

## FRANCHISE DISCLOSURE DOCUMENT



WORLD GYM INTERNATIONAL, LLC  
A Delaware limited liability company  
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We offer qualified individuals and entities a franchise for the right to independently own and operate a fitness Gym providing fitness training and equipment, related services and sale of nutritional items, exercise apparel and accessories (each, a “Gym”) utilizing our then-current proprietary marks, including our current primary mark WORLD GYM (collectively, the “Proprietary Marks”) and the system of business operations developed by us (the “System”). As of the Issue Date, a franchise may be awarded for the right to operate a franchised Gym utilizing System standards and specifications for a premises with typically either (a) a traditional footprint of between 20,000 and 30,000 square feet (a “Signature Model”), or (b) a smaller footprint that is between 7,500 and 11,000 square feet (a “Legacy Model”).

We also offer qualified parties the right to develop multiple Gyms within a given geographical area we designate and in accordance with an agreed-upon and mandatory development schedule.

The total investment necessary to begin operation of (a) s single Signature Model Gym ranges from \$1,934,500 to \$3,690,000, and (b) a single Legacy Model Gym ranges from \$1,094,500 to \$1,997,500. This includes \$45,000 that must be paid to us or our affiliates.

The total investment necessary to operate multiple Gyms under our form of area development agreement depends on the number of franchises we grant you the right to open. The total investment necessary to enter into a development agreement for the right to develop three (3) franchised Gyms is \$2,009,500 to \$3,810,000, which includes (i) the development fee amounting to \$120,000 that is paid to us prior to opening, and (ii) the estimated initial investment to begin operation of your initial Gym (which our standard franchise offering expects will be a Signature Model.)

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 Administration team at 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067 or at (424) 481-0321.

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

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

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

Issue Date: April 10, 2024

## How to Use This Franchise Disclosure Document

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

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

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

**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 (approved vendors). These items may be more expensive than similar items you could buy on your own.

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in that 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 California. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in California than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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

To simplify the language of this Disclosure Document, the Franchisor is referred to in this Disclosure Document as “we,” “us” or “our.” We refer to the person interested in buying the franchise as “franchisee,” “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, the terms “franchisee,” “you” and “your” also refer to your owners.

The Franchisor

We were organized under the laws of Delaware as a limited liability company on December 17, 2008. Our principal business address is at 1901 Avenue of the Stars, Suite 1100, Attn: Corporate Management Group, Los Angeles, California 90067, and our telephone number is (424) 481-0321. We only do business under our corporate name and our then-current Proprietary Marks.

We grant franchises for the right to independently own and operate Franchised Businesses (Gyms) that offer and provide a fitness Gym featuring the following as of the Issue Date: workout equipment; fitness training; nutritional menu items, supplements and advice; amenities such as steam rooms, saunas and tanning beds; the provision of online exercise and wellness content via an Internet browser and a mobile app; and the retail sale of exercise apparel, accessories, drinks, shakes, bars and other authorized retail items. Each Franchised Business must operate under our designated Proprietary Marks and in accordance with our then-current System standards and specifications.

We first began offering franchises for the right to operate a Franchised Business in June 2009. We have never directly owned or operated a business of the type being franchised in this Disclosure Document, but certain of our management have owned and/or operated businesses similar to the Franchised Business in the past.

We do not sell franchises in any other line of business and, except as disclosed in this Disclosure Document, we are not otherwise engaged in any other business activity.

Our agents for service of process are listed in Exhibit A to this Disclosure Document.

Our Parent, Predecessors and Affiliates

As of the Issue Date, we have no predecessors or affiliates required to be disclosed in this Disclosure Document that offer franchises in any line of business or provide products or services to our franchisees.

Our parent company is World Gym International Holdco, LLC (“WGIH”), a Delaware limited liability company formed in November 2022 with a business address at 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067. As of the Issue Date, WGIH has not offered franchises in any line of business, nor does it provide any products or services to our franchisees.

The Franchised Business

*System Gym(s) Generally*

Your franchised Gym (or “Franchised Business”) will be authorized to offer and provide (a) fitness training and related fitness instruction, wellness and recovery services, on-demand fitness platforms, and any other fitness-related services we require or authorize you to provide in writing, which may include certain outdoor

fitness activities if permitted by the Premises and its landlord (collectively, the “Approved Services”), and (b) workout equipment, nutritional menu items including drinks, shakes, bars and supplements, branded apparel, accessories and other merchandise, as well as any other products we require or authorize for retail sale (collectively, the “Approved Products”).

The Approved Services provided at your Gym must be performed by individuals that (a) you independently determine have sufficient personal trainer or similar fitness instruction experience prior to engaging, and (b) attend and complete the appropriate instructor-related components of our initial training program designed to provide instruction on how to provide the Approved Services in accordance with our then-current System standards and methodologies (each, an “Authorized Coach”). If an Authorized Coach is required to have certification as a personal trainer in order to provide certain of the Approved Services, our standard franchise offering assumes and expects that such individuals will already have such certification at the time they commence their engagement or employment in connection your Franchised Business.

Your Franchised Business must be operated using our Proprietary Marks and in accordance with our proprietary operating System that, as of the Issue Date, is comprised of various components, including: (i) methodologies and know how, information, trade secrets regarding the provision of the Approved Services, sourcing and resale of certain Approved Products and the establishment and operation of a franchised Gym generally; our confidential franchisee operations manual (the “Manual”) and other proprietary manuals we may provide you with access to via hard copy or online (collectively, the “Manuals”); proprietary training (both initial and ongoing) related to the operation of a Gym, as well as all related training materials; designated sources and existing relationships with suppliers that you are either required or pre-approved to purchase certain items or services from that are necessary to establish and/or operate a franchised Gym; information and, if we determine appropriate, prototypical plans for the design and layout of a franchised Gym; specified equipment, inventory, mats, furniture and any fixtures that are necessary to build out a typical Gym; our Proprietary Marks, as well as any other interior and exterior design, décor, color schemes, advertising and marketing specifications, and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing one (1) or more Gyms. Please note that we may update, supplement, change or otherwise modify the System, as well as corresponding System suppliers, standards and specifications, as we determine appropriate from time to time via the Manuals or otherwise in writing.

### *Signature vs. Legacy Model*

Our standard franchise offering for a franchised Signature Model Gym expects and assumes that your Gym will have a premises between approximately 20,000 to 30,000 square feet of commercial space from which you will be able to offer and provide the Approved Services and sell the Approved Products at retail. You must propose to us, and we must approve, the location of your site for purposes of operating a franchised Signature Model Gym (the “Approved Location” or “Premises”). As of the Issue Date of this Disclosure Document, we expect that the optimal Premises for a Signature Model Gym will be around 25,000 square feet. A Signature Model Gym typically provides a larger training floor than a Legacy Model Gym and may include our “Studio X” and a “connected cardio” section, depending on demographics and other factors.

Our standard franchise offering for a franchised Legacy Model Gym expects and assumes that your Premises will be anywhere between 7,500 and 11,000 square feet in size with a design/layout that affords you the ability to offer and provide the Approved Services and Approved Products we authorize for a Legacy Model in the Manuals(s). You must propose to us, and we must approve, the Premises of your Legacy Model Gym.



Regardless of Model, we generally expect that your Franchised Business will typically be a stand-alone location that is located in or around a retail shopping center or light industrial area (such as a corporate park or similar area with higher populations during business hours).

### *Franchise Agreement and Approved Location Generally*

In order to own and operate a Franchised Business, you must enter into our then-current form of franchise agreement; please be advised that our current form of franchise agreement as of the Issue Date is attached to this Disclosure Document as Exhibit B (the “Franchise Agreement”). If the franchisee is a business entity (for example, a corporation, partnership or limited liability company), then all of the individuals that have any type of ownership interest in the franchisee entity, as well as their spouses, must sign our form of personal guaranty (attached as an Exhibit to the Franchise Agreement) where each owner agrees to be personally bound by, and personally guarantee, the entity’s obligations under all terms of the Franchise Agreement (the “Personal Guaranty”). If the franchisee is an individual, then the franchisee’s spouse will be required to execute the Personal Guaranty unless the spouse also signs the Franchise Agreement directly.

If you already have secured the Approved Location for your Franchised Business at the time you sign your Franchise Agreement, that approved site will be listed in the Data Sheet attached to your Franchise Agreement as Exhibit A (the “Data Sheet”). Otherwise, we will (a) designate a non-exclusive “Site Selection Area” on your Data Sheet wherein you will have the right to locate and secure your Approved Location, and (b) subsequently designate and approve your Approved Location, once secured, in an updated form of the Data Sheet.

Once you have secured your Approved Location, we will designate a geographical area around that Approved Location wherein we will agree not to open or locate, or license any other third party the right to open or locate, another Gym using the Proprietary Marks and System (the “Designated Territory”), as described more fully in Item 12 of this Disclosure Document.

