as is reasonably possible.

6.15 Corporate and Partnership Franchisee Requirements; Records

A. Franchisee, if a corporation, limited liability company, partnership, limited partnership, proprietorship or any other type of legal entity formed in compliance with applicable law ("**Business Entity**"), and any Business Entity assignee shall comply with the following requirements:

1. Furnish Franchisor with its Articles of Incorporation; Bylaws; other governing documents, including shareholder agreements, operating agreements, partnership agreements; list of officers, directors and shareholders (including number and percentage of shares, membership interests, partnership interests, or other form of equity security held); and any other documents Franchisor may reasonably request, and any amendments to them.
2. Confine its activities to the operation of the Location to a Hot Ground Gym[®] Location, and its governing documents provide that its activities are confined exclusively to the operation of the franchised Hot Ground Gym[®] Location.
3. Maintain stop transfer instructions against the transfer on its records of any equity securities, (i.e. stock, membership interests, partnership interests, etc...) and must not issue any securities on the face of which the following printed legend does not legibly and conspicuously appear:

"The transfer of this [EQUITY SECURITY} is subject to the terms and conditions of a Franchise Agreement with Hot Ground Gym Franchising, LLC dated _____. Reference is made to the provisions of this Franchise Agreement and to the Articles and Bylaws of this Corporation. This certificate is not transferable and is not subject to sale assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of Hot Ground Gym Franchising, LLC."

4. Maintain a current list of all owners of record and all beneficial owners of any class of voting equity securities of Franchisee and must furnish this list to Franchisor on request.

B. Franchisee and any Business Entity assignee shall promptly notify Franchisor of any change in any of the information called for in this Section or in any document referred to in this Section.

C. If Franchisee is a Business Entity, then all owners of Franchisee shall execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which the owners of Franchisee agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Franchisee must agree in writing to personally Guaranty the performance of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.

D. If Franchisee is a Business Entity, then Franchisee shall inform Franchisor in writing as to the identity of all of the persons who have an ownership interest in the Franchisee entity in the attached Ownership Addendum and ensure that the information contained therein is true, accurate and complete at all times. Franchisee shall not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor.

6.16 Continuing Training of Franchisee's Personnel

In order to impart to its employees the latest procedures, techniques, policies and standards of the Hot Ground Gym[®] System, Franchisee agrees to conduct in-house meetings, training programs, or other programs that Franchisor specifies from time to time, using any materials provided by Franchisor for this purpose. Franchisee further agrees to participate in Franchisor's mandatory webinars on the dates and times specified by Franchisor.

6.17 No Statements by Franchisee

Franchisee agrees to make no statements or comments without Franchisor's prior written approval to any media representative or any other third party (except for persons considering purchasing a Hot Ground Gym[®] franchise) relating to the contents of this Agreement, Franchisor or any Affiliate.

6.18 Trade Accounts

Franchisee agrees that it shall maintain its trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers.

6.19 Best Efforts; Cooperation with Franchisor

Franchisee agrees to use its best efforts to develop and expand the market for the products and services offered by its Location and to cooperate fully with Franchisor in accomplishing the purposes of this Agreement, including, but not limited to, those procedures and standards set forth in the Confidential System Standards Manual or otherwise.

6.20 Bookkeeping and Accounting

Franchisee agrees to use all standard accounting forms that Franchisor may furnish as part of its Confidential System Standards Manual or otherwise. Franchisee agrees to submit all bookkeeping reports that Franchisor prescribes in its Confidential System Standards Manual. Franchisee will be solely responsible for performing all recordkeeping duties and bear the costs for performing all recordkeeping duties and services.

6.21 Submission of Non-Financial Reports

Franchisee agrees to complete and submit to Franchisor the weekly, monthly, semi-annual or other periodic reports regarding the activity of the Location that Franchisor prescribes in its Confidential System Standards Manual or otherwise.

6.22 Variance of Standards and Terms

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, as it may consider in the best interests of all concerned, to vary standards for any franchisee based on any condition which Franchisor considers important to the successful operation of the Franchisee's Location. Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation hereunder.

6.23 Testimonials and Endorsements

Franchisee agrees to permit Franchisor or any of its authorized agents or representatives to communicate in any manner with customers of Franchisee's Location to procure customer testimonials and endorsements of the products or services furnished by Franchisee, the Hot Ground Gym[®] System and any related products or services. Franchisee agrees to cooperate with Franchisor in procuring testimonials and endorsements. Franchisee agrees that Franchisor will be free to make whatever use of testimonials and endorsements that Franchisor determines, and that Franchisor will owe Franchisee absolutely no direct or indirect compensation or other duty as a consequence.

6.24 Products, Services, Equipment and Programs Developed by Franchisee

Franchisee irrevocably and permanently licenses to Franchisor for incorporation in the Hot Ground Gym[®] System and use by Franchisor, its affiliates and (if Franchisor determines) other Hot Ground Gym[®] franchisees, all of the following if developed by or on behalf of Franchisee in conjunction with or related to the franchised Location: products, equipment and programs; related products and services (including, without limitation, any computer software or Computer System); sales, marketing and promotional programs and campaigns; and any techniques and procedures relating to or regarding the operation of a Hot Ground Gym[®] Location. Franchisee agrees that Franchisor, its affiliates and franchisees will not be liable to Franchisee in any manner, whether for compensation or otherwise, as a consequence of this license.

ARTICLE 7: INSURANCE

7.1 Required Insurance Coverage

A. For Franchisee's and Franchisor's protection, Franchisee agree to maintain in full force and effect during the Term, at Franchisee's expense, the insurance specified by Franchisor for your Hot Ground Gym[®] Location. With thirty (30) days' notice, Franchisor may periodically increase the amount and change the types of insurance specified through changes in the Confidential System Standards Manual during the Term. As of the Effective Date, the following insurance policies (in addition to any insurance that may be required by applicable law, any lender, or any lessor): (a) comprehensive commercial general liability insurance against claims for bodily or personal injury, death and property damage caused by or occurring in connection with the operation of your Location; (b) property/casualty insurance for your Location and its contents; (c) worker's compensation insurance and employer's liability insurance as required by law; (d) if you use a vehicle in connection your Hot Ground Gym[®] business, automobile liability insurance; and (e) any other insurance that we specify in the Confidential System Standards Manual or otherwise require from time to time.. Franchisee agrees to provide Franchisor with proof of coverage on demand. All insurance policies must: (1) (except for worker's compensation insurance) name Franchisor (and its members, officers, directors, and employees) as additional insureds; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as Franchisor prescribes from time to time; (3) contain a waiver by the insurance carrier of all subrogation rights against Franchisor; (4) provide that Franchisor receives 10 days prior written notice of the termination, expiration, cancellation or modification of the policy; and (5) include such other provisions as Franchisor may require from time to time. If any of Franchisee's policies fail to meet this criteria, then Franchisor may disapprove the policy and Franchisee must immediately find additional coverage with an alternative carrier satisfactory to Franchisor. Upon 30 days' notice to you, Franchisor may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If Franchisee fails to maintain any required insurance coverage, Franchisor has the right to obtain the coverage on Franchisee's behalf (which right shall be at Franchisor's option and in addition to Franchisor's other rights and remedies in this Agreement), and Franchisee must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to Franchisor, within ten (10) days after invoicing, all costs and premiums that Franchisor incurs.

B. Franchisor imposes and prescribes minimum standards and limits for certain types of required insurance coverage in its Confidential System Standards Manual or by other written notice to Franchisee. Franchisee agrees that Franchisor may modify the required minimum limits of insurance coverage from time to time by written notice to Franchisee. Upon delivery or attempted delivery of this written notice, Franchisee agrees to immediately purchase insurance conforming to the newly established standards and limits prescribed by Franchisor.

C. The insurance coverage acquired and maintained by Franchisee at its own expense and in accordance with this Section shall name Franchisor as an Additional Insured and provide that the coverage afforded applies separately to each insured against whom claim is brought as though a separate policy had been issued to each insured.

D. Franchisee agrees not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these insurance policies without Franchisor's written consent.

E. If Franchisee fails to obtain insurance as required by the Franchise Agreement, Franchisor may obtain insurance on its behalf and Franchisee must reimburse us for the cost of obtaining such insurance, plus 20% of the cost as a service fee.

7.2 No Undertaking or Representation

Nothing contained in this Agreement may be considered an undertaking or representation by Franchisor that the insurance that Franchisee is required to obtain will insure Franchisee against any or all insurable risks of loss which may arise out of or in connection with the operation of the Location.

7.3 Certificates of Insurance

Franchisee agrees to promptly provide Franchisor with Certificates of Insurance evidencing the required coverage no later than ten (10) days before the date that the Location will commence operations. Franchisee agrees to deliver a complete copy of Franchisee's policies of insurance to Franchisor within thirty (30) days following delivery of the Certificates of Insurance. Franchisee agrees to renew all insurance policies and documents, and on renewal, to furnish a renewal Certificate of Insurance to Franchisor before the expiration date of the policy in question. Franchisor may at any time require Franchisee to forward to Franchisor full copies of all insurance policies.

7.4 Notice of Claims and Demands

Franchisee agrees to notify Franchisor of all claims or demands against Franchisee, the Location, or Franchisor within three (3) days of Franchisee's receiving notice of any claim or demand. Franchisee further agrees to respond to all claims within the time required by law, rule or regulation. In addition, Franchisee agrees to cooperate with Franchisor (or its designee) in every way possible to defend Franchisor and Franchisee against all claims made by employees, customers or third parties. Franchisee agrees, when necessary, to make appearances at administrative or other hearings to present or reinforce these defenses.

ARTICLE 8: ADVERTISING

8.1 Advertising Standards

A. Franchisee may only use advertising, marketing, identification and promotional materials and programs which Franchisor has either furnished or approved in writing in advance. Provided, however, if Franchisor makes advertising, marketing, identification and promotional materials and programs available to Franchisee, Franchisee must use only those materials furnished by Franchisor for all of Franchisee's advertising, marketing, identification and promotion of the Location, at Franchisee's cost. In the event that Franchisor does not furnish Franchisee with advertising, identification and promotional materials and programs for the Location, Franchisee must obtain Franchisor's prior written approval of all proposed advertising, marketing, identification and promotional materials or programs before any such materials are used or disseminated, following the required procedures set forth by Franchisor in its Confidential System Standards Manual or otherwise. Franchisor will communicate its approval or disapproval of any proposed advertising, marketing, identification and promotional materials and programs submitted by Franchisee within fifteen (15) business days following Franchisor's receipt of same, unless Franchisor notifies Franchisee in writing that additional time is needed to review the proposed materials. If Franchisor does not approve Franchisee's proposed advertising, marketing, identification and promotional materials within such fifteen (15) day period, such materials will be deemed disapproved. Franchisor's approval of any materials may be withheld for any or no reason. Neither the fact that Franchisor furnishes the material, approves of the material, nor the material itself, will directly or indirectly require Franchisor to pay for any advertising, identification or promotion.

B. Franchisee agrees to conduct all advertising which uses the Marks, or refers in any way to the Location, in a dignified manner. Franchisee agrees to use only advertising that is in strict accordance with the standards, specifications and requirements specified in writing by Franchisor, in its Confidential System Standards Manual, or otherwise.