### *Converting Existing Gym or Fitness Facility to a Franchised Business*

We may award certain parties that own and operate an existing gym or fitness facility (an “Existing Business”) the right to convert that business to a franchised Gym that is authorized to utilize our Proprietary Marks and that must be operated in accordance with our System, provided that: (i) Existing Business meets our then-current System criteria, including those associated with its existing premises (the “Existing Premises”), that we determine appropriate in order to convert to a Franchised Business (and which Model(s) for which the Existing Premises is eligible); and (ii) we otherwise determine to offer you franchise rights.

The offer of this kind of “conversion” franchise will be in our sole and absolute discretion and shall be based on a review, to our satisfaction, of all financial, operational and other information that we request as part of your franchise application process. Depending on the size of the Existing Premises, you may be limited to converting to a Franchised Business that operates as a Signature Model or Legacy Model as a condition to us awarding you a franchise.

### Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the “Development Area”) under our current form of area development agreement that is attached to this Disclosure Document as Exhibit C (the “Development Agreement”), provided you are able to timely develop, open and commence operating each franchised Gym

within the defined period of time set forth in your mandatory development schedule (a “Development Schedule”).

Typically, you will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement, but we also have the option of waiting until you have found an approved Premises for that initial Franchised Business before you are required to sign the corresponding Franchise Agreement. Regardless, you will eventually need to sign our then-current form of franchise agreement for each of the Franchised Businesses you open under the Development Schedule.

You will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we award you the right to develop within the Development Area you are awarded under your Development Agreement (the “Development Fee”).

Our standard multi-unit offering expects and assumes that the initial Franchised Business you are awarded the right to develop within your Development Area will be a Signature Model Gym, however, you may also choose to open and develop Legacy Model Gyms under our multi-unit offering.

### Market and Competition

The market for fitness Gyms with personalized attention is highly competitive. You will compete with businesses, including national, regional and local businesses, offering products and services similar to those offered by your Franchised Business including other health clubs offering individual or group exercise sessions, gyms, fitness Gyms, and other establishments that offer nutritional supplements for sale. There are many other fitness gym, health club, personal training and sports nutrition franchises, as well as independent businesses throughout the United States that may offer similar products and services to those offered by your Franchised Business. The market for our products and services may experience seasonal variations, as sales are lighter during the summer and around the Christmas holiday, and may be affected by economic conditions.

Your competitive advantage in the marketplace will be based on your adherence to our System standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

### Industry-Specific Regulations

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

You must comply with any health club laws applicable to your Designated Territory, which may require you to register with your state’s consumer protection agency and provide financial security.

Most states and local jurisdictions have also enacted other laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (i) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking; (iii) set standards pertaining to employee health and safety; (iv) regulate matters affecting requirements for accommodating disabled persons, including the Americans with Disabilities Act; (v) set standards and requirements for fire safety and general emergency preparedness; and (vi) regulate, or otherwise relate to or govern, the operation of a Gym generally (including those that may require you to obtain certain permits,

certificates, licenses or approvals to provide the Approved Products and Approved Services at your Franchised Business).

You must also comply with specific laws and regulations related to public health emergencies, which in the recent past has been due to COVID-19, and has included various state and local “shut-down” orders, requiring the full and partial closure of fitness and health Gyms, and other orders affecting occupant capacity and sanitation procedures. These orders have (in the past) had significant financial impact on the operations of franchised Gyms.

You must consult with your own attorney to ensure that the laws of the state where your Franchised Business is located permits you to provide the Approved Products and Approved Services from your Gym. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a System Gym generally.

Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your Franchised Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### Gaius (Guy) Cammilleri, Chairman of the Board

Gaius (Guy) Cammilleri has been our Chairman of the Board since March 2020. From June 2018 to March 2020, he was our Chief Executive Officer. From January 2009 to June 2018, he was our Managing Director. In the non-profit arena, his focus is electoral reform, and more specifically, on advancing ranked choice voting throughout California and the country. He serves on the Board of Directors and Executive team of the Cal RCV Coalition. Additionally, he serves on the Advisory Board of Rank The Vote.

### Lewis Stanton, Chief Executive Officer

Lewis Stanton has served as our CEO since March 2020. Since 2004, he has also been the founder and principal owner of a third-party consulting business, namely Stanton Associates, LLC located in Los Angeles, California, which has provided executive and/or other management consulting services to various third-party clients over that time period.

### Eric O’Connor – Vice President of Franchise Development

Mr. O’ Connor has served as our VP of Franchise Development since November 2022. Prior to that time, Mr. O’ Connor served as Director of Franchise Development for VQ, Inc., DBA Tommy’s Express Car Wash, located in Holland, Michigan, from June 2016 through October 2022.

### Tom Dievart – Vice President of Marketing

Mr. Dievart has served as our VP of Marketing since November 2023. Prior to that time, Mr. Dievart served as Vice President of Marketing Technogym, located in New York, from November 2019 through January 2023 and President of Ultra Sport, located in Chicago, Illinois from January 2018 through November 2019.

**ITEM 3  
LITIGATION**

Actions Not Involving Franchisor or the WORLD GYM Franchise System

*Tommy's Express, LLC et al. vs. Eric O' Connor et. al., Case No. 2022-6989-CB (Ottawa County Circuit Court, State of Michigan).* In or around September 2022, Tommy's Express, LLC ("TE") and TE's affiliate supplier (collectively, the "Claimants") brought an action against Mr. O' Connor and Steel Blue Ventures, LLC, an entity owned in part by Mr. O Connor (collectively, the "Defendants") in the state Court noted above. In this action, Claimants raised various allegations of fraud, breach of contract, breach of fiduciary duty and related claims against the Defendants that arise out of certain alleged actions by Mr. O' Connor in connection with his engagement with TE as a corporate officer and its Director of Franchise Development. Claimants have sought unspecified monetary damages (as and to be proven at trial) in the form of restitution damages, as well as other relief the Court determines appropriate. As of the Issue Date, this matter is still pending against Defendants and Defendants plan to vigorously defend against the claims raised in this action and/or come to an amicable settlement regarding the same.

Other than this action, no litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Franchise Agreement: Initial Franchise Fee

*New Gym*

You must pay us an initial franchise fee amounting to \$45,000 (the "Initial Franchise Fee") upon execution of your Franchise Agreement, which covers the franchise license to operate your Franchised Business within your Designated Territory (whether operating a Signature Model Gym or Legacy Model Gym).

Your Initial Franchise Fee is deemed fully earned upon payment and is not refundable under any circumstances. Except as provided in this Item, the Initial Franchise Fee is applied uniformly to all of our franchisees, regardless of whether they contemplate operating a Signature Model Gym or Legacy Model Gym.

*Conversion Gym*

You must pay us a reduced initial franchise fee amounting to \$22,500 upon execution of your Franchise Agreement if you are being awarded the right to convert your existing gym or fitness facility (an "Existing Business") to a Franchised Business that is operated utilizing our Proprietary Marks and in accordance with our System moving forward. This reduced Initial Franchise Fee will also be deemed fully earned upon execution of your Franchise Agreement and is not refundable under any circumstances.

### *Veteran Discount*

We are proud to offer a fifteen percent (15%) discount on the applicable initial franchise fee to honorably discharged veterans of U.S. Armed Forces who otherwise meet our requirements. This discount is only applicable for the first Franchised Business awarded to you. We are a member of the International Franchise Association's VetFran Program, which is designed to offer discounts and other benefits to our armed forces members and veterans to help them with opportunities to own and operate World Gym franchised Gyms. You qualify for a veteran discount if you or your majority owners (those individuals who own and control more than 50% of the equitable interest and voting rights in you if you are any type of legal entity) are a member of any branch of the United States or Canadian military or are a veteran of any such military branch who has received an honorable discharge.

### Development Agreement: Development Fee

If we grant you the right to develop multiple Franchised Businesses under a Development Agreement, you must pay us a one-time Development Fee that is based on the number of franchises we grant you the right to open within your Development Area, and calculated as the sum of the following: (i) \$45,000 for the initial franchised Gym you are awarded the right to develop within your Development Area; plus (ii) \$40,000 for the second Gym you are awarded the right to develop; plus (iii) \$35,000 for the third and each additional Gym you undertake to develop under your agreement with us (collectively, the "Development Fee"). The Development Fee is deemed fully earned by us upon payment and will not be refundable under any circumstances.

Except as otherwise disclosed in this Item, all fees described herein are calculated and imposed uniformly on new System franchisees as of the Issue Date.

## **ITEM 6 OTHER FEES**

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalties (or "Royalty Fees")	5% of the Gross Sales generated by the Franchised Business during the preceding calendar month or other payment period we designate	Currently, on or before the day we designate each calendar month based on the Gross Sales generated during the preceding calendar month	Please see Explanatory Note No. 2 following this Chart for the definition of "Gross Sales".  We may change the interval at which we collect these Royalty Fees upon 30 days' prior written notice via the Manual(s) or otherwise.
Brand Development Fund (the "Fund") Contribution	2% of the Gross Sales generated by the Franchised Business over the payment period we designate	At the same time and in the same manner as your Royalty Fees.	We have established a brand development Fund that we administer on behalf of the brand as we determine appropriate.  Please see Item 11 of this Disclosure Document for additional information on this Fund.

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Local Advertising Requirement (LAR)	Minimum of 4% of the Gross Sales generated by the Franchised Business each calendar month	This expenditure must be made monthly based on the Gross Sales generated in the preceding calendar month	<p>This is the minimum amount you must expend on the local advertising and marketing of your Franchised Business within your Designated Territory. If you determine that additional amounts should or can be expended as LAR in connection with your Franchised Business, then we encourage our System franchisees to expend additional amounts as they determine appropriate.</p> <p>We may request that you provide us with an accounting of your LAR expenditures, whether to an Approved Supplier or otherwise, if and as we determine appropriate.</p> <p>We reserve the right to require that you expend these funds to one (1) or more Approved Supplier(s) that we designate.</p>
Technology Fee	<p>Then-current fee charged by us or our Approved Supplier</p> <p>Currently, \$499/month (per System Gym)</p>	As agreed.	<p>As of the Issue Date, we provide access to certain technology and related services necessary to operate your Franchised Business in accordance with our current System, and we charge a Technology Fee to help defray the costs and expenses associated with the same.</p> <p>We reserve the right to modify our Technology Fee and/or the services/technology we cover as part of this fee upon prior written notice via the Manuals or otherwise.</p>
Third-Party Required Software	Then-current amounts charges by our Approved Supplier(s) for any Required Software we designate	As invoiced or otherwise agreed with our then-current Approved Supplier(s).	We have the right to designate various software for use in connection with your Computer System and Franchised Business via the Manuals or otherwise in

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
	<p>As of the Issue Date, our Required Software (see “Remarks” column) is expected to include the following ongoing licensing and/or subscription fees that are paid to third-party Approved Supplier(s):</p> <p>\$249/month for payment processing and other POS-related services, plus any additional merchant processing charges.</p>		<p>writing (each, a “Required Software”), which we expect will typically be licensed from the Approved Supplier we designate (third-party or otherwise).</p> <p>As of the Issue Date, please note: (i) none of these amounts are paid to us or our affiliate; (ii) we have an Approved Supplier for a service that allows Gym members to access our then-current on-demand fitness services online for remote instruction, which, in the future, at our discretion, could be charged to our System franchisees on a per-subscriber basis (i.e., \$3/month per subscriber), and/or a flat fee per month for the right to be able to offer and sell subscriptions to a Gym’s given membership base.</p>
<p>Renewal Fee  (Franchise Agreement only)</p>	<p>\$5,000</p>	<p>Prior to our approval of your request to renew</p>	<p>There are other conditions that must be met in order to renew the franchise rights awarded under your Franchise Agreement. Please see Item 17 of this Disclosure Document for additional information.</p>
<p>Transfer Fee  (both Franchise Agreement and Development Agreement)</p>	<p>FA: \$10,000  ADA: \$10,000 per undeveloped franchise</p>	<p>Prior to us approving any transfer or assignment proposal in connection with the Franchised Business or Franchise Agreement</p>	<p>In certain instances, we will not charge a Transfer Fee (individual to a wholly-owned entity form; transfer due to death or disability) and, in such instances, may request reimbursement of our costs/expenses in preparing the applicable form of assignment and consent to transfer agreement.</p> <p>There are other conditions that must be met or satisfied in order for us to approve any proposed “transfer” of your franchise rights or your ownership (if you are an entity), which are disclosed more fully in Item 17.</p>

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Audit Expenses	Amount of our costs for conducting the audit	Upon invoice	Payable if we audit your books and records and we determine that you have misstated any financial statement or report that you submitted to us by 2% or more of the Gross Sales or other amount owed.
Annual Franchisee Convention Registration Fee	Currently, between \$500 to \$1,500 for Designated Operator and up to two (2) key staff members.	N/A	<p>You pay all expenses for your attendees. We may charge a reasonable registration fee for future conventions.</p> <p>We reserve the right to charge a \$2,000 fee if a System franchisee does not attend and participate in any such Convention.</p>
Evaluation Fee (if and as applicable)	We reserve the right to charge a fee in connection with the evaluation of any (a) alternative supplier to substitute for a current Approved Supplier, and/or (b) any product or item that is not an Approved Product, amounting to \$500.	If and as invoiced prior to our evaluation or approval	We also reserve the right to collect amounts to reimburse us for the out-of-pocket costs we incur in connection with any such evaluation. Please see Item 8 for additional information.
Relocation Fee	We reserve the right to charge a fee up to \$2,500, plus actual costs/expenses incurred in connection with evaluating the proposed relocation site	Before we grant our consent	There are a number of conditions that must be met in order for us to consider and approve your request for relocation, including appropriate prior notice of the contemplated relocation.
Future Performance Rights License Fees	If we determine in the future to implement a public performance rights licensing program of any kind (a “Licensing Program”), your proportionate share of the aggregate license fees charged by MPLCC, ASCAP, BMI and/or SESAC under a blanket	If payable, on or before the third day of each month or any other day we designate	Currently, you are responsible to pay all public performance rights fees directly to the appropriate organization. If we later implement a collective Licensing Program on behalf of the System, we may charge the disclosed amount.



TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
	agreement with us for this Licensing Program, plus an administrative charge not exceeding 10% of the license fees we collect from you		
Interest on Late Payments	18% per annum or maximum amount allowed by law, whichever is less	As incurred	Payable in connection with amounts that are past due and owing us and/or our affiliates in connection with your Franchised Business.
Declined Payment Charge	Currently, the greater of (a) \$35 or (b) our actual expenses	Upon invoice or written demand	Due if your credit or debit card payment is declined or your check or electronic payment is dishonored by the bank.

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Indemnification	All expenses and liabilities from, relating to or connected to the operation of your Gym, including, for example, claims for errors or omissions of you or your employees, contractors, officers, directors, managers, shareholders, members, invitees and vendors	Upon invoice	If we are made a party to any legal proceeding because of your operation of your franchised Gym, we can hire counsel and bill you for all expenses and fees we incur. You are required to indemnify, defend and hold us and our related parties harmless from any damages, costs or claims associated with any breach or misrepresentation under the Franchise Agreement or otherwise arising out of the operation of the Franchised Business.
Attorney's Fees and Costs; Enforcement-Related Costs	Our costs and expenses	As invoiced or ordered	You are responsible for covering our costs and expenses in connection with (a) enforcing the terms of your Franchise Agreement against you and/or your guarantors, and (b) any action or proceeding that either party initiates if we prevail.
Management Fee	The then-current fee, which is currently eight percent (8%) of the Gross Sales of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business, plus all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business.	As incurred	Due when we (or a third party) manage your Franchised Business after your default or abandonment.

### **Explanatory Notes**

**Generally.** Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees outlined in the Chart above apply to the Franchise Agreement only (and not the Development Agreement).

1. **Royalty Fee and Other Fees – Payment Method.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised

Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.

2. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a weekly rather than monthly basis.
3. **Definition of Gross Sales.** “Gross Sales” means the total revenue generated at, through or otherwise by your Franchised Business or any other activities conducted at the Premises, including all revenue generated from the sale and provision of (i) Approved Services, including all physical/personal training services and Gym membership revenue, (ii) Approved Products, including all retail apparel and merchandise you are authorized to offer at your Franchised Business, (iii) gift cards, (iv) other activities offered and provided by the Franchised Business, including but not limited to income or other consideration earned by you as a result of a tenant or sub-tenant of the Franchised Business utilizing space (pursuant to our prior written approval) within the Gym, or otherwise at the Premises, and (v) all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Sales” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Services or Approved Products as part of a *bona fide* refund transaction.
4. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Sales by two percent (2%) or more, then we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
5. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

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**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**A. Franchise Agreement: Single Franchised Business (Signature Model)**

<b>YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup></b>					
<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>		<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
	<b>LOW</b>	<b>HIGH</b>			
Initial Franchise Fee <sup>2</sup>	\$45,000	\$45,000	Lump Sum Single payment	Upon Signing of Franchise Agreement	Us
Pre-Opening Sales Program <sup>3</sup>	\$60,000	\$100,000	As Arranged	Before Opening	Employees, Approved Vendors and Other Suppliers
Build-out and Leasehold Improvements <sup>4</sup>	\$600,000	\$1,000,000	As Arranged	Before Opening	Architect and Contractor
Premises Lease Deposits <sup>6</sup>	\$50,000	\$100,000	Lump Sum	Before Opening	Landlord
Initial Inventory <sup>7</sup>	\$10,000	\$20,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Equipment Purchases <sup>5</sup>	\$852,000	\$1,395,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Audio/Visual Equipment <sup>8</sup>	\$75,000	\$500,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Furniture And Displays <sup>9</sup>	\$15,000	\$20,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Signs and Branding <sup>10</sup>	\$25,000	\$100,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Barbell Café and Associated Furniture, Fixtures, and Equipment <sup>11</sup>	\$15,000	\$25,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Office Equipment and Supplies <sup>12</sup>	\$5,000	\$15,000	As Arranged		Approved Vendors and Other Suppliers