C. Franchisee agrees to participate in any regional advertising cooperative ("Co-op") established by Franchisor. Franchisor reserves the right to require Franchisee to contribute on a monthly basis up to two percent (2%) of its Gross Revenues, or such greater amounts determined by the majority voted of the members of the Co-op. If Franchisee is required to contribute to a Co-op, Franchisor may require that contributions to the Co-op be made directly to Franchisor for use as directed by the Co-op.

D. If Franchisor becomes aware of any breach by Franchisee of this Section 8.1, Franchisor will notify Franchisee in writing of the facts which Franchisor believes have given rise to the breach. Franchisee acknowledges and agrees that if Franchisee does not cure the breach within three (3) calendar days after Franchisee's receipt of this notice, then Franchisor may terminate or remove any unauthorized advertising or promotion at Franchisee's expense, may direct third parties to cease displaying, publishing, disseminating and/or printing such unauthorized advertisements or promotions, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to Franchisee.

8.2 Computer Network Advertising

Franchisee may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Location on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by Franchisor.

8.3 Grand Opening Advertising; Local Marketing, Advertising and Promotion

A. Beginning two (2) months before the commencement of the operation of the Location, and continuing for two (2) months thereafter, Franchisee agrees to expend the total sum of between \$2,000 and \$5,000 for the grand opening advertising and promotion of its Location (the "**Grand Opening Advertising**"). Franchisee agrees to make these Grand Opening Advertising expenditures using the advertising and promotional material, media, special events and other public relations activities that Franchisor requires or approves, in its Confidential System Standards Manual or otherwise.

B. Thereafter, Franchisee agrees to expend between \$1,400 and \$1,900 (depending on what options you choose, as provided by the vendors) on local marketing, plus \$300 to \$600 per month of which must be spend on digital advertising. "**Local Marketing, Expenditures**" means the local or regional marketing, advertising, digital advertising, and promotional activities that Franchisor specifies in its Confidential System Standards Manual or otherwise, or approves in writing in advance. When requested by Franchisor, Franchisee shall submit to Franchisor, in the manner designated by Franchisor, a report detailing Franchisee's Local Marketing Expenditures Franchisee made during the period of time specified by Franchisor. Franchisee shall also provide invoices or other documentation to support its Local Marketing Expenditures reported, if requested by Franchisor. Franchisee may spend more than the minimum required, at its discretion. If Franchisee fails to make the required minimum expenditures for local advertising and promotion, Franchisor may, at its option, require Franchisee to: (i) contribute the deficient amount to the Marketing Fund; or (ii) reimburse Franchisor for amounts that it spends on Franchisee's behalf to satisfy Franchisee's local advertising obligation, plus Franchisor's related expenses.

8.4 Local Listing Internet Search Engine

Franchisee agrees to install the number and type of telephone lines and the type of answering or voicemail system (if any) required by Franchisor in its Confidential System Standards Manual or otherwise. Franchisee further agrees to list its Hot Ground Gym® Location on local internet search engines and/or in the manner designated, prescribed or required by Franchisor in its Confidential System Standards Manual or otherwise.

8.5 Administration of the Hot Ground Gym® Marketing Fund

Franchisor or its designee will administer the Hot Ground Gym® Marketing Fund (the "**Marketing Fund**") as follows:

A. Franchisor will direct all advertising programs with sole control over the strategic direction, creative concepts, materials and media used in the programs, and the geographic, market and media placement and allocation of advertising. Franchisee acknowledges that the Marketing Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the Hot Ground Gym® System. Franchisee further acknowledges that Franchisor and its designees undertake no obligation in administering the Marketing Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts or penetrates

Franchisee's Protected Territory. If Franchisor receives any promotional allowances with respect to Franchisee's purchases of goods or services from vendors other than Franchisor or its affiliates, then Franchisor will be under no obligation to contribute the promotional allowances to the Marketing Fund. The Marketing Fund is not a trust and Franchisor is not a fiduciary with respect to the Hot Ground Gym® Marketing Fund.

B. The Marketing Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or localized advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper or other advertising campaigns and other public relations activities) and employing advertising agencies to assist in these activities; paying interest on monies borrowed by the Marketing Fund from third parties unaffiliated with Franchisor; providing customer service comment cards to Hot Ground Gym® Location franchisees; and, sponsorship of sporting, charitable or other special promotional events. Franchisor need not maintain the sums paid by franchisees to the Marketing Fund or income earned from the Marketing Fund in a separate account from the other funds of Franchisor, but Franchisor may not use these amounts for any purposes other than those provided for in this Agreement. Franchisor may, however, expend the Marketing Fund for any reasonable administrative costs and overhead that Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and advertising programs for franchisees including, without limitation, conducting market research; preparing marketing, advertising and promotional materials; working with advertising agencies, advertising placement services and creative talent; and, collecting and accounting for assessments for the Marketing Fund.

C. Franchisor expects to expend most contributions to the Marketing Fund for marketing, advertising and promotional purposes during the fiscal year when the contributions are made. If Franchisor expends less than the total sum available in the Marketing Fund during any fiscal year, then Franchisor may expend the unused sum during the following fiscal year. If Franchisor expends an amount greater than the amount available in the Marketing Fund in any fiscal year (not including any sum required to be expended because Franchisor did not expend all the sums in the Marketing Fund during the preceding year), Franchisor will be entitled to reimburse itself from the Marketing Fund during the next fiscal year for all excess expenditures made during the preceding fiscal year. The Marketing Fund is not audited. No money will be spent by the Marketing Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the Hot Ground Gym® brand. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by Franchisor and will be furnished to Franchisee upon written request.

D. Although the Marketing Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund at any time. Franchisor will not terminate the Marketing Fund, however, until it has expended all money in the Marketing Fund for marketing, advertising and promotional purposes.

ARTICLE 9: PAYMENTS TO FRANCHISOR

9.1 Gross Revenues

"**Gross Revenues**" means all revenues and income from whatever source derived or received by Franchisee from, through, by or on account of the operation of the franchised Location, whether received in cash, in services, in kind, on credit (whether or not payment is received), bartering, or otherwise. There will be deducted from Gross Revenues, to the extent they have been included: (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if Franchisee separately states the taxes when the customer is charged and if Franchisee pays the taxes to the appropriate taxing authority; and (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee (such deductions will not include any credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Franchisee agrees that the use of any coupons or other discounts, waivers, or any bartering or exchange transactions, or the sale of any products or services bearing the Marks outside the Location without prior written approval by Franchisor is prohibited and the amount of the discount, unapproved exchange or unauthorized sale offered by Franchisee in such case shall also be included in the definition of Gross Revenues.

9.2 Continuing Royalty Fees

In consideration of Franchisor's grant to Franchisee of a license to use Franchisor's Marks and System, Franchisee agrees to pay to Franchisor a monthly Continuing Royalty Fee equal to six percent (6%) of Franchisee's prior month's Gross Revenues, as defined above ("**Continuing Royalty Fee**"). Unless otherwise indicated by Franchisor in writing, Continuing Royalty Fees will be collected by automated bank draft on the 15th of every month. Franchisee acknowledges that collection of the Continuing Royalty Fee by Franchisor may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

9.3 Marketing Fund Fee

Franchisee agrees to pay to Franchisor a monthly Marketing Fund Fee in an amount equal to two percent (2%) of Franchisee's prior month's Gross Revenues ("**Marketing Fund Fee**"). Franchisor reserves the right to increase the Marketing Fund Fee at any time in its sole discretion. Unless otherwise indicated by Franchisor in writing, Marketing Fund Fees will be collected by automated bank draft on the 15th of every month. Franchisee acknowledges that collection of the Marketing Fund Fee by Franchisor may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

9.4 Technology Fee

Franchisee must pay to Franchisor its then current non-refundable Technology Fee. The Technology Fee may be increased upon 90 days' prior written notice from Franchisor

9.5 Reporting and Payment

Franchisee agrees to submit, in the manner designated by Franchisor, a weekly report to Franchisor for Franchisor's receipt on or before the day of each month designated by Franchisor (in its Confidential System Standards Manual or by other written communication to Franchisee) during the term of this Agreement. Said monthly report will consist of a statement reporting all Gross Revenues for the preceding month in the manner and form prescribed by Franchisor. Franchisee (if an individual) or an officer of Franchisee (if an entity) must sign the copy of the monthly report transmitted to Franchisor in writing. Franchisor reserves the right to require the electronic filing of Franchisee's monthly reports. Franchisee also agrees to furnish any sales data requested by Franchisor in the form, manner and frequency that Franchisor requests. Franchisor further reserves the right to increase collection of fees to semi-weekly or weekly in Franchisor's sole and absolute discretion.

9.6 Commencement of Payments

Except as expressly provided in this Agreement, the Continuing Royalty Fee, Marketing Fund Fee, Technology Fee, and all other payments and fees due under this Agreement, will accrue on the date on which Franchisee actually commences operation of the Location, and shall be paid monthly by Franchisee on a day prescribed in the Confidential System Standards Manual or elsewhere. All Continuing Royalty Fee, Marketing Fund Fee, Technology Fee, and all other payments and fees due under this Agreement, will continue to be due during the entire term of this Agreement.

9.7 Payments to Franchisor

In addition to all other payments under this Agreement, Franchisee agrees to pay to Franchisor (or its affiliates) immediately upon demand by Franchisor:

A. The amount of all sales taxes, corporate taxes, trademark license taxes and any similar taxes imposed on, required to be collected, or paid by Franchisor on account of services or goods Franchisor has furnished to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee, Continuing Royalties, Marketing Fund Fees, Technology Fees, or other payments called for by this Agreement.

B. All amounts advanced by Franchisor, or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason.

C. All amounts due to Franchisor (or its affiliates), for products or services purchased by Franchisee from Franchisor, its affiliates or designees.

9.8 Late Charge and Related Fees

Franchisee agrees to pay to Franchisor (or its affiliates) the lesser of 1.5% per month or the maximum rate of interest allowed by law interest on any amounts due to Franchisor (or its affiliates) under this Agreement at the maximum interest rate permitted by law. Franchisee shall also pay Franchisor a late fee of \$100 per month until current.

9.9 Application of Funds

If Franchisee is delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor or any of its affiliates, then Franchisor or the Affiliate may apply any payment from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, whether or not there is any contrary designation by Franchisee.

9.10 Franchisee May Not Withhold

Franchisee agrees not to withhold payment of any Continuing Royalty Fee, Marketing Fund Fee or any other amounts due to Franchisor or its affiliates on grounds of the alleged non-performance of any of Franchisor's obligations under this Agreement.

9.11 Automated Bank Draft

Franchisee understands and agrees that Franchisor shall require that all Continuing Royalty Fees, Marketing Fund Fees, and all other fees and costs required to be paid to the Franchisor or any Co-op that may be established must be paid by automatic bank draft, unless otherwise specified by Franchisor, to ensure that the fees and costs are received on the day due and/or that past due invoices are paid to Franchisor. Franchisee agrees to comply with Franchisor's payment instructions, and to sign any and all documents and forms necessary to effectuate the automatic bank drafts, including the electronic funds transfer authorization form attached to this Agreement as Exhibit D.