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Insurance <sup>13</sup>	\$15,000	\$50,000	Lump Sum	Upon Issuance of Policies	Insurance Broker or Insurer
Utility Deposits <sup>14</sup>	\$5,000	\$15,000	Lump Sum As incurred	Upon Premises Occupancy	Utility Provider, Approved Vendors and Other Suppliers
Professional Fees <sup>15</sup>	\$5,000	\$20,000	As Arranged	As Incurred	Attorney and Accountant
Initial Training <sup>16</sup>	\$5,000	\$10,000	Lump Sum	Upon Invoice	Third parties for travel, lodging, and incidental expenses
Licenses and Bonds <sup>17</sup>	\$2,500	\$25,000	Lump Sum	When Pre-Sale Begin	Government Agencies
Additional Funds – 6 Months <sup>18</sup>	\$150,000	\$250,000	As Arranged	As Incurred	Utilities, Landlord, Employees, Approved Vendors and Other Suppliers, Advertising Agencies, Other Professionals, Us
<b>TOTAL</b>	<b>\$1,934,500</b>	<b>\$3,690,000</b>			

**B. Franchise Agreement: Single Franchised Business (Legacy Model)**

<b>YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup></b>					
<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>		<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
	<b>LOW</b>	<b>HIGH</b>			
Initial Franchise Fee <sup>2</sup>	\$45,000	\$45,000	Lump Sum Single payment	Upon Signing of Franchise Agreement	Us
Pre-Opening Sales Program <sup>3</sup>	\$30,000	\$80,000	As Arranged	Before Opening	Employees, Approved Vendors and Other Suppliers
Build-out and Leasehold Improvements <sup>4</sup>	\$300,000	\$600,000	As Arranged	Before Opening	Architect and Contractor
Equipment Purchases <sup>5</sup>	\$500,000	\$800,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Premises Lease Deposits <sup>6</sup>	\$25,000	\$50,000	Lump Sum		Landlord
Initial Inventory <sup>7</sup>	\$5,000	\$10,000	As Arranged	Before opening	Approved Vendors and Other Suppliers
Audio/Visual Equipment <sup>8</sup>	\$20,000	\$40,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Furniture And Displays <sup>9</sup>	\$5,000	\$10,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Signs and Branding <sup>10</sup>	\$20,000	\$40,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Barbell Café and Associated Furniture, Fixtures, and Equipment <sup>11</sup>	\$7,000	\$25,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Office Equipment and Supplies <sup>12</sup>	\$5,000	\$15,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Insurance <sup>13</sup>	\$15,000	\$25,000	Lump Sum	Upon Issuance of Policies	Insurance Broker or Insurer
Utility Deposits <sup>14</sup>	\$5,000	\$15,000	Lump Sum As incurred	Upon Premises Occupancy	Utility Provider, Approved Vendors and Other Suppliers

YOUR ESTIMATED INITIAL INVESTMENT <sup>1</sup>					
TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Professional Fees <sup>15</sup>	\$5,000	\$20,000	As Arranged	As Incurred	Attorney and Accountant
Initial Training <sup>16</sup>	\$5,000	\$10,000	Lump Sum	Upon Invoice	Third parties for travel, lodging, and incidental expenses
Licenses and Bonds <sup>17</sup>	\$2,500	\$12,500	Lump Sum	When Pre-Sale Begin	Government Agencies
Additional Funds – 6 Months <sup>18</sup>	\$100,000	\$200,000	As Arranged	As Incurred	Utilities, Landlord, Employees, Approved Vendors and Other Suppliers, Advertising Agencies, Other Professionals, Us
<b>TOTAL</b>	<b>\$1,094,500</b>	<b>\$1,997,500</b>			

**Explanatory Notes to Charts 7(A) and 7(B) Above**

1. *Generally.* None of the expenses shown in the Charts above are refundable, unless you are able to negotiate that with any third-party provider/supplier (where permitted). As disclosed in Item 10 of this Disclosure Document, we do not offer direct or indirect financing for the initial franchise fee. We will not guarantee your note, lease, or obligation.
2. *Initial Franchise Fee.* Your Initial Franchise Fee will be \$45,000 in connection with a new franchised Gym. The Initial Franchisee is deemed fully earned upon execution of the Franchise Agreement and is not refundable (as detailed in Item 5).
3. *Pre-Opening Sales Program.* This category includes the expenses, if any, that you incur in conducting an approved pre-sale program and sell memberships before opening your Gym. This amount does not include the cost of any bond or surety that you are required to obtain to sell memberships before your Gym is open, which is covered under “Permits and/or Bonding” heading under Explanatory Note No. 14 below.

4. *Buildout and Leasehold Improvements.* The figures in Chart 7(A) above (Signature Model) assume that your Gym will include total build-out and construction expenses for an approved Premises that is between 20,000 to 30,000 square feet in size, with an ideal location that is closer to 25,000 square feet. The figures in Chart 7(B) above (Legacy Model) assume that your Gym will include total build-out and construction expenses for an approved Premises that is between 7,500 to 11,000 square feet in size, with an ideal location that is closer to 10,000 square feet. Your landlord may agree to pay a portion of the build-out and construction costs for your Gym. If that happens, your actual (a) build-out and construction costs covered in these ranges, and (b) initial deposit and ongoing rental obligations under your Lease, may differ from the ranges set forth in the Charts above (depending on what you determine to negotiate with your landlord). In many cases, when a landlord affords any type of tenant improvement allowance or other credit in connection with the buildout of your Premises at the beginning of the Lease, the landlord might attempt to recoup all or certain of the amount it invests in future rent or other payment obligations under the Lease. you should expect the landlord to recover this investment in your Gym by increasing the rent you pay for the premises of your Gym. These ranges are based on information reported by certain System franchisees and/or compiled in collection with the development of other System Gyms to date – and do not necessarily assume any kind of tenant improvement allowance or credit in connection with the high-end estimates.

If you determine to finance your build-out and constructions costs, your down payment, interest rate, loan term, payment schedule, collateral requirements and other loan terms will vary depending on your creditworthiness and the lender’s underwriting standards and credit policies.

5. *Equipment Purchases.* These investment ranges are expected and intended to cover all designated exercise and/or other operational equipment necessary to the provision of the Approved Services from the Premises.
6. *Lease Deposit.* Premises lease deposits vary widely from market to market and from landlord to landlord. The ranges in these Charts expect and assume a security deposit that amounts to two (2) months of rental payments (first and last).
7. *Initial Inventory.* This category includes your opening inventory of the apparel, beverages and supplements, as well as other products you may use or resell at retail as part of our then-current Approved Products, as well as any “test” products used for training.
8. *A/V Equipment.* This category includes the cost of an audio/video system for your Gym, including the audio/video equipment used in the cardio area, the group exercise studio, the cycling room and all other training areas in your Gym.
9. *Furniture and Displays.* These investment ranges are expected and intended to cover the following Required Items in connection with the outfitting and equipping of your Franchised Business: general office furniture, lobby furniture, general office supplies, and displays in the Premises.
10. *Signs and Branding.* This range is intended to cover designated signage for use on the exterior and (if applicable) the interior of the Premises of your Franchised Business.
11. *Barbell Café and Associated Furniture, Fixtures, and Equipment.* These investment ranges are expected and intended to cover the buildout (if any), outfitting and equipping of your Franchised Business for our “Barbell Café,” including the cost of café stools, tabletops, and other fixtures necessary to the provision of the associated Approved Services from the Premises.



12. *Office Equipment and Supplies.* This category includes general office supplies, as well as the computer equipment, electronic cash registers, multi-function copier/scanner/printer/fax machine and telephone system for your Gym.
13. *Insurance.* Your initial insurance payment will vary, depending on the size of your Gym, the coverage and policy limits you select and the geographic location of your Gym. We assume that, in most cases, you will be required to pay the first month's premium in advance when the insurer or the broker issues your policy(s).
14. *Utilities.* In addition to any deposit you must make to secure the utilities for your Gym, this category includes sales tax deposits or bonds and the cost of any construction or other permits you must obtain for your Gym.
15. *Professional Fees.* This category includes the professional fees you pay to (i) your attorney to review your franchise agreement and any related documents, the premises lease for your Gym and any loan documents or equipment leases for your Gym; and (ii) your accountant to set up your financial books and records to satisfy your state/federal/local tax obligations.
16. *Costs and Expenses in Connection with Initial Training Program.* Before you open your Gym or convert your existing fitness Gym and as a condition for any renewal or transfer of your franchise agreement, you (or your successor, or the transferee if applicable), your designated operator or gym manager must satisfactorily complete our initial training program for your Gym before any "soft" or other opening of your Franchised Business. These ranges are intended to cover: (i) the salary, benefits, travel, lodging, meals and other expenses that you will incur for you, your designated operator and/or gym manager to attend and participate in our initial training program; and (ii) the travel, lodging, meals and other expenses incurred by one of our representatives to support the opening of your Gym. They do not include the wages of your Authorized Coaches and other initial training team during the time they are participating in the portion of the Initial Training Program we provide on-site at your Franchised Business closer to the expected opening of your Franchised Business.
17. *Licenses and Bonds.* Please note that certain states require that a fitness Gym be bonded before it can begin to sell memberships to the public – you should conduct this research and determine the exact amount of any such bonding before you request that we award you a franchise.
18. *Additional Funds – 6 Months.* This category includes the estimated working capital, employee wages and benefits, marketing and promotion expenses, operating cash and other miscellaneous expenses that you incur before your Gym opens and during the first 180 days that it is open and operating. We relied on our management team's experience in developing these figures. You should consult a business advisor to help you forecast the actual start-up expenses for your Gym.