If Franchisee's automated bank drafts for any amounts due to Franchisor (or its affiliates) are returned for insufficient funds (or for any other reason) two (2) or more times within any three (3) month period or three (3) or more times within any 12 month period, then Franchisor may require Franchisee to pay for all products and supplies that must be purchased from Franchisor (or its affiliates), including Proprietary Products, prior to their delivery, as set forth in and in accordance with the policies and procedures established in the Confidential System Standards Manual or otherwise.

ARTICLE 10: RECORDS, AUDITS AND REPORTING REQUIREMENTS

10.1 Financial Statements

A. No later than thirty (30) days following the end of each calendar month during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Location's profit and loss for the month and a balance sheet as of the end of the month. Franchisee shall certify these statements to be true and correct.

B. No later than ninety (90) days following the end of each calendar year of Franchisee during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Location's profit and loss for the calendar year and a balance sheet as of the end of the calendar year, prepared on a compilation basis and certified to be true and correct by Franchisee. Franchisor reserves the right to require these annual financial statements to be audited by an independent certified public accountant and if it does so the opinion of said certified public accountant may be qualified only to the extent reasonably acceptable to the Franchisor.

C. The financial statements required above must be prepared in accordance with generally accepted accounting principles, including all disclosures required under those principles.

D. No later than thirty (30) days following Franchisee's filing of the tax returns of the Location, Franchisee agrees to furnish to Franchisor exact copies of the tax returns, including federal, state and any local income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by Franchisee to any governmental agency or entity have been paid, and that if Franchisee is a corporation, there is no reason to believe that Franchisee's corporate status has been impaired.

10.2 Financial Records and Audit or Financial Review

A. Franchisee agrees to record all revenues received by it or the Location. Franchisee further agrees to keep and maintain adequate records of these revenues, and to maintain and preserve accurate books, records and tax returns in the English language, including related supporting material (such as cash receipts, and credit and charge records) for the Location for at least three years. Franchisor may specify, in its Confidential System Standards Manual or otherwise, the forms that Franchisee will be required to use in recording the revenues of the Location. Franchisee agrees to keep and preserve for three years the types and classes of records that Franchisor requires in its Confidential System Standards Manual or otherwise, and all business, personnel, financial and operating records relating to Franchisee's Location.

B. Franchisor will have the right, at any time, with or without written notice, during regular hours, to enter Franchisee's premises to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state and, if applicable, city); and, files of Franchisee relating to programs, products and services sold and transacted. These files shall include (without limitation) Franchisee's operating records; bookkeeping and accounting records; customer lists; customer orders; operating records; operating reports; correspondence; general Location records; Franchisee's copy of the Confidential System Standards Manual (as amended); invoices; payroll records; journals; ledgers and Franchisee's files; memoranda and other correspondence; contracts and all sources and supporting records used to prepare reports and forms which Franchisee is required to submit to Franchisor under this Agreement, including the books or records of any corporation, partnership or proprietorship which owns the Location. Franchisee agrees to make any of these materials available for examination at Franchisee's premises.

C. If Franchisor causes an audit or a financial review by a Certified Public Accountant or other professional to be made for any period and the audit or review reveals that Franchisee understated the Gross Revenues in Franchisee's monthly reports to Franchisor by any amount, then Franchisee agrees to immediately pay Franchisor the additional amount payable as shown by the audit or financial review, plus interest at the highest rate permitted by law.

If an audit or financial review of the Location by a Certified Public Accountant or other professional reveals that Franchisee understated the Gross Revenues on Franchisee's monthly reports to Franchisor by two percent (2%) or more for any month within the period of examination, or for the entire period of examination, when compared to Franchisee's actual Gross Revenues, then in addition to paying the additional amounts due and interest as calculated above, Franchisee agrees to immediately pay Franchisor the full cost of the audit or the financial review for the entire period of examination.

ARTICLE 11: CONFIDENTIAL INFORMATION

11.1 Restriction on Use of Confidential Information

Franchisee agrees that it will never, during the Term of this Agreement or at any time after this Agreement expires or terminates, divulge or use any Confidential Information (as defined below) for the benefit of any other persons, partnership, proprietorship, association, corporation or entity. "**Confidential Information**" means knowledge, trade secrets or know-how concerning the systems of operation, programs, products, services, customers or practices of Franchisee, Franchisor or the Hot Ground Gym[®] System. Confidential Information includes (without limitation) all information, knowledge and expertise regarding the Hot Ground Gym[®] System (also referred to as "**know-how**"), techniques and information which Franchisor, its affiliates, or

their officers, designate as confidential. Confidential Information will not, however, include information which Franchisee can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by others, but not through any act of Franchisee.

Except as authorized in this Agreement, Franchisee agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing the Confidential Information in whole or in part; store it in a computer, data base or other electronic format; or, otherwise make it available to any third party. Upon the expiration or termination of this Agreement, Franchisee agrees to return to Franchisor all Confidential Information, including all materials, books, records, software and manuals considered confidential under this Agreement in Franchisee's possession.

Franchisee and its Designated Location Manager may divulge only Confidential Information necessary to operate the Location, and only to those of Franchisee's employees, agents or independent contractors who need access to it for this purpose. Franchisee agrees to take all necessary precautions to ensure that its employees retain the Confidential Information in confidence, including, but not limited to, requiring its employees to sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit C. Franchisee shall provide to Franchisor an executed copy of the Confidentiality/Non-Compete Agreement for all of Franchisee's employees who need access to Confidential Information in connection with the operation of the Location and shall provide the executed agreement at the time each such employee is hired.

11.2 Customer Lists and the Location's Customers

Franchisee shall maintain a current customer list (the "**Customer List**") containing as to each customer of the Location such customer's name, address, telephone number, zip code and e-mail address, and such other information Franchisor may require as set forth in the Confidential System Standards Manual. Franchisee shall also maintain the Customer List in the form and manner that Franchisor requires as set forth in the Confidential System Standards Manual. During the term of this Agreement, Franchisee may use the Customer List, and any of the information contained therein or derivable therefrom, provided such use is consistent with this Agreement and solely for the purpose of promoting the Location. Notwithstanding that it may have been created and maintained by Franchisee, the Customer List is, and remains, Franchisor's exclusive property, as is all information pertaining to the Location's customers and potential customers that Franchisee may collect, compile or maintain. After the expiration or termination of this Agreement, for any reason, Franchisee may not use or disclose the Customer List or any other information pertaining to the Location's customers and potential customers, or any of the information contained therein or derivable therefrom without Franchisor's written prior authorization.

ARTICLE 12: COVENANTS NOT TO COMPETE

12.1 In-Term Covenant Not to Compete

Franchisee agrees that during the Term of this Agreement, it will not directly or indirectly engage in any other business which is similar to the business of the Location franchised hereunder or, which offers or sells any product, service or component which now or in the future is part of the Hot Ground Gym[®] System, or any similar product or service (a "**Competitive Business**").

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant. In addition, Franchisee agrees not to divert any business that should be handled by the Location to any other entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a

publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

Further, during the Term of this Agreement, and for two (2) years after the termination or expiration of this Agreement for any reason, Franchisee agrees not to solicit or hire former or present personnel of Franchisor, its affiliates or of any other Hot Ground Gym® franchisee. If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.2 Post-Term Covenant Not to Compete

Franchisee agrees that for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, Franchisee will not directly or indirectly engage in any Competitive Business.

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant, if the other business is located within Franchisee's Protected Territory, within twenty (20) miles of the perimeter of Franchisee's Protected Territory, or within twenty (20) miles of the perimeter of (or within) any Hot Ground Gym® Location Protected Territory (whether Franchisor-owned, franchised or otherwise established and operated).

If Franchisee owns the Location, furthermore, then for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, said Location may not be used for the operation of a Competitive Business.

It is the intention of the provisions of this Section to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, leasing the existing Location to a Competitive Business, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of 5% of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.3 Lesser Included Covenants Enforceable At Law

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement. Franchisor reserves the right to reduce the scope of the covenants not to compete set forth in this Article without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee.

12.4 Enforcement of Covenants Not To Compete

Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Franchisee's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that any claims it may have against Franchisor,

whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Franchisee agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

12.5 Independent Covenants

Franchisor and Franchisee agree that each of the forgoing covenants shall be construed as independent of any other covenant or provision of this Agreement.

12.6 Covenants Reasonable

Franchisee and its owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) Franchisor's use and enforcement of covenants similar to those described above with respect to other Hot Ground Gym[®] franchisees benefits Franchisee and its owners in that it prevents others from unfairly competing with Franchisee's Location; and (c) Franchisee and its owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. FRANCHISEE AND ITS OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

ARTICLE 13: ASSIGNMENT; RIGHT OF FIRST REFUSAL

a) Assignment By Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity.

b) Assignment By Franchisee - General

With respect to Franchisee's obligations under this Agreement, this Agreement is personal, since Franchisor has entered into this Agreement in reliance on and in consideration of Franchisee's singular personal skill and qualifications, and the trust and confidentiality that Franchisor reposes in Franchisee. Therefore, except as provided below, neither Franchisee's interest in this Agreement, its rights or privileges under this Agreement, the franchised business, the Location, nor any interest in the Location or business, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without first obtaining Franchisor's written consent in accordance with this Article, or without first complying with Franchisor's right of first refusal as provided for herein.

This Agreement is a personal obligation of Franchisee. None of Franchisee's rights to use the Hot Ground Gym[®] System, Marks, Confidential Information and know-how are transferable except in strict compliance with the terms of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement.

"**Assignment**" for the purposes of this Agreement includes (without limitation):

i) The transfer or redemption in the aggregate of more than 25% of the capital stock or voting power of any corporate franchisee, as originally constituted on the date of execution of this Agreement, to any person or entity who is not (i) already a shareholder of Franchisee (a "**Shareholder**"), (ii) the spouse of any Shareholder, (iii) a trust controlled by a Shareholder whose trustee is a Shareholder or (iv) a corporation, partnership or proprietorship controlled and composed solely of Shareholders;

ii) The transfer or redemption in the aggregate of more than 25% of a partnership or proprietorship interest, as originally constituted on the date of execution of this Agreement, in a franchisee that does Location as a partnership or proprietorship, to any person or entity who is not (i) already a partner or proprietor of Franchisee (a "**Partner or Proprietor**"), (ii) the spouse of any Partner or Proprietor, (iii) a trust

controlled by a Partner or Proprietor whose trustee is Partner or Proprietor; or, (iv) a corporation or partnership controlled and composed solely of Partners or Proprietors.