**C. Franchise Agreement – Conversion of Existing Facility to Franchised Gym**

<b>YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup></b>					
<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>		<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
	<b>LOW</b>	<b>HIGH</b>			
Initial Franchise Fee <sup>2</sup>	\$22,500	\$22,500	Lump Sum Single payment	Upon Signing of Franchise Agreement	Us
Pre-Opening Sales Program <sup>3</sup>	\$15,000	\$25,000	As Arranged	Before Opening	Employees, Approved Vendors and Other Suppliers
Build-out and Leasehold Improvements <sup>4</sup>	\$25,000	\$50,000	As Arranged	Before Opening	Architect and Contractor
Premises Lease Deposits <sup>5</sup>	\$0	\$0	Lump Sum		Landlord
Initial Inventory <sup>6</sup>	\$5,000	\$15,000	As Arranged	Before opening	Approved Vendors and Other Suppliers
Equipment Purchases <sup>7</sup>	\$125,000	\$300,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Audio/Visual Equipment <sup>8</sup>	\$15,000	\$25,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Furniture And Displays <sup>9</sup>	\$5,000	\$10,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Signs and Branding <sup>10</sup>	\$15,000	\$25,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Barbell Café <sup>11</sup>	\$5,000	\$25,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Office Equipment and Supplies <sup>12</sup>	\$2,000	\$5,000	As Arranged	Before Opening	Approved Vendors and Other Suppliers
Insurance <sup>13</sup>	\$0	\$5,000	Lump Sum	Upon Issuance of Policies	Insurance Broker or Insurer
Utility Deposits <sup>14</sup>	\$0	\$0	Lump Sum As incurred	Upon Premises Occupancy	Utility Provider, Approved Vendors and Other Suppliers

YOUR ESTIMATED INITIAL INVESTMENT <sup>1</sup>					
TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Professional Fees <sup>15</sup>	\$5,000	\$20,000	As Arranged	As Incurred	Attorney and Accountant
Initial Training <sup>16</sup>	\$5,000	\$10,000	Lump Sum	Upon Invoice	Third parties for travel, lodging and incidental expenses
Licenses and Bonds <sup>17</sup>	\$5,000	\$12,500	Lump Sum	When Pre-Sale Begin	Government Agencies
Additional Funds – 6 Months <sup>18</sup>	\$25,000	\$50,000	As Arranged	As Incurred	Utilities, Landlord, Employees, Approved Vendors and Other Suppliers, Advertising Agencies, Other Professionals, Us
<b>TOTAL</b>	<b>\$274,500</b>	<b>\$600,000</b>			

***Explanatory Notes to Chart 7(C) Above***

1. *Generally.* None of the expenses shown in the Chart above are refundable, unless you are able to negotiate that with any third-party provider/supplier (where permitted). As disclosed in Item 10 of this Disclosure Document, we do not offer direct or indirect financing for the initial franchise fee. We will not guarantee your note, lease or obligation.

*Important Note Regarding Conversion from Existing Business to System Gym.* Please note that the estimated investment ranges in this Chart 7(C) are for the conversion of an Existing Business (and its Existing Premises) to be operated as a Franchised Business moving forward.

2. *Initial Franchise Fee.* Your Initial Franchise Fee will be \$22,500 in connection with a conversion franchised Gym. The Initial Franchise Fee is deemed fully earned upon execution of the Franchise Agreement and is not refundable (as detailed in Item 5).

3. *Pre-Opening Sales Program.* This category includes the expenses, if any, that you incur in conducting an approved pre-sale program and sell memberships before opening your conversion Gym. This amount does not include the cost of any bond or surety that you are required to obtain to sell memberships before your Gym is open, which is covered under “Licenses and Bonds” heading under Explanatory Note No. 17 below.

4. *Buildout and Leasehold Improvements.* The figures in Chart 7(C) above (Conversion) assume that your Gym will include total build-out and construction expenses for an approved Premises that is between 7,500 to 11,000 square feet in size, with an ideal location that is closer to 10,000 square feet. If your conversion Gym operates from a larger premises, your buildout and leasehold improvement expenses may be higher. Your landlord may agree to pay a portion of the build-out and construction costs for your Gym. If that happens, your actual (a) build-out and construction costs covered in this range, and (b) initial deposit and ongoing rental obligations under your Lease, may differ from the ranges set forth in the Chart above (depending on what you determine to negotiate with your landlord). In many cases, when a landlord affords any type of tenant improvement allowance or other credit in connection with the buildout of your Premises at the beginning of the Lease, the landlord might attempt to recoup all or certain of the amount it invests in future rent or other payment obligations under the Lease. you should expect the landlord to recover this investment in your Gym by increasing the rent you pay for the premises of your Gym. This range is based on information reported by certain System franchisees and/or compiled in collection with the development of other System Gyms to date – and does not necessarily assume any kind of tenant improvement allowance or credit in connection with the high-end estimates.

If you determine to finance your build-out and constructions costs, your down payment, interest rate, loan term, payment schedule, collateral requirements and other loan terms will vary depending on your creditworthiness and the lender’s underwriting standards and credit policies.

5. *Lease Deposit.* Premises lease deposits vary widely from market to market and from landlord to landlord. The range in this Chart expects and assumes that no deposit will be needed because you already own or lease your existing facility.

6. *Initial Inventory.* This category includes your opening inventory of the apparel, beverages and supplements, as well as other products you may use or resell at retail as part of our then-current Approved Products, as well as any “test” products used for training.

7. *Equipment Purchases.* These investment ranges are expected and intended to cover all designated exercise and/or other operational equipment necessary to the provision of the Approved Services from the Premises.

8. *A/V Equipment.* This category includes the cost of an audio/video system for your Gym, including the audio/video equipment used in the cardio area, the group exercise studio, the cycling room and all other training areas in your Gym.

9. *Furniture and Displays.* These investment ranges are expected and intended to cover the following Required Items in connection with the outfitting and equipping of your Franchised Business: general office furniture, lobby furniture, general office supplies, and displays in the Premises.

10. *Signs and Branding.* This range is intended to cover designated signage for use on the exterior and (if applicable) the interior of the Premises of your Franchised Business.

11. *Barbell Café.* These investment ranges are expected and intended to cover the buildout (if any), outfitting and equipping of your Franchised Business for our “Barbell Café,” including the cost of café stools, tabletops, and other fixtures necessary to the provision of the associated Approved Services from the Premises

12. *Office Equipment and Supplies.* This category includes the computer equipment, electronic cash registers, multi-function copier/scanner/printer/fax machine and telephone system for your Gym.

13. *Insurance.* Your initial insurance payment will vary, depending on the size of your Gym, the coverage and policy limits you select and the geographic location of your Gym. We assume that, in most cases, you will be required to pay the first month's premium in advance when the insurer or the broker issues your policy(s).

14. *Utility Deposits.* In addition to any deposit you must make to secure the utilities for your Gym, this category includes sales tax deposits or bonds and the cost of any construction or other permits you must obtain for your Gym.

15. *Professional Fees.* This category includes the professional fees you pay to (i) your attorney to review your franchise agreement and any related documents, the premises lease for your Gym and any loan documents or equipment leases for your Gym; and (ii) your accountant to set up your financial books and records to satisfy your state/federal/local tax obligations.

16. *Costs and Expenses in Connection with Initial Training Program.* Before you open your Gym or convert your existing fitness Gym and as a condition for any renewal or transfer of your franchise agreement, you (or your successor), your designated operator or gym manager must satisfactorily complete our initial training program for your Gym you (or your transferee, if applicable) before any "soft" or other opening of your Franchised Business. This range is intended to cover: (i) the salary, benefits, travel, lodging, meals and other expenses that you will incur for you, your designated operator and/or gym manager to attend and participate in our initial training program; and (ii) the travel, lodging, meals and other expenses incurred by one of our representatives to support the opening of your Gym. It does not include the wages of your Authorized Coaches and other initial training team during the time they are participating in the portion of the Initial Training Program we provide on-site at your Franchised Business closer to the expected opening of your Franchised Business.

17. *Licenses and Bonds.* Please note that certain states require that a fitness Gym be bonded before it can begin to sell memberships to the public – you should conduct this research and determine the exact amount of any such bonding before you request that we award you a franchise.

18. *Additional Funds – 6 Months.* This category includes the estimated working capital, employee wages and benefits, marketing and promotion expenses, operating cash and other miscellaneous expenses that you incur before your Gym opens and during the first 180 days that it is open and operating. We relied on our management team's experience in developing these figures. You should consult a business advisor to help you forecast the actual start-up expenses for your Gym.