Franchisee agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, even if less than 25%, in accordance with the procedures set forth in Franchisor's Confidential System Standards Manual or otherwise.

c) Assignment By Franchisee - To A Corporation Formed By Franchisee

If Franchisee desires to transfer its interest in this Agreement to a corporation formed by Franchisee solely for the convenience of ownership, Franchisee shall obtain Franchisor's prior written consent. Franchisor will not unreasonably withhold consent if all the following conditions are met:

1. The corporation is newly organized and duly incorporated, and its activities are confined to acting exclusively as a Hot Ground Gym® franchisee.
2. Franchisee is the sole owner of all the stock of the corporation and is its principal officer (or Franchisee is the sole owner of 75% or more of all stock of the corporation, with the remaining stockholders being Franchisee's spouse and/or adult children).
3. If Franchisee is more than one individual, each individual must have the right to the same proportionate ownership interest in the corporation as it or she had in the Location before the transfer.
4. Franchisee and the corporation execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which Franchisee and the corporation agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future shareholder of the corporation must agree in writing to personally Guaranty the performance by the corporation of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.
5. The name of the corporation formed by Franchisee may not include the Mark "Hot Ground Gym®" any variant of "Hot Ground Gym®" or any words confusingly similar to "Hot Ground Gym®".
6. All stock certificates of the corporation must be endorsed with the following legend, conspicuously placed:

"The transfer of this stock is subject to the terms and conditions of a Franchise Agreement dated [date of this Agreement] between Hot Ground Gym Franchising, LLC and [Name of Franchisee]. This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of Hot Ground Gym Franchising, LLC. "
7. The Articles of Incorporation, Bylaws and other organizational documents of the corporation must state that the issuance and transfer of any interest in the corporation are restricted by the terms of the Franchise Agreement.
8. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any transfer pursuant to this Section will not be subject to Franchisor's rights of first refusal provided for below, and will not require payment of a transfer fee.

d) Assignment By Franchisee - Sale To Third Party

i) Franchisee may not sell or otherwise assign or transfer the franchise conveyed by this Agreement, the franchised Location, the Location, or any interest in any of these, without Franchisor's prior written consent. If Franchisor does not elect to exercise its right of first refusal, then Franchisor will not unreasonably withhold consent to the assignment and sale. Franchisee agrees that it will not be unreasonable for Franchisor to impose, among other requirements, the following conditions to consenting to the assignment and sale:

- (1) That Franchisee complies with the right of first refusal provisions as provided for in this Agreement.
- (2) That the proposed assignee applies to Franchisor for acceptance as a franchisee and furnishes to Franchisor the information and references that Franchisor requests to determine assignee's skills, qualifications and economic resources.
- (3) That the proposed assignee presents itself for a personal interview at Franchisor's corporate office, or any other location designated by Franchisor, at the date and time reasonably requested by Franchisor, without expense to Franchisor.
- (4) That the assignee (or the principal officers, shareholders or directors of a corporate assignee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor's reasonable judgment, to conduct the Location business contemplated by this Agreement, and to fulfill its obligations to the assignor.
- (5) That the proposed assignee and its proposed Designated Location Manager have attended and successfully completed Franchisor's Initial Training Program before the assignment, and any other training that Franchisor reasonably requires; there shall be no cost for the Initial Training Program, however, all expenses including transportation to any training, lodging, food, salaries of proposed assignee's employees and other living expenses shall be borne by the proposed assignee.
- (6) That the lessor or sublessor of the Location consents in writing to the assignment of Franchisee's Lease to the proposed assignee.
- (7) That as of the date of the assignment, the assignor has fully complied with all of its monetary and other obligations to Franchisor and its affiliates under this Agreement and any other agreement or arrangement with Franchisor or its affiliates.
- (8) That if the Franchise Agreement is being assigned, or the franchised Location is being sold, the assignee executes a separate Franchise Agreement in the form and on the terms and conditions Franchisor then offers to prospective franchisees who are similarly situated (except that the assignee will not be obligated to pay another Initial Franchise Fee, but will be required to pay a transfer fee as set forth herein below, and the Continuing Royalty Fee will be that specified in this Agreement). The term of the new Franchise Agreement will expire on the date of expiration of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for the guarantees of Franchisee and the post-termination and post-expiration provisions under this Agreement.
- (9) That the total sales price is not so excessive, in Franchisor's sole determination, that it jeopardizes the continued economic viability and future operations of the franchise.
- (10) If the proposed assignee is purchasing part, but not all, of an interest in a corporate or partnership franchisee to this Agreement, then the proposed assignee must execute a Guaranty in the form acceptable to Franchisor guarantying all of the obligations under this Agreement.

- (11) That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.
- (12) That the assignee pays Franchisor a transfer fee of:
 - (a) In connection with an internal transfer of shares or ownership interests where there is no change of control or majority interest, one thousand five hundred and no/100 dollars (\$1,500);
 - (b) In connection with a transfer to a franchisee that is an existing franchisee of the Hot Ground Gym[®] business, 40% of the then current Initial Franchise Fee; or
 - (c) In connection with a transfer to a party that is not currently a franchisee of the Hot Ground Gym[®] business, the greater of (i) five thousand and no/100 dollars (\$5,000.00) or (ii) Franchisor's reasonable out-of-pocket expenses (including, without limitation, attorneys' fees), incurred in connection with the assignment.
- (13) That the assignor furnishes to Franchisor a copy of the executed contract of assignment.
- (14) That the assignee, at its expense, upgrade the Location to conform to the then-current standards and specifications of the Hot Ground Gym[®] System, and completes this upgrading within the time reasonably specified by Franchisor.
- (15) That Franchisee remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability.
- (16) That the assignor complies with the terms of the post-term covenant not to compete set forth in this Agreement, commencing on the effective date of the assignment.

ii) If Franchisor consents to the assignment of this franchise, it will also consent to the assignment of Franchisee's Lease agreement with its Location lessor and all other agreements between Franchisor and Franchisee. Franchisee, if the franchise is assigned, also agrees to assign its Lease agreement with the Location lessor and all other agreements between Franchisor and Franchisee to the same assignee. After the assignment, Franchisee will remain liable under all the assigned agreements to the extent they require.

iii) Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its parent (if any), and the subsidiaries, affiliates, designees, shareholders, directors, officers, employees and agents of either entity, from and against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused (whether or not the losses, costs, expenses, court costs, claims, demands, damages or liabilities are reduced to judgment), resulting directly or indirectly from or pertaining to any statements, representations or warranties that may be given by Franchisee to any proposed assignee of the franchise, or any claim that Franchisee or the assignor engaged in fraud, deceit, violation of franchise laws or other illegality in connection with the negotiations leading to the consummation of the assignment.

e) Assignment By Franchisee - Transfer Upon Death or Disability

Upon the death or disability of the last surviving principal, partner or shareholder of Franchisee (as the case may be), Franchisee's rights will pass to Franchisee's estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "**Estate**"). The Estate may continue the operation of the Location if: (i) the Estate provides a competent and qualified individual acceptable to Franchisor to serve as Designated Location

Manager and operate the Location on a full-time basis; (ii) this individual attends and successfully completes Franchisor's next offered Initial Training Program at the Estate's expense; and, (iii) this individual assumes full-time operation of the franchise as Designated Location Manager within one month of the date Franchisee dies or becomes disabled. In the alternative, the Estate may sell Franchisee's franchise within one month in accordance with the provisions of this Agreement.

From the date of death or disability until a fully trained and qualified Designated Location Manager assumes full-time operational control of the franchised Location, Franchisor may assume full control of and operate the franchised Location but will have no obligation to do so. If Franchisor does so, then during this period, Franchisor will deduct its expenses for travel, lodging, meals, and all other expenses and fees from the Location's Gross Revenues and pay itself a management fee equal to the greater of (i) two times the salary paid to the individual(s) assigned by Franchisor to operate the Location, or (ii) 10% of the Location's monthly Gross Revenues. This management fee will be in addition to the Continuing Royalty Fees and Marketing Fund Fees due Franchisor. Any remaining funds will then be remitted to Franchisee's Estate. Any deficiency in sums due to Franchisor under this Agreement must be paid by Franchisee's Estate to Franchisor within ten days of Franchisor's notifying the Estate of the deficiency. Franchisor will not be obligated to operate Franchisee's franchise. If it does so, Franchisor will not be responsible for any operational losses of the franchise, nor will it be obligated to continue operation of the Location.

f) Right of First Refusal

The right of Franchisee to assign, transfer, redeem or sell its interest in this Agreement or the franchised Location, voluntarily or by operation of law (as provided above), will be subject to Franchisor's right of first refusal. Franchisor shall exercise its right of first refusal in the following manner:

1. Franchisee shall deliver to Franchisor a true and complete copy of the offer (the "**notice**") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.
2. Within twenty one (21) days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within twenty one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice. However, Franchisor will be entitled to all of the customary representations and warranties given by the seller of assets of a Location, including (without limitation), representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and Franchisee's contingent and other liabilities affecting the assets.
3. If a partial transfer is proposed through the assignment or redemption of more than 25% of the capital stock of a Business Entity to other than the original shareholders, members or partners or proprietors of Franchisee (measured against the ownership of the Franchisee entity as originally constituted on the date of execution of this Agreement), then Franchisor will have the option to purchase not only the interests being transferred but also the remaining interests, so that Franchisor's resulting ownership will be 100% of the franchise. The price of these remaining interests will be proportionate to the price of the interests initially being offered.
4. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.
5. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisee agrees to take all action necessary to assign its Lease agreement with the lessor of the Location to Franchisor.

6. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Franchisee will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Location to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.
7. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Franchisee and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Location specified in this Article.

g) No Encumbrance

Franchisee will have no right to pledge, encumber, hypothecate or otherwise give a security interest in this Agreement, the franchise, the Location or the franchised business in any manner to any third party person or entity without Franchisor's prior written permission, which Franchisor may withhold for any reason.

ARTICLE 14: MARKS

14.1 Franchisee's Non-Ownership of Marks

Nothing in this Agreement will give Franchisee any right, title or interest in or to any of the Marks of Franchisor (or its affiliates) except as a mere privilege and non-exclusive license, during the term of this Agreement, to display and use the Marks according to the limitations set forth in this Agreement. Franchisee understands and agrees that the limited license to use the Marks granted by this Agreement applies only to those Marks which Franchisor designates (and has not designated as withdrawn from use), and those Marks which Franchisor may in the future designate in writing. Franchisee agrees not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted under this Agreement or Franchisee's use of the Marks. All uses of the Marks by Franchisee, whether as a trademark, service mark, trade name or trade style, will inure to Franchisor's benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Marks or operation of the franchised Location.

14.2 Acts in Derogation of the Marks

Franchisee agrees that the Marks are the exclusive property of Franchisor (or its affiliates). Franchisee asserts and will in the future assert no claim to any goodwill, reputation or ownership of the Marks by virtue of Franchisee's licensed use of the Marks, or for any other reason. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its affiliates in connection with the Marks, either during or after the term of this Agreement. Franchisee agrees not to apply for or obtain any trademark or service mark registration of any of the licensed Marks or any confusingly similar marks in its own name. Franchisee agrees to use the Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the Marks, the rights of Franchisor (or its affiliates) to the Marks, or the rights of Franchisor, its affiliates or other franchisees of Franchisor to use the Marks.

14.3 Use and Display of Marks

A. Franchisee agrees to use the Marks in full compliance with rules prescribed from time to time by Franchisor in its Confidential System Standards Manual or otherwise. Franchisee is prohibited (except as expressly provided in this Agreement) from using any Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by Franchisor to Franchisee). Franchisee may not use any Mark in connection with the sale of any unauthorized product, service or program or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may use the Marks only for the operation of the

franchised Location or in advertising for the franchised Location in a manner consistent with Franchisor's corporate brand guidelines, as they presently exist or as they may exist in the future. Franchisee's right to use the Marks is limited to the uses authorized under this Agreement.

B. Franchisee may not use the Marks in any way which will incur any obligation or indebtedness on behalf of Franchisor. Franchisee agrees to comply with Franchisor's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and to execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

C. Franchisee agrees to affix Franchisor's Marks on the Location and the uniforms, equipment, fixtures, signs, stationery, advertising, sales/promotional materials and other objects, in the size, color, lettering style and fashion and at the places which Franchisor designates in its Confidential System Standards Manual or otherwise. Franchisee also agrees to display the Marks and relevant trademark and copyright notices pursuant to the requirements set forth in the Confidential System Standards Manual. Except as expressly provided in the Confidential System Standards Manual or otherwise, Franchisee may not erect or display in or on its Hot Ground Gym[®] Location, stationery, advertising, sales or promotional materials or any other objects bearing any other trademarks, logotypes, symbols or service marks. Franchisee may not use any names, marks or logotypes other than the Marks in connection with the franchised Location without Franchisor's prior written approval.

D. Franchisee shall, at the request of Franchisor and at Franchisor's cost, affix and display in a conspicuous location in its Location, such signs, stationary and sales/promotional materials advertising the sale of Hot Ground Gym franchises. Franchisee shall affix and display a sign in a conspicuous location in its Location, the fact that Franchisee is an independent contractor and not affiliated with Franchisor.

14.4 Non-Use of Trade Name

If Franchisee is a Business Entity, it may not use Franchisor's Marks or any confusingly similar words or symbols, in Franchisee's corporate, partnership or limited liability company name. In particular, Franchisee may not use the words "Hot Ground Gym[®]," "Hot Ground Gym[®] Location" or any variant as part of its corporate, partnership, proprietorship, or limited liability company name.

14.5 Required Means of Hot Ground Gym[®] Identification

Franchisee shall conduct its Location business under the assumed business name "Hot Ground Gym[®]." Franchisee agrees, at its expense, to perform all filings and procure all required or necessary governmental approvals or registrations required to do business under that assumed business name. Franchisee agrees to identify itself as a franchisee, but not an agent, of Franchisor.

14.6 Defense of Marks and Copyrights By Franchisor

If Franchisee receives notice, is informed or learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any of Franchisor's copyrights (each, a "**claim**"), Franchisee agrees to promptly notify Franchisor. Franchisor will then promptly take any action it may consider necessary to protect and defend Franchisee against the claim and indemnify Franchisee against any actual damages and reasonable costs or expenses incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or copyrights. Franchisee may not settle or compromise the claim by a third party without Franchisor's prior written consent. Franchisor will have the right to defend, compromise and settle the claim at its sole cost and expense, using its own counsel. Franchisee agrees to cooperate fully with Franchisor in connection with the defense of the claim. Franchisee grants irrevocable authority to Franchisor, and appoints Franchisor as Franchisee's attorney in fact, to defend and/or settle all claims of this type. Franchisee may participate at its own expense in the defense or settlement, but Franchisor's decisions with regard to the settlement will be final. Franchisor will have no obligation to defend or indemnify Franchisee pursuant to this

Section if the claim arises out of or relates to Franchisee's use of any of the Marks and/or Franchisor's copyrights in violation of the terms of this Agreement.

14.7 Prosecution of Infringers

If Franchisee receives notice, is informed or learns that any third party which it believes is not authorized to use the Marks is using the Marks or any variant of the Marks, Franchisee agrees to promptly notify Franchisor. Franchisor will then determine whether or not it wishes to take any action against the third party on account of the alleged infringement of Franchisor's Marks. Franchisee will have no right to make any demand or to prosecute any claim against any alleged infringer of Franchisor's Marks for or on account of an alleged infringement.

14.8 Discontinuance or Substitution of Marks

Franchisee agrees to comply with any instruction by Franchisor to modify or discontinue use of any Mark, or to use any additional or substituted Marks. Franchisee waives all claims arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or discontinuation. If Franchisor requires Franchisee to add, modify, substitute or discontinue any Mark, Franchisee agrees to bear the costs and expenses associated with any such changes. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.9 Internet

A. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup or other Internet related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time.

B. Franchisee acknowledges and agrees that Franchisor is the owner of, and will retain all right, title and interest in and to (i) the domain name "hotgroundgym.com"; (ii) the URLs: "www.hotgroundgym.com" and "www.hotgroundgymfranchising.com"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all social media identifiers, handles, profiles, streams, and pages of any kind, now known and those not yet contemplated, that use the Marks in any manner; (iv) all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (v) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (vi) all intellectual property rights in or to any of the foregoing.

C. Franchisee Acknowledges that:

1. Franchisor has established the Website. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (a) comply with Applicable Law, (b) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (v) limit or restrict end-user access (in whole or in part) to the Website; and (vi) disable or terminate the Website, or suspend listings of Franchisee locations or Franchisee's access to the Website in the event of a default by Franchisee, without Franchisor having any liability to Franchisee.

2. The Website may include one or more interior pages that identify Locations operated under the Marks, including the Location developed and operated hereunder, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.
3. Franchisor may, from time to time, establish the Franchisee Page. Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's execution of Franchisor's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Such participation agreement may require the Franchisee to pay a reasonable fee for the establishment and maintenance of the Franchisee Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by Franchisor, disclaimers, and such other standards and specifications and rights and obligations of the parties as Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the artwork, graphics, design, functionality, software, code or the like made by Franchisee for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request.
4. Without limiting Franchisor's general unrestricted right to permit, deny and regulate Franchisee's participation on the Website in Franchisor's discretion, if Franchisee shall breach this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchisee page and remove all references to the Location developed and operated hereunder on the Website until said breach is cured.
5. Franchisee shall not, and shall not permit any others to, sell (which includes order-taking), advertise, or merchandise, any Competitive Business products (including Proprietary Products) by any computer medium or electronic medium (including, any Internet home page, e-mail address, website, web page (including the Franchisee Page), domain name, bulletin board, newsgroup or other Internet related medium or activity) without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time. Without limiting Franchisor's rights in this Agreement, all of said rights are reserved to Franchisor.

D. Franchisor also shall have the sole right (but no obligation) to develop an Intranet network through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the Confidential System Standards Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

14.10 Damages

Franchisee understands and agrees that it must pay liquidated damages of one thousand and no/100 dollars (\$1,000) per day for its violation of this Section 14 and further hold harmless, indemnify and defend Franchisor

and its officers, directors, shareholders and employees and pay for any claims and losses to Franchisor resulting from such violation.

ARTICLE 15: RELATIONSHIP OF THE PARTIES

15.1 Independent Contractor

It is expressly agreed that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee is an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co venturer of Franchisor. All employees hired by or working for Franchisee shall be hired and discharged at Franchisee's sole discretion, and shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control, direct or indirect, actual or reserved. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is not a fiduciary relationship. Franchisee shall not, under any circumstances, act or hold itself out as an agent or representative of Franchisor. Franchisee shall clearly identify itself, on all documentation and signage to the public that it is an independently owned and operated business.

15.2 Indemnification

Franchisee agrees to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following Claims: (a) any Claim asserted against Franchisee and/or any of the Indemnified Parties arising from the marketing, use or operation of Franchisee's Location or Franchisee's performance and/or breach of any of Franchisee's obligations under this Agreement; (b) any other Claim arising from alleged violations of Franchisee's relationship with and responsibility to Franchisor; (c) any Claim resulting from Franchisee's breach of any representations, warranties, or covenants; (d) any Claim arising as a result of Franchisee's misuse of Franchisor's Intellectual Property; (e) any Claim relating to a breach of Franchisee's Lease; (f) any Claim relating to taxes or penalties assessed by any governmental entity against Franchisor that are directly related to Franchisee's failure to pay or perform functions required of Franchisee under this Agreement; or (g) Franchisee's negligent acts or omissions or willful misconduct in connection with the ownership or operation of Franchisee's Location. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. Franchisee may participate in such defense at Franchisee's own expense. Franchisee agrees to give Franchisee's full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by such Indemnified Party to Franchisee enumerating such costs, expenses and attorneys' fees. "**Indemnified Party**" or "**Indemnified Parties**" means Franchisor and each of its past, present and future owners, members, officers, directors, employees and agents, as well as its parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents. "**Claim**" or "**Claims**" means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries. "**Losses and Expenses**" means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees;

experts' fees; accountants' fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

ARTICLE 16: DEFAULT AND TERMINATION

16.1 Termination By Franchisor - Automatic Termination Without Notice

Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee, if: Franchisee, the franchised Location or the Business Entity to which the franchise relates is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against Franchisee or the franchised business and is not immediately contested and/or dismissed within sixty (60) days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee, the franchised business or assets of either is filed and consented to by Franchisee; a receiver or other custodian (permanent or temporary) of all or part of Franchisee's assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee or the franchised business; Franchisee is dissolved; execution is levied against Franchisee, the franchised business or its property; or, the real or personal property of the franchised business is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

16.2 Termination By Franchisor Upon Notice - No Opportunity To Cure

Franchisee will have materially breached this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisee's receipt of notice (which, whether sent by certified mail, registered mail, fax, overnight courier or personal physical delivery, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

A. Franchisee does not commence operation of the franchised Location within one hundred twenty (120) days following execution of this Agreement by Franchisor; at any time ceases to operate the franchised Location; abandons the franchise relationship; or, abandons the franchise by failing to operate the Location for five (5) consecutive days during which Franchisee is required to operate the Location under this Agreement (or any shorter period of time after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to operate the franchise), unless Franchisee's failure to operate is due to fire, flood, other Acts of God or other similar causes beyond Franchisee's control.

B. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement.

C. Franchisor and Franchisee agree in writing to terminate the Franchise Agreement.

D. Franchisee does not provide a copy of the proposed Lease, or does not otherwise secure a Location within the time limits and following the procedures specified in this Agreement.

E. Franchisee fails to timely cure a default under the Lease for the Location which could result in the loss of Franchisee's right to possession of the Location; or Franchisee loses the right to possession of the Location, provided, however, that if the loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty (30) days after this event to apply for Franchisor's approval to relocate and reconstruct the premises in accordance with the applicable provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for Franchisor to withhold approval if the Location will not re-open within one hundred twenty (120) days of the closing of the previous Location.

F. Franchisee (or, if Franchisee is a Business Entity, any principal of Franchisee) engages in an act that could be deemed a felony, fraud, crime involving moral turpitude, or any other crime or offense which Franchisor reasonably believes is related to Franchisee's operation of the franchised Location, or is likely to have an adverse effect on the Hot Ground Gym® System, the Marks, the goodwill associated with the Marks or Franchisor's interest in the System or Marks.

G. A threat or danger to public health or safety results from Franchisee's continued operation of the franchised Location.

H. Franchisee reuses and/or recycles any Proprietary Product, or sells such products to third parties without the prior approval and written consent of Franchisor.

I. Franchisee fails to correct any local, state or municipal health or sanitation law or code violation within seventy-two hours after being cited for such violation.

J. Franchisee (or any principal of a Business Entity) purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the franchised Location to any third party in violation of the terms of this Agreement.