**D. Development Agreement**

<b>YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT FOR NEW FRANCHISED GYMS (Using Development of Three (3) Signature Model Gyms as an Example)</b>				
<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Development Fee (Notes 1, 2 and 3)	\$120,000	Lump Sum	Upon execution of Development Agreement	Us
Estimated Investment to Develop Initial Signature Model Gym within Development Area	\$1,889,500 to \$3,645,000	See Chart 7(A) for the initial investment associated with the opening and initial operations of a new franchised Signature Model Gym.		
<b>Total</b>	<b>\$2,009,500 to \$3,810,000</b>	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three (3) Signature Model Gyms, as well as the costs to open and commence operating your initial Gym for the first three (3) months (as described more fully in Chart A of this Item 7).		

**Explanatory Notes to Chart 7(D) Above**

1. *Generally.* All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three (3) Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
2. *Development Fee.* The Initial Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Initial Development Fee is for the right to open and operate, by way of example, a total of three (3) Franchised Businesses (provided you comply with your development obligations under the Development Agreement). The Development Fee is calculated as the sum of the following: (i) \$45,000 in connection with the first Franchised Business you are awarded the right to develop; (ii) \$40,000 in connection with the second Franchised Business; and (iii) \$35,000 for the third and each additional Franchised Business you are awarded the right to develop.
3. *Estimated Investment to Develop Initial Franchised Business (Signature Model).* This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement, which our standard franchise offering expects and assumes will typically be a Signature Model Gym. You will be required to enter into our then-current form of franchise agreement for the initial Franchised Business you open under your Development Agreement, most likely once you have found a Premises for the business that we approve. The range includes all the items outlined in Chart 7.A. of this Item, except for the

Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Franchised Businesses you open under the Development Agreement).

*Additional Note:* This Chart 7(D) does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement – because such amounts are not likely to be incurred until after you have operated your initial Franchised Business over the initial ramp up period described in Chart 7(A).

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

### Approved Products and Approved Services

You may only market, offer, sell and provide the Approved Products and Approved Services at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Approved Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Approved Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

### Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from an Approved Supplier that we approve or designate, which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

As of the Issue Date, we have Approved Suppliers for the following items that you are required to purchase or lease or license in connection with your Franchised Business: (i) required software you must use for accounting, scheduling, Gym management, member intake and marketing, and various other primary functions of the Gym operations, including the software provided as part of the Technology Fee; (ii) required point-of-sale system “POS System”) and related software; (iii) nutritional supplements and other inventory you are authorized and required to offer and sell from your Gym; (iv) certain exercise and other equipment/supplies necessary to provide the Approved Services; (v) marketing/advertising services; (vi) Technology Fee; and (vii) certain floor matting, furniture, fixtures and (if necessary) millwork necessary to build out your Franchised Business.

Currently, we are the Approved Supplier for: (i) any training we provide to you as consideration for our then-current Training Fee; and (ii) gym operations and management services (usually provided by our franchise business coaches). You may not use an independent consultant for gym operations and management consulting services without our prior written consent, which we may grant or withhold in our sole discretion.

Except as provided above, we and our affiliates are not the designated or Approved Supplier for any required purchase. Except for us and our affiliates, we do not have any officers that have an interest in any of our Approved Suppliers.

### Insurance

Upon execution of the Franchise Agreement, you must purchase and maintain the minimum insurance coverage that we specify. This includes (a) commercial general liability insurance, including coverage for professional liability and sexual abuse of at least \$3 million per occurrence and \$5 million aggregate, with additional excess insurance coverage of \$1 million; (b) worker's compensation coverage in the limits required by the state in which the Franchised Business is located; (c) employer liability coverage with a minimum limit of \$1,000,000, or, if higher, the statutory minimum limit as required by state law; (d) business interruption insurance; (e) property insurance for the full replacement value of furniture, fixtures, equipment, vehicles, inventory, and leasehold improvements or \$50,000, whichever is greater; (f) cybersecurity insurance of at least \$1 million; (g) comprehensive automobile insurance of \$1 million for any vehicle operated on behalf of the Franchised Business; (h) Employment Practices Liability Insurance ("EPLI") of at least \$1 million, with both first-party and third-party coverage; (i) Crime coverage of at least \$1 million, with both first-party and third-party coverage; and (j) Tenant Improvement Property Coverage with a limit up to the total cost of the tenant improvement construction, with Builder's Risk coverage secured during the construction of the tenant improvement. Each policy must be written by a responsible carrier or carriers acceptable to us, and all general liability policies must name us and our respective officers, directors, partners, agents and employees as additional insured parties, as their interests may appear along with a waiver of subrogation in favor of the franchisor for the general liability and workers compensation policies. We must also be named as an additional insured on the general contractor's general liability policy under your Tenant Improvement Property Coverage policy. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

Our approved insurance vendor is a national broker. They have developed an insurance program that specifically meets the needs and contract requirements of our franchisees. We strongly encourage you to use them. Before you purchase any insurance required under your franchise agreement, you must get a quote from our approved insurance vendor, but you do not have to purchase your insurance from our insurance vendor (if your insurance policies, and the insurance carrier, conform to all of our insurance requirements). We have the right to review and approve each of your insurance policies before you purchase them to make sure they meet our standards and criteria.

### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 70% to 90% of your total costs incurred in establishing your Franchised Business, and approximately 50% to 75% of your ongoing costs to operate the Franchised Business after the initial start-up phase.

We receive revenues from your required purchases in the form of rebates by third party vendors. During



our past fiscal year ending December 31, 2023, we generated \$208,196.37 on account of our System franchisees' purchases, or 6.3 % of our total revenue for that fiscal year. This includes all rebates and other compensation we received from third-party suppliers and providers based on the volume of purchases made from such suppliers by our System franchisees.

As noted above, we reserve the right to receive rebates and/or other consideration from third-party suppliers and providers on account of our System franchisees' required purchases (which we expect will be typically based on purchase volume or number of transactions).

#### Non-Approved Product/Service and Alternative Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Approved Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier. We are not likely to approve an alternative supplier for the nutritional supplements, other inventory or certain marketing services as of the Issue Date given our System standards are, in part, based on the current supplier arrangements.

We approve suppliers after careful review of many applicable factors including the quality of the products they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such a request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meets our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 60 days after we receive all required information to evaluate the product or service. Such notification is only valid where it is in writing from one of our executives (email notification being sufficient written notice where you reply to confirm receipt of the email). If we do not approve any request within 60 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, we may charge for our actual costs of product testing and evaluation.

We do not currently charge any evaluation fee but reserve the right to do so in the future (in an amount not to exceed \$500 per request). We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternative supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's Gyms and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

### Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Gyms in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions, or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

Currently, there are no purchasing or distribution cooperatives. However, we reserve the right to create purchasing cooperatives in the future, and we can require that you make your purchases through a cooperative if one is formed. Although we have not yet done so, from time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees.

### Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements. Please note that failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document. In the following table, "FA" refers to the Franchise Agreement, and "DA" refers to the Development Agreement.**

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA 2.B DA 6.1	11
b. Pre-opening purchases/leases	FA 6	5, 8

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
c. Site development and other pre-opening requirements	FA 6.D DA 6.1	11
d. Initial and ongoing training	FA 4.A.5, 5.A, 5.C & 5.G;	11
e. Opening	FA 6.D.1	
f. Fees	FA 4.A.1-8; DA 3, 5	5, 6, 7
g. Compliance with standards and policies/operating manual	FA 8.A	11
h. Trademarks and proprietary information	FA 7	13, 14
i. Restrictions on products/services offered	FA 6.G	16
j. Warranty and customer service requirements	FA 6.U	Not applicable
k. Territorial development and sales quotas	FA 2.D DA 4;	11
l. Ongoing product/service purchases	FA 6.K	8
m. Maintenance, appearance and remodeling requirements	FA 6.I	17
n. Insurance	FA 11.A	8
o. Advertising	FA 9	11
p. Indemnification	FA 11.C DA 9.4	6, 13
q. Owner's participation/management/staffing	FA 6.W DA 7.2	15
r. Records and reports	FA 10.A	17
s. Inspections and audits	FA 5.K; 6.B; 10.B	6
t. Transfer	FA 13.A-G DA 7 SBA Addendum	17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
u. Renewal	FA 3.B DA 4.4.3 – 4.4.5	17
v. Post-termination obligations	FA 16; DA 8.2, 8.3	17
w. Non-competition covenants	FA 14.B.3; 14.C DA 8	17
x. Dispute resolution	FA 21 DA 10.3, 10.8, 10.9	17
y. Related Party and manager agreements	FA Exhibit E, DA 7	22
z. Guaranty	FA Exhibit B DA Attachment 3B	17

## ITEM 10 FINANCING

Neither we, nor our affiliates or agents offer direct or indirect financing to franchisees, nor do we guarantee your obligations.

## ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS and TRAINING

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

### A. Pre-Opening Obligations

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. If you have entered into a Development Agreement, we will designate your Development Area where you will have the right to secure an Approved Location for each of your Franchised Businesses. (Development Agreement, Section 1 and Exhibit A);

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each

of your Franchised Business(es). We will also review, and subsequently approve/reject, any prospective site you propose for any Franchised Business. (Franchise Agreement, Sections 2(B) and 5(E));

3. Once you secure an Approved Location from which to operate your franchised Gym, we will define the Designated Territory for that Franchised Business and include its boundaries in the Data Sheet of your corresponding Franchise Agreement. (Franchise Agreement, Section 2(D));

4. We will provide you with online access to, or otherwise loan you, one (1) copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our Operations Guide (our primary operations “Manual”), which is a total of approximately 109 pages as of the Issue Date of this Disclosure Document is attached to this Disclosure Document as Exhibit G. You will be solely responsible for ensuring compliance with all directives and standards in the Manuals, including those set forth in any update to the Manuals that is circulated online (via a System website or other System-required software) or otherwise (Franchise Agreement, Section 5(D));

5. We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(D));

6. We will review and approve your signage, the proposed layout and design of your Premises – whether created by our Approved Supplier or other contractor you select (which you may only use if we do not require you to use our Approved Supplier) – as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 6(D));

7. Provide you with guidance and/or directives in connection with how to expend the required funds associated with the promotion and advertisement of the grand opening of your Franchised Business. (Franchise Agreement, Section 5(F));

8. Provide direction, as we determine appropriate, on your monthly “LAR” expenditures and/or any Approved Supplier(s) from which certain marketing/advertising services must be acquired (Franchise Agreement, Section 9); and

9. We will provide you and up to two (2) additional individuals you designate with our Initial Training Program designed to provide instruction and education on our System methods and techniques related to establishing and operating your Franchised Business.

## B. Initial Training Program

1. The Initial Training program may be provided by us through a number of different methods, including: (a) remote training via an online learning management system (or “LMS”), webinars and/or similar methods of online instruction, (b) instruction that takes place at our designated training Gym

or location, and (c) on-site instruction and assistance that our training personnel provides to you and your designated trainees at the approved Premises of your Gym closer to the time you are ready to open.

2. You will be responsible for all costs and expenses you (and other attendees) incur in connection with attending or otherwise participating in our Initial Training Program (including any travel, lodging, meals and other expenses associated with attending those portions of the program that are provided from our designated training Gym or other training location we designate).

3. The details of our Initial Training Program are set forth in the Chart below:

### TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Welcome to the Franchise Network and Family <ul style="list-style-type: none"> <li>• Full Team Introduction</li> </ul>	1.5	0	Virtual, or a location designated by us.
Brand Training <ul style="list-style-type: none"> <li>• Complete Brand Training</li> <li>• Introduction to Marketing</li> </ul>	1	0	WG University – WG 101 (Virtual), or a location designated by us.
The 8 Building Blocks of Profitability <ul style="list-style-type: none"> <li>• WG University, Account Setup</li> <li>• Completing WG 101 Programs</li> <li>• Expectations</li> </ul>	1	0	WG University – WG 101 (Virtual), or a location designated by us.
Website and Social Media Setup <ul style="list-style-type: none"> <li>• Setup of all Social Media Platforms</li> </ul>	0.5	0	One-on-One (Virtual), or a location designated by us.
Gym Launch Guide Setup <ul style="list-style-type: none"> <li>• Introduction</li> <li>• Setting Up a Communication Cadence</li> </ul>	1	0	One-on-One (Virtual), or a location designated by us.
Marketing 101	1	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
<b>BLOCK 1: HUMAN RESOURCES</b>	<b>2.25</b>	<b>0</b>	WG University – Pre-Recorded (Virtual), or a

			location designated by us.
Understanding Job Descriptions/Duties/Responsibilities	1.75	0	WG University – WG 101 (Virtual), or a location designated by us.
BLOCK 2: MANAGEMENT & LEADERSHIP	1.75	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Managing the Day to Day	2	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 3: CUSTOMER SERVICE	2	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Customer Service in Action	2	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 4: PROGRAMMING	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Group Fitness	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Special Populations	0.75	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Personal Training	2.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
World Gym Athletics	0	2	Designated Training Gym

WORLD GYM ATHLETICS CLASS	1	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 5: MARKETING	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Building a Marketing Gameplan	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Common Marketing Mistakes & How to Avoid Them	0.75	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Dominating Digital Media	2	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Events, Cross Promotions & “Gorilla” Marketing	2	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 6: SALES	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Understanding the Process and Experience	2.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Closing	2.0	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
New Membership On Boarding	2.0	0	WG University – Pre-Recorded (Virtual), or a location designated by us.



BLOCK 7: RETENTION	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Training & Implementation	2.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 8: OPERATIONS	2.0	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Financial Deep Dive	1.75	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
The MX Factor and What You Need to Know	1.25	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
BLOCK 8: OPERATIONS CONTINUED Front of House Management	1.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Technology Deep Dive <ul style="list-style-type: none"> <li>• World Gym University Onboarding</li> <li>• World Gym +</li> <li>• Software System Provided Instruction</li> </ul>	2.75	0	WG University – WG 101 (Virtual), or a location designated by us.
Building Maintenance	2.5	0	WG University – Pre-Recorded (Virtual), or a location designated by us.
Ancillary Revenue Operations	1	0	WG University – Pre-Recorded (Virtual), or a location designated by us.

Grassroots Training	0.5	0	WG University – WG 101 (Virtual), or a location designated by us.
Gym Operations Guide	1	0	One-on-One (Virtual), or a location designated by us.
Day in the Life of an Owner/GM – Shadow a World Gym GM <ul style="list-style-type: none"> <li>• Membership Sales</li> <li>• Tours</li> <li>• Gym Sweeps</li> <li>• FD Needs</li> <li>• Cleaning Requirements</li> <li>• Supply Ordering</li> <li>• Inventory</li> <li>• Equipment Maintenance &amp; Expectations</li> <li>• Health and Safety</li> <li>• Barbell Café</li> <li>• ProShop</li> <li>• Classes</li> <li>• Systems</li> </ul>	0	8	Designated Training Gym
Reporting Expectations <ul style="list-style-type: none"> <li>• Review Monthly Reporting Metrics and Expectations</li> <li>• Schedule Weekly Touch-Bases</li> </ul>	1	0	One-on-One (Virtual), or a location designated by us.
<b>TOTAL HOURS</b>	<b>60</b>	<b>10</b>	

*Additional Training Disclosures*

1. Portions of any “Classroom” training may be provided to you via LMS (referred to as a “Pre-opening Webinar” above) or other online/electronic method that allows us to administer, provide, track report and deliver e-learning education courses and training via a software application (and,

if applicable, confirm that you have passed any corresponding test in connection with such training).

2. In addition to the remote instruction/classes and the portion of our Initial Training Program that is provided at our training Gym as described in the Training Chart above, we will send one (1) or more of our trainers to your Franchised Business to provide additional on-site instruction and assistance. This on-site assistance will typically take place at or close to the time you are authorized to open your Franchised Business, and such assistance will typically last one (1) day. Please note, however, that certain of the “On-the-Job” training described in the Training Chart above may be provided or covered during the training we provide at our designated training Gym or location.
3. We do not currently have a set training schedule, but our Initial Training Program will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well as changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. Our training supervisor and his/her experience within the industry and with our System are listed below. Our training managers may utilize other employees to assist them with all aspects of training.
4. You must complete the portions of the Initial Training Program that are provided remotely or at our designated training Gym or other location at least 4 weeks (but no more than 8 weeks) prior to opening your Franchised Business, unless we agree otherwise in writing. Failure by you or any other required attendee to complete these portions of the Initial Training Program within this time period is grounds for terminating your Franchise Agreement. (Franchise Agreement, Sections 5(A) and 6(O)).
5. All our basic training is supervised and/or provided by one (1) or more of the following individuals: Charlie Hauser, Tiffany Hamlin, Jen Calovich and Matthew Angeloni.
  - Mr. Hauser has more than 43 years of club management and operations experience. He has been a Senior Operations Advisor and one of our trainers since June 2020. He provides training and expertise in all areas of gym management and operations.
  - Ms. Hamlin has more than 18 years of health and fitness industry experience. She has been our National Director of Group Fitness since August 2020 and is now our Senior Director, Global Fitness and Technology. She has been one of our trainers since that time. She provides training in Group Fitness management and operations as well as World Gym +, our online/on demand fitness and training platform.
  - Mrs. Calovich has over 20 years of experience in the fitness industry. She has worked on both the club and vendor sides specializing in onboarding, training, customer success, and fitness technology solutions. In addition, she served as an operations and training consultant for 5 years overseas with World Gym Taiwan. Mrs. Calovich will provide training and support for franchise business operations.
  - Matthew Angeloni has more than 15 years of experience in the fitness industry. He has been our Manager of Training Service since December 2023 and one of our trainers since that time.

We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least six (6) months of experience with respect to any subject matters that they teach.

6. We expect that our Manuals and training materials, as well as other content we develop and create over time, will comprise the primary training tools used during the Initial Training Program, all of which we will have the right to update, supplement or otherwise modify as part of our System.
7. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that works at your Franchised Business. (Franchise Agreement, Sections 6(O) and 6(P)).