K. Franchisee conceals revenues; knowingly maintains false books or records; falsifies information or otherwise defrauds or makes false representations to Franchisor; or, knowingly submits any substantially false report to Franchisor.

L. Franchisee engages in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice.

M. Franchisor causes an audit to be made for any period and the Gross Revenues as shown by Franchisee's monthly statements submitted to Franchisor is found to be understated by 5% or more for any calendar year.

N. Franchisee interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties.

O. Franchisee interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Marks and System or Franchisee makes any use of the Marks not authorized under this Agreement.

P. Franchisee receives three (3) notices of default within any eighteen (18) month period.

Q. Franchisee offers or sells any unapproved products and/or conducts (or permits the conducting of) any business other than the business contemplated by this Agreement at or from the Location without Franchisor's prior written consent.

R. If Franchisee shall abandon the Location. For purposes of this Agreement, “**abandon**” shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Location open and operating for, and conducting, retail business for a period of five (5) consecutive days, except as provided in the Confidential System Standards Manuals, (ii) Franchisee's failure to keep the Premises or Location open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Location, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control, and/or (iii) Franchisee's failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Location solely with the “Hot Ground Gym®” name.

16.3 Termination by Franchisor - Fifteen Days to Cure

Except as provided in Section 16.1, 16.2, 16.4 and in Section 8.1, Franchisee will have fifteen (15) calendar days after its receipt from Franchisor of a written Notice of Termination to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time (or, if appropriate, Franchisee has not initiated action to

cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable law. All Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee's Location.

16.4 Franchisee's Failure to Pay

Franchisee shall have ten (10) days to cure any default in the timely payment of sums due to Franchisor or its affiliates, after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

16.5 Cross Default

Any default or breach by Franchisee of any other agreement between Franchisor or its affiliates and Franchisee will be deemed a default under this Agreement, and any default or breach of this Agreement by Franchisee will be deemed a default or breach under any and all other agreements between Franchisor and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Franchisee in the same manner provided for in this Agreement for termination of this Agreement. Franchisee will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Franchisee as Franchisee has under this Agreement.

16.6 Notice Required By Law

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

ARTICLE 17: FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES ON TERMINATION OR EXPIRATION

17.1 Post-Termination Obligations

A. If this Agreement expires or terminates for any reason, Franchisee will cease to be an authorized Hot Ground Gym franchisee and Franchisee will lose all rights to the use of Franchisor's Marks, the Hot Ground Gym® System, all Confidential Information and know-how owned by Franchisor and any goodwill engendered by the use of Franchisor's Marks.

Upon termination or expiration of this Agreement for whatever reason, Franchisee agrees to:

1. Immediately pay all sums due and owing to Franchisor or its affiliates, all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties, and shall immediately pay to Franchisor the full amount of the Location's outstanding gift card/certificates.
2. Discontinue the use of the Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that it is operating a Hot Ground Gym® Location, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by Franchisee by virtue of the

relationship established by this Agreement, including (without limitation): Hot Ground Gym products, services and programs; specifications or descriptions of Franchisor's products and services; lists of customers, employees and independent contractors; Franchisor's Confidential System Standards Manual and any Supplements to it; forms, advertising matter, marks, devices, signs, insignia, slogans and designs used in connection with the franchised Location; telephone number listed in any telephone directory under the name "Hot Ground Gym[®]," or any similar designation or directory listing relating to the franchised Location; and, the systems, procedures, techniques, criteria, concepts, designs, advertising and promotion techniques, specifications, and all other components, specifications and standards, which comprise (or in the future may comprise) a part of the Hot Ground Gym[®] System.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Mark "Hot Ground Gym[®]," or any other Mark of Franchisor, or any variant, within fifteen days following termination or expiration of this Agreement. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf and at Franchisee's expense, execute all documents necessary to cause discontinuance of Franchisee's use of the name "Hot Ground Gym[®]," or any related name used under this Agreement. Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.
4. Upon any termination of this Agreement by Franchisor, Franchisor will have the right immediately to enter and take possession of Franchisee's Location to maintain continuous operation of the previously-franchised Location, provide for orderly change of management and disposition of personal property, and otherwise protect Franchisor's interests. If Franchisee disputes the validity of Franchisor's termination of the franchise, Franchisor will nevertheless have the option (which Franchisee irrevocably grants) to operate the Location business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, Franchisor agrees to make a full and complete accounting for the period during which it operated the previously-franchised Location.
5. In the event of termination for any default by Franchisee or of termination by Franchisee through failure to make payment following notice to cure, pay to Franchisor all expenses it incurs as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees.
6. At Franchisor's option, which is exercisable in writing within thirty (30) days from the date of expiration or termination of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, assign to Franchisor any interest which Franchisee has in any Lease, right or entry or easement for the Location, and vacate the Location promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession. Except as provided for in Section 17.1.B.4 or as otherwise instructed by Franchisor, Franchisee shall immediately close the franchised Location for business, and, during the thirty (30) day period following expiration or termination, Franchisee shall not take any action to remove, conceal, assign, transfer or sell, any items containing the Marks, signs, equipment, furniture, fixtures, equipment or other tangible assets used in, or necessary for, the effective operation of the Location.
7. If Franchisee owns the Location, execute and deliver to Franchisor a Lease for the Location on commercially reasonable terms. If the parties cannot agree on such terms within a reasonable time, Franchisor will designate an independent appraiser. The appraiser's determination will be binding, and Franchisee shall execute and deliver to Franchisor a Lease for the Location on the terms determined by the appraiser to be commercially reasonable. Franchisor and Franchisee will each pay 50% of the fee charged by the independent appraiser. Upon its execution of the

Lease for the Location, Franchisee agrees to vacate the Location promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession.

8. Immediately deliver to Franchisor all training or other manuals furnished to Franchisee (including the Confidential System Standards Manual and Supplements to the Confidential System Standards Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear Franchisor's Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the franchised Location. Franchisee may retain no copy or record of any of these items, except for Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. Franchisee agrees that the foregoing items, materials, lists, files, software and other similar items will be deemed to be the property of Franchisor for all purposes.
9. Within fifteen (15) days from the date of termination or expiration of this Agreement, or if termination is contested by Franchisee, within fifteen (15) days after a court decides the propriety of the termination, arrange with Franchisor for an inventory to be made by Franchisor, at Franchisor's cost, of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets of Franchisee and the franchised Location, including, without limitation, all items bearing the Marks. Franchisor will have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, to purchase from Franchisee any or all of these items for the total purchase price of Two Thousand Five Hundred Dollars (\$2,500). If Franchisor elects to exercise this option to purchase, Franchisee shall be obligated to sell to Franchisor any and all of the furniture, fixtures, equipment, inventory, supplies, and other tangible assets of Franchisee and the franchised Location for the total purchase price of Two Thousand Five Hundred Dollars (\$2,500), and Franchisor may set off all amounts due from Franchisee under this Agreement against this purchase price. Franchisee shall not, for a period of thirty (30) days after termination or expiration of this Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised Location. Any conveyance, sale or transfer of any of the fixtures, equipment, inventory and supplies of Franchisee and the franchised Location during this time shall be null and void.
10. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.
11. Cease using the telephone numbers listed in any telephone directories, local listings or local internet search engines under the name "Hot Ground Gym" or any other confusingly similar name or directory listing relating to the franchised Location. Franchisee agrees that Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and all classified and other directory listings for the Location. Franchisee further agrees, upon Franchisor's written demand, to direct the telephone company and all listing agencies to transfer to Franchisor, or to any other person and location that Franchisor directs, all telephone numbers and directory listings of the Location. Franchisee acknowledges and agrees that Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and Franchisee hereby authorizes Franchisor to direct the telephone company and all listing agencies to transfer Franchisee's telephone numbers and directory listings to Franchisor or to any other person and location that Franchisor directs, if this Agreement expires

or is terminated. The telephone company and all listing agencies may accept this Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to Franchisor. This Agreement will constitute a release of the telephone company and listing agencies by Franchisee from any and all claims, actions and damages that Franchisee may at any time have the right to allege against them in connection with this Section. Franchisee agrees to execute such other documents as Franchisor may require to complete the transfer of the telephone numbers as contemplated herein.

12. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in this Agreement.
13. Continue to abide by those restrictions pertaining to the use of Franchisor's Confidential Information, trade secrets and know-how set forth in this Agreement.
14. Immediately refrain from engaging in any contacts with customers or potential customers. Upon termination or expiration of this Agreement, Franchisee acknowledges and agrees that all customers shall thereafter belong to Franchisor or its assign.
15. Immediately surrender to Franchisor all computer software, data storage disks or tapes used in the operation of the franchised Location, printouts, and other information pertaining to computer operations, codes, procedures and programming. Franchisee agrees not to destroy, damage, hide or take any steps to prevent Franchisor from obtaining any information which Franchisee had stored in the computer system of the franchised Location. Franchisee agrees not to retain any printouts, disks or tapes containing any of the programs or data stored in the computer system.
16. If Franchisor elects not to assume possession of the Location, then promptly upon termination or expiration, Franchisee agrees to perform all reasonable redecoration and remodeling of the Location as Franchisor considers necessary in its reasonable judgment to distinguish the Location from a Hot Ground Gym[®] Location.

B. The expiration or termination of this Agreement will be without prejudice to Franchisor's rights against Franchisee and will not relieve Franchisee of any of its obligations to Franchisor at the time of expiration or termination, or terminate Franchisee's obligations which by their nature survive the expiration or termination of this Agreement.

17.2 Liquidated Damages

If Franchisor terminates this Agreement as a result of Franchisee's default, or Franchisee terminates this Agreement without cause prior to its expiration date, then Franchisee shall pay to Franchisor liquidated damages on or before thirty (30) days following the termination. The amount of liquidated damages will be equal to the (i) the product of 36 multiplied by the average monthly Royalty Fees and Marketing Fund Fees accrued during the 12-month period before the month of termination (or, if your Hot Ground Gym[®] business has been open less than 12-months, during the period during which the Hot Ground Gym[®] business has been open), or (ii) if your Hot Ground Gym[®] business has not yet opened for business, \$100,000.

ARTICLE 18: WAIVER AND DELAY

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by Franchisee under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

ARTICLE 19: FRANCHISOR'S WITHHOLDING OF CONSENT FRANCHISEE'S EXCLUSIVE REMEDY

In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Franchise Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

ARTICLE 20: INTEGRATION OF AGREEMENT

This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Franchisee acknowledges that it is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation of the franchised Location and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, independent contractors or other Hot Ground Gym® franchisees which are contrary to the terms set forth in this Agreement or of any offering circular, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

ARTICLE 21: NOTICES

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail, by e-mail (where allowed by law), or by facsimile transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

Hot Ground Gym Franchising, LLC
Attn: Doug Gialds
1950 North US Highway 45
Libertyville, IL 60048

Notice to Franchisee shall be addressed to Franchisee at:

Either party to this Agreement may, in writing, on ten (10) days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

ARTICLE 22: MISCELLANEOUS

22.1 Construction and Interpretation; Further Acts

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee.

It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

Since the words "Franchisor" and "Franchisee" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Franchisee" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several.

The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

22.2 Severability

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

ARTICLE 23: COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE; MEDIATION

23.1 Costs of Enforcement

Franchisor will be entitled to recover from Franchisee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against Franchisee to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

23.2 Attorneys' Fees

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the franchised Location, or the Location due to any act or omission of Franchisee or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Franchisee or the franchised Location, then Franchisee will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Franchisee.

23.3 Governing Law

This Agreement; all relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Delaware without recourse to choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise or similar law, rule or regulation of the State of Delaware or any other state, which would not otherwise apply.

23.4 Venue

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in Lake County, Illinois.

23.5 Waiver of Jury Trial/Class Action

All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising out of this Agreement, whether now existing or arising in the future.

The parties agree that any litigation arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees, multi-unit developers, or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any arbitration or litigation proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

23.6 Punitive Damages

In no event will Franchisor be liable to Franchisee for punitive, special, or exemplary damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement. In any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement, Franchisee shall be limited to recovering its actual damages only.

23.7 Mediation

In the event of any dispute, other than disputes that are the subject of Franchisee's default pursuant to Section 16.1 or Section 16.2, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to its procedures, or any other mediation service mutually agreed to by the parties according to such mediator's procedures. The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation. All mediation proceedings shall take place in the county and state where Franchisor has its principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them. The commencement of any dispute resolution procedure shall not act to prevent Franchisor from instituting or proceeding with any action which may be the subject of the dispute

ARTICLE 24: SURVIVAL

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

ARTICLE 25: SUBMISSION OF AGREEMENT

The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Franchisee. The date of execution by Franchisor will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.

[SIGNATURES ON THE FOLLOWING PAGE]

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:
Hot Ground Gym Franchising, LLC

FRANCHISEE:

By: _____
Printed Name: Doug Gialds
Title: President

Date: _____

By: _____

Printed Name: _____

Title: _____

Date: _____

**EXHIBIT A TO FRANCHISE AGREEMENT
FRANCHISED TERRITORY; CENTER LOCATION**

Site Selection Territory:

The Site Selection Territory as defined in Section 1.2 of the Franchise Agreement is:

Location:

The Location as defined in Section 1.1 of the Franchise Agreement is:

Protected Territory:

The Protected Territory as defined in Section 1.2 of the Franchise Agreement is:

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:
Hot Ground Gym Franchising, LLC

FRANCHISEE:

By: _____
Printed Name: Doug Gialds
Title: President

By: _____
Printed Name: _____

Date: _____

Title: _____

Date: _____

EXHIBIT B
PRINCIPAL OWNERS GUARANTY

In consideration of the execution by Hot Ground Gym Franchising, LLC ("**Franchisor**") of the Hot Ground Gym[®] Franchise Agreement (the "**Franchise Agreement**"), dated the _____ day of _____, 20____ between Franchisor and _____ ("**Franchisee**") and for other good and valuable consideration, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally Guaranty the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one (1) person has executed this Guaranty, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guaranty shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder:

(a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do Guaranty and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guaranty or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty shall inure to the benefit of the Franchisor, its successors and assigns. This Guaranty may be assigned by

Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the date of the Franchise Agreement.

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

EXHIBIT C TO FRANCHISE AGREEMENT
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This Non-Disclosure and Non-Competition Agreement (“**Agreement**”) is entered into by the undersigned (the “**Disclosee**”) as of the date written below.

The Company is a Franchisee of Hot Ground Gym Franchising, LLC (“**Franchisor**”), pursuant to which it is has been granted a non-exclusive license to use Franchisor’s trademarks and service marks, the business systems identified by such Marks (the “**System**”), and certain confidential information.

In consideration of the Disclosee’s employment by the Company, and as a material inducement for the Company to disclose certain confidential and/or proprietary information to the Disclosee in connection with the business of being a franchisee of Franchisor, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Disclosee agrees to be bound by the following representations, warranties and covenants, to be effective, during and at all times after the Disclosee’s employment by or affiliation with the Company:

1. The Disclosee may have received or been given access to, or will receive or be given access to, certain confidential information and trade secrets of Franchisor and/or the Company, all relating to or useful in the Company’s business and all labeled, treated as, or otherwise considered by Franchisor and/or the Company as confidential or proprietary information (collectively, the “**Confidential Information**”). The Confidential Information includes, without limitation, the Franchisor confidential manuals, memoranda, agreements, correspondence, records, plans and reports used or created by the Company or supplied to the Company by Franchisor; know-how; identities of current and prospective customers and suppliers; advertising and marketing techniques; procedures and techniques, and operational and quality assurance procedures.

2. The Disclosee represents, warrants and agrees that the Disclosee will keep any and all of the Confidential Information from being made known or disclosed to any person or entity, except for the exclusive use and benefit of the Company or Franchisor. The Disclosee shall not reproduce, or permit the reproduction, directly or indirectly, of any of the Confidential Information except as required by the Company, or permit the removal of, nor shall the Disclosee remove, any of the Confidential Information from the premises of the Company.

3. The Confidential Information is the exclusive property of Franchisor and/or the Company. Upon request by the Company, and in any event upon termination of the Disclosee’s employment or affiliation for whatever reason, the Disclosee shall return to the Company all documents and other material in the Disclosee’s possession or under the Disclosee’s control which may contain or be derived from Confidential Information, together with all documents, notes, or other work product which is connected with or derived from the Disclosee’s employment by, or ownership of, the Company. The Disclosee shall, from time to time as may be requested by the Company, do all things which may be necessary to establish or document the Company’s rights of any such work product.

4. The Disclosee shall promptly provide notice to the Company if the Disclosee knows of or suspects the disclosure of any Confidential Information by any person or entity, which disclosure would not be permitted if such person or entity were bound by the terms of this Agreement. Such notice is signed by the Disclosee and shall reasonably describe such unpermitted disclosure.

5. The Disclosee acknowledges and agrees that Franchisor has a legitimate business interest and would be unable to protect its System, trademarks, service marks and its Confidential Information against unauthorized use or disclosure and Franchisor would be irreparably harmed and unable to encourage a free exchange of ideas and information among the franchisees within the Franchisor’s franchise system if the Disclosee were permitted to engage in the acts described below. The Disclosee covenants that during the Disclosee’s relationship with the Company (as an employee or independent contractor) and for a 24-month period thereafter, the Disclosee will not:

(a) directly or indirectly, solicit or perform any services of the kind offered by Company or the Franchisor on any present or former customer of Franchisor or the Company;

(b) in addition to, and not in limitation of other provisions hereof, the Disclosee shall not in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Company or Franchisor;

(c) solicit any customer of Company or other System franchisees;

(d) engage in or become interested in the same or substantially similar business as Company within a twenty-five (25) mile radius of company-owned locations or any other Hot Ground Gym[®] Locations, including but not limited to the operation of a business offering fitness services, whether an individual, partner, shareholder, director, officer, principal or agent. This paragraph shall not be interpreted so as to prevent the Disclosee from working as an employee at a business that engages in fitness services provided that all other provisions of this Agreement are complied with.

6. Disclosee acknowledges and agrees that Company's existing customers belong to the Company and not the Disclosee, and that Disclosee is not entitled to maintain a list of Company's customers. Disclosee further acknowledges and agrees that Company's customer list is a unique and valuable asset of the Company and Company shall be irreparably harmed if Disclosee were permitted to use Company's customer list for any purpose other than to benefit Company.

7. The existence of any claim or cause of action by the Disclosee against the Company predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company and/or Franchisor of this Agreement. Any failure to object to any conduct in violation of this Agreement shall not be deemed a waiver by the Company or Franchisor. In the event that any court shall finally hold that any other provision stated in this Agreement constitutes an unreasonable restriction upon the Disclosee, the Disclosee hereby expressly agrees that the provisions of this Agreement shall not be rendered void but shall apply to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. The Disclosee agrees that it shall forthwith comply with any covenant as so modified, which is fully enforceable to the extent permitted by applicable law. The obligations of the Disclosee to Franchisor are in addition to, and not in lieu of, any additional or more restrictive obligations the Disclosee may have to Franchisor in any other agreement.

8. The Disclosee acknowledges and confirms that the restrictions contained herein are fair and reasonable and not the result of overreaching, duress or coercion of any kind. The Disclosee further acknowledges and confirms that his or her full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants contained in this Agreement will not impair his or her ability to obtain employment commensurate with his or her abilities and on terms fully acceptable to the Disclosee or otherwise to obtain income required for his or her comfortable support and of his or her family, and the satisfaction of the needs of his or her creditors. The Disclosee acknowledges and confirms that his or her special knowledge of the Franchisor/Company's business (and anyone acquiring such knowledge through the Disclosee) is such as would cause the Company and Franchisor serious injury and loss if the Disclosee (or anyone acquiring such knowledge through the Disclosee) were to use such ability and knowledge to the detriment of the Company or Franchisor.

9. In the event the Company should bring any legal action or other proceeding for the enforcement of this Agreement, the time for calculating the term of the restrictions therein shall not include the period of time commencing with the filing of legal action or other proceeding to enforce the terms of this Agreement hereof through the date of final judgment or final resolution, including all appeals, if any, of such legal action or other proceeding.

10. The parties recognize the necessity of the Disclosee's compliance with the terms of this Agreement to Franchisor as the franchisor of the business operated by the Company. Accordingly, the

Disclosee agrees and acknowledges that Franchisor is a third party beneficiary of the Disclosee’s obligations hereunder and Franchisor is entitled to all rights and remedies conferred upon the Company or Franchisor hereunder, which Franchisor may enforce directly against the Disclosee with or without the consent or joinder of the Company.

11. No modification or waiver of any of the terms of this Agreement are effective unless made in writing and signed by the Disclosee, the Company and Franchisor. All of the terms of this Agreement is binding upon, inure to the benefit of, and be enforceable by the Disclosee, the Company, and Franchisor and their respective legal representatives, heirs, successors and assigns.

12. The Confidential Information is a unique and valuable asset of the Company and Franchisor, and the Company and Franchisor shall be irreparably damaged (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by the Disclosee of this Agreement, the Company and Franchisor shall be entitled to injunctions restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of this Agreement. The Disclosee irrevocably and unconditionally: (a) agrees that any legal proceeding relating to this Agreement shall be brought in the state courts in Lake County, Illinois or the District Court of the United States, Northern District of Illinois; (b) consents to the jurisdiction of each such court; and (c) waives any objection which the Disclosee may have to the laying of venue of any proceeding in any of such courts.

13. The Agreement shall be governed by, and venue and jurisdiction for all disputes shall be as set forth in the Franchise Agreement.

14. The Company and/or Franchisor shall be entitled to recover from Disclosee all reasonable attorneys’ fees, costs, and expenses incurred by or on behalf of the Company and/or Franchisor in matters arising out of or related to the interpretation or enforcement of any provision of this Agreement or any of the Company’s or Franchisor’s rights hereunder.

15. This Agreement has been carefully reviewed, negotiated, understood and agreed to by all parties hereto. In the event of any ambiguities in this Agreement, any statute or rule of construction that ambiguities are to be resolved against the drafter of the agreement shall not be employed in the interpretation of this Agreement.

16. This Agreement neither creates nor is intended to imply the existence of an employment contract and does not represent a promise or representation of employment or continued employment. Nothing in this Agreement shall change the “at-will” nature of Disclosee’s employment relationship with the Company.

Dated: _____

DISCLOSEE:

(Signature)

(Printed Name)

EXHIBIT D TO FRANCHISE AGREEMENT

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
HOT GROUND GYM FRANCHISING, LLC (“PAYEE”)**

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, “**debits**”) drawn on such account which are payable to the above named Payee. It is agreed that Depository’s rights with respect to each such debit shall be the same with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever.

The Depositor agrees with respect to any action taken according to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose for payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor’s own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee under the foregoing request and authorization, or in any manner arising by reason of the Depository’s or Payee’s participation therein.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Acct.: _____
(Please attach one voided check for the above account)

Location: _____

Address: _____

Phone #: _____

Fax #: _____

Name of Franchisee/Depositor: _____

By: _____
Signature and Title of Authorized Representative

Date: _____

#

**EXHIBIT E TO THE FRANCHISE AGREEMENT
ADDENDUM TO LEASE**

This Addendum to Lease, dated _____, 200__, is entered into between _____
_____ (“**Landlord**”) and
_____ (“**Tenant**”).

RECITALS

A. The parties have entered into a Lease Agreement dated _____,
20____, (the “**Lease**”) pertaining to the premises located at _____ (the
“**Premises**”).

B. Landlord acknowledges that Tenant has agreed to operate a Hot Ground Gym® Location at the
Premises pursuant to Tenant’s Franchise Agreement (the “**Franchise Agreement**”) with Hot Ground Gym
Franchising (“**Franchisor**”) under the “Hot Ground Gym®” brand name or other name designated by
Franchisor (the “**Location**”).

C. The parties desire to amend the Lease in accordance with the terms and conditions
contained in this Addendum to provide Franchisor the opportunity to preserve the Premises as a Hot Ground
Gym® Location as provided herein.

AGREEMENT

Landlord and Tenant agree as follows:

1. After the expiration or termination of the Franchise Agreement for any reason,
Franchisor shall have the option for thirty (30) days to cure any defaults; at Franchisor's election, either to
assume the obligations of and replace Tenant as the lessee under the Lease, or to have another franchisee
of Franchisor assume the obligations of and replace Tenant as the lessee under the Lease; and, if Franchisor
has assumed the obligations of and replaced Tenant as the lessee under the Lease, to reassign the Lease to
another franchisee of Franchisor.

2. The Landlord will furnish to Franchisor written notice specifying any default by the
Tenant and the method of curing the default; allow Franchisor thirty (30) days after receipt of the notice
to cure the defaults (except that if the default is the non-payment of rent, Franchisor will have only fifteen
(15) days from receipt of notice to cure the default); and, allow Franchisor to exercise its option for
Franchisor or another franchisee of Franchisor to succeed to Tenant’s interest in the Lease.

3. The Landlord will accept Franchisor or another franchisee of Franchisor designated by
Franchisor as a substitute tenant under the Lease upon notice from Franchisor that it is exercising its option
for Franchisor or another franchisee of Franchisor to succeed to Tenant's interest in the Lease and/or to
reassign the Lease to another franchisee of Franchisor following Franchisor's assumption of obligations
under the Lease.

4. The Landlord acknowledges that Tenant alone is responsible for all debts, payments and
performances under the Lease before Franchisor or another franchisee of Franchisor takes actual
possession of the premises and Landlord shall not require Franchisor to satisfy any past-due obligations
of Tenant as a condition of assignment to Franchisor.

5. The Lease may not be modified or amended without Franchisor's prior written consent.
The Landlord will promptly provide Franchisor with copies of all proposed modifications or amendments
and true and correct copies of the executed modifications and amendments.

6. The Landlord may, upon the written request of Franchisor, disclose to Franchisor all
reports, information or data in the Landlord's possession (as applicable) with respect to sales made in,
upon or from the leased Location Premises.

#

7. Following the expiration or termination of the Franchise Agreement for any reason, Franchisor may enter the premises to remove its Marks and other proprietary property or property containing the Marks.

8. The Landlord agrees that it will not Lease space in the shopping center, building or plaza to another tenant who offers the same or similar services offered by the Hot Ground Gym® franchise system.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the dates written below.

LANDLORD:

TENANT:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT D
FORM OF GENERAL RELEASE

THIS AGREEMENT (“Agreement”) is made and entered into this ____ day of _____, 20__ by and between **HOT GROUND GYM FRANCHISING, LLC** (the “Franchisor”), and

_____, a _____, (hereinafter referred to as “Releasor”), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with that certain Franchise Agreement by and between Franchisor and Releasor, dated _____, and all ancillary documents executed in connection therewith, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys’ fees.

2. Releasor represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Delaware law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder, without regard to provisions for conflicts of laws. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys’ fees and costs incurred therein and said action must be filed in the State of Illinois.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

FRANCHISOR:
HOT GROUND GYM FRANCHISING, LLC

RELEASOR:

By: _____
Printed Name: Doug Gialds
Title: President

By: _____
Printed Name: _____

Date: _____

Title: _____

Date: _____

EXHIBIT E
LIST OF FRANCHISE OWNERS, TERMINATED LOCATIONS AND TRANSFERS

NONE

WE JUST BEGAN FRANCHISING AS OF THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT

EXHIBIT F
STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF CALIFORNIA**

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

OUR WEBSITE (www.hotgroundgym.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

1. The following paragraph is added to the end of Item 3:

Neither the Franchisor or any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing information as the Commissioner may by rule or otherwise require, prior to a solicitation of a proposed material modification of an existing franchise.

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

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

The Franchise Agreement requires application of the laws of the State of Delaware. This provision may not be enforceable under California law.

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois is void.**

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The following paragraph is added to the state cover page under Special Risks.

**RIDER TO THE
HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF ILLINOIS**

This Rider to the Franchise Agreement by and between Hot Ground Gym Franchising, LLC and Franchisee is dated _____, 20____.

Illinois law shall apply to and govern the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois is void**.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

HOT GROUND GYM FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____

By: _____

Title: _____

Title: _____

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND**

1. The following provisions shall supersede Item 17 of the Disclosure Document and apply to all Franchises offered and sold in the State of Maryland:

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

Pursuant to Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law. A copy of the Franchisor's current form of Release is included as Exhibit L to the Disclosure Document.

You may bring any lawsuit against us in any court of competent jurisdiction, including the state or federal courts of Maryland for claims arising under the Maryland Franchise Registration and Disclosure law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF MINNESOTA**

We are contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the Marks when your rights granted therein warrant protection.

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the applicable agreement.

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

In Items 17.c and 17.m any releases you sign will not apply to any claims that may arise under the Minnesota Franchise Act.

**RIDER TO THE
HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF MINNESOTA**

This Rider to the Franchise Agreement by and between Hot Ground Gym Franchising, LLC and Franchisee is dated _____, 20__.

1. Notwithstanding anything in the Franchise Agreement to the contrary, the following are hereby added to the Franchise Agreement and, in the event of a conflict, shall control:

a. The Franchisor agrees to protect the Franchisee against claims of infringement or unfair competition with respect to the Franchisee's authorized use of the Marks when the Franchisee's rights granted therein warrant protection.

b. Any release executed in connection herewith will not apply to any claims that may arise under the Minnesota Franchise Act.

c. Minnesota law provides Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

HOT GROUND GYM FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

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

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

Except as provided above with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices, or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities,

antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the bankruptcy code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

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

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

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

6. 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.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled

“Choice of forum”, and Item 17(w), titled **“Choice of law”**:

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

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF RHODE ISLAND**

The following paragraph is hereby added at the end of 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.”

**RIDER TO THE
HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF RHODE ISLAND**

This Rider to the Franchise Agreement by and between Hot Ground Gym Franchising, LLC and Franchisee is dated _____, 20____.

The following paragraph is hereby added to the end of the Franchise Agreement.:

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

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

HOT GROUND GYM FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for use in the Commonwealth of Virginia shall be amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT FOR
THE STATE OF WASHINGTON**

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

The state of Washington has a statute, RCW 19.100.180 which 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 involving a franchise purchased in Washington, the Arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. 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 same of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

The following paragraph is added to the state cover page under Special Risks.

The continuation of the Territory and the right to operate the Business within the Territory during the term of the Franchise Agreement depends on the Business maintaining certain minimum staffing requirements in the Territory which will require you to retain a minimum number of full time internal and external sales persons, sales managers, operations managers, documentation specialists and other staff members that we designate in Exhibit I to the Franchise Agreement.

**RIDER TO THE
HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF WASHINGTON**

This Rider to the Franchise Agreement by and between Hot Ground Gym Franchising, LLC and Franchisee is dated _____, 20____.

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

The state of Washington has a statute, RCW 19.100.180 which 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 involving a franchise purchased in Washington, the Arbitration site shall either be in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. 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 same of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

HOT GROUND GYM FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Name: Dog Gialds
Title: President

By: _____
Title: _____

**ADDENDUM TO THE
HOT GROUND GYM FRANCHISING, LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WISCONSIN**

REGISTRATION OF THIS FRANCHISE IN WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**RIDER TO THE
HOT GROUND GYM FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN**

The Franchise Agreement between Hot Ground Gym Franchising LLC, a Delaware limited liability company (“Franchisor”) and _____ (“Franchisee”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

WISCONSIN LAW MODIFICATIONS

1. In lieu of anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days’ prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written

HOT GROUND GYM FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT G
CONFIDENTIAL BRAND STANDARDS MANUAL TABLE OF CONTENTS

EXHIBIT H
STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Pending
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

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

**EXHIBIT I
RECEIPTS**

RECEIPT
(Retain This Copy)

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 Hot Ground Gym Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Maryland, New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Hot Ground Gym 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, DC 20580, and the appropriate state agency identified on Exhibit A.

The franchisor is Hot Ground Gym Franchising, LLC, located at 1950 North US Highway 45, Libertyville, IL 60048; 847-387-8560.

Issuance Date: July 28, 2023

The franchise seller for this offering is: Doug Gialds at 1950 North US Highway 45, Libertyville, IL 60048; 847-387-8560.

Hot Ground Gym Franchising, LLC authorizes the respective state agencies identified in Exhibit A to receive service of process for it in the particular state.

I received a disclosure document issued July 28, 2023, which included the following exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Financial Statements
Exhibit C	Franchise Agreement and Addenda
Exhibit D	Form of General Release
Exhibit E	List of Franchise Owners, Terminated Locations and Transfers
Exhibit F	State Specific Addenda to Franchise Disclosure Document
Exhibit G	Confidential System Standards Manual Table of Contents
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date

Signature

Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

**RECEIPT
(Our Copy)**

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 Hot Ground Gym Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Maryland, New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Exhibit G	Confidential System Standards Manual Table of Contents
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date

Signature

Printed Name

You may return the signed receipt by either signing, dating, and mailing it to Hot Ground Gym Franchising, LLC, at 1950 North US Highway 45, Libertyville, IL 60048 or sending it by email to Doug Gialds at franchising@hotgroundgym.com.