In addition to the Initial Training Program, we reserve the right to require that our System franchisees require each of their respective teams of Authorized Coaches to: (i) successfully participate in and complete any webinars, LMS and other training classes that can be completed at your Gym and are designed to instruct such personnel on how to provide such Approved Services in accordance with our System standards; and (ii) successfully pass the appropriate test, if any, that you will administer to ensure personnel understand the content of this instruction. Such instruction is designed to build on the skills, licensed or otherwise, that such personnel already have in the personal training and fitness instruction industries with a focus on providing the Approved Services in accordance with our then-current System standards. (Franchise Agreement, Section 5(B)).

#### C. Site Selection

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing Premises for your Franchised Business; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. (Franchise Agreement, Sections 5(E) and 6(A)).

In addition to whether you will be operating a Signature Model Gym or Legacy Model Gym, we may also consider the following – among other things – when evaluating your proposed site: (i) size and current design/layout of the useable square footage, demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other fitness facilities that are offering or providing services that are similar or directly competitive with the Approved Services, as well as the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the proposed site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

We must also have the opportunity to review any lease or purchase agreement for a proposed Approved Location before we approve that site. We may condition our approval of your proposed site on a number of conditions, including: (i) an agreement by you and the landlord of the Premises to enter into our prescribed form of Collateral Assignment of Lease; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Products and Approved Services, throughout the term of your Franchise Agreement. Under the

Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the lease for the Premises (the “Lease”) for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. (Franchise Agreement, Sections 5(E) and 6(A); Exhibit C to Franchise Agreement).

We will use reasonable efforts to approve or reject any proposed location within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide in writing our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business. (Franchise Agreement, Section 5(E)).

You must secure a Premises that we approve within six (6) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6(A)).

If you do not have an Approved Location at the time you execute your Franchise Agreement with us, we will designate a Site Selection Area on your Data Sheet wherein you will be permitted to search for, locate and secure your Approved Location. (Franchise Agreement, Section 2).

#### D. Time to Open

##### *Single Gym under Franchise Agreement*

Except as provided in this Item, you must open and commence operations of your Franchised Business within 12 months of the date you execute your Franchise Agreement for that Franchised Business.

We estimate that it may take between nine (9) to twelve (12) months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. If you do not open or operate your Franchised Business within a 12-month period, then we may terminate your Franchise Agreement (unless we agree to extend your opening deadline in a writing signed by both parties) (Franchise Agreement, Section 6(D)).

With that said, we will provide you with a reasonable extension of time not to exceed ninety (90) days to complete the build-out/construction of your Franchised Business and open to the public, provided: (i) you have already executed a lease for, or otherwise obtained, an Approved Location that we approve for that Franchised Business; and (ii) you notify us of your need for such an extension no less than thirty (30) days prior to expiration of the 12-month period prescribed timeline to open and commence operations described above. Such an extension will not affect any of your other obligations under the Franchise Agreement at issue or any Development Agreement you have entered into with us. (Franchise Agreement, Section 6(D)).

### *Multiple Franchised Gyms under Development Agreement*

If you have entered into a Development Agreement to open and operate multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Section 1 and Exhibit A).

If you fail to open and/or maintain any Franchised Business within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date from their respective Approved Location(s).

#### E. Post-Opening Obligations

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you, your Designated Manager and/or any Authorized Coach to attend and/or participate in, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Designated Manager (a) attend up to five (5) days of Additional Training each year, which may be at the training location we designate or via an online, virtual meeting, in our sole discretion, and (b) successfully complete up to 20 hours of LMS training (which can be completed remotely), each year. You will be required to pay our then-current Additional Training Fee for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(C));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, intranet communication, online video meeting, or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(G)).

3. We may also provide you with additional on-site assistance, subject to the availability of our field representatives and, upon our request, payment of the appropriate Training Fee. (Franchise Agreement, Section 5(G));

4. Continue to direct and approve certain digital marketing activities and campaigns you are required to engage our Approved Supplier(s) to manage and implement (as we determine appropriate). We will also approve or deny any other advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(H));

5. We may also, as we deem necessary in our discretion, provide you with marketing templates or materials that you will be required to use in connection with your Franchised Business. (Franchise Agreement, Sections 6(N));

6. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(L));

7. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any franchise conference and, while we do not currently charge any kind of registration fee, we do reserve the right to do so in the future (Franchise Agreement, Section 5(P));

8. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote our brand, our Proprietary Marks and other Gym locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Sections 5(I));

9. We may administer and maintain the brand development Fund for the benefit of the System, as we deem necessary in our sole discretion. (Franchise Agreement, Sections and 9(D));

10. We may, as we deem appropriate in our discretion, establish and maintain a System-associated website that will be accessible by System franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manuals, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (a “System Site”). (Franchise Agreement, Section 5(D));

11. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a franchised Gym, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K));

12. We may supplement, revise or otherwise modify the Manuals, Initial Training Program and/or any System Site as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet. (Franchise Agreement, Section 2(G)); and

13. We may: (i) research new fitness services, inventory items and other products, equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) develop additional products and services to be offered or provided as Approved Services and Approved Products, including proprietary products and services that may be sold under the Proprietary Marks we designate. (Franchise Agreement, Section 6(G)).

## F. Advertising

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including digital content, social media and other “profile” templates, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. Subject to applicable laws, you must participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 15 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise disclosed in this Item, we are not required to spend any amount on advertising in your Designated Territory.

*Local Advertising Requirement.* You must expend a minimum amount equal to four percent (4%) of the Gross Sales of your Franchised Business as your Local Advertising Requirement under your Franchise Agreement, which must be expended in connection with the promotion, marketing and advertising associated with your Franchised Business. As of the Issue Date, we may require you to expend your Local Advertising Requirement Funds on our Approved Suppliers (affiliate and third parties directly) for our System-approved digital marketing campaigns and related services/consent. We reserve the right to require that you expend any portion of these funds on (a) products or services we direct or approve, or (b) services that you must acquire from an Approved Supplier. Otherwise, we must approve all advertising in writing before it is used in connection with the Franchised Business, including all use of the Proprietary Marks. (Franchise Agreement, Section 9). Your Local Advertising Requirement commences in the first calendar month following the month wherein you finish expending, or are required to have expended, your Initial Marketing Spend (whichever is earlier).

*Brand Development Fund.* We have established and administer a brand development Fund (the “Fund”) for the benefit of the System and brand generally. Currently, you are required to contribute to the Fund in an amount equal to two percent (2%) of your monthly Gross Sales as your “Fund Contribution.” We will administer and use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System. We will designate all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other



advertising, promotion, and marketing activities. The Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our sole discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing. (Franchise Agreement, Section 9(D)).

We will account for the Fund contributions separately from our other funds and not use the Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, third-party costs, travel expenses and overhead we incur in administering the Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions. The Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that we may use/display the phrase “Franchises Available” on any and all advertising/marketing that is covered by the Fund. We may incorporate the Marketing Fund or operate it through a separate entity if we deem appropriate. Any affiliate-owned Gyms (if and when established) will contribute to the Fund.

We are not required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an unaudited accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, we may rollover any excess contributions into the Fund for use during the following year. We will have the right to modify or discontinue the Fund, as we deem appropriate in our sole discretion. (Franchise Agreement, Section 9(D)).

During our fiscal year ended December 31, 2023, the expenditures from the Brand Development Fund were used for the following purposes:

<b>Description of Expenditure</b>	<b>Percentage</b>
Creative and design services	11.13 %
Digital marketing	72.84 %
Other marketing support (social media, public relations, influencer campaigns, content marketing, etc.)	16.03 %
<b>Total</b>	<b>100%</b>

*Advertising Council.* Currently, we have not established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 9(E)).

*Regional Advertising Cooperatives (“Cooperatives”).* We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Gyms (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Gym owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Gyms within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the Issue Date of this Disclosure Document. If a Cooperative is established, you will be required to contribute up to a maximum amount equal to your current Local Advertising Requirement (currently, 4% of the Gross Sales of your Franchised Business) as directed, or approved by us upon a vote of the members, unless members unanimously vote to pay a higher amount. We will have the right to establish, modify, merge and dissolve Cooperatives as we deem appropriate. Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement. (Franchise Agreement, Section 9(G)).

*Online Directories.* As another means of advertising, you must ensure that the Franchised Business is listed in the appropriate online telephone directories and other marketing directories that we may designate.

#### G. Computer System

You must have a computer system that is capable of running fitness club management software, including electronic funds transfer and billing functions, or subscribing to an online club management application, as described below. If you are opening a new Gym, including any second or subsequent Gym, you must obtain your club management software from our Approved Vendor. Your computer system must be able to receive and send e-mail and access our Intranet, if we establish one.

You must have an electronic cash register that records the sale of apparel, accessories, merchandise, and food and beverage items. If you are opening a new Gym, you must buy your point-of-sale system from our Approved Vendor.

As of the Issue Date, we do not have a required computer brand or model that we require you to use – provided you can demonstrate that the laptop or desktop model at issue is (a) no more than 2 years old, (b) available for use in connection with the Franchised Business only, and (c) capable of running all Required Software and other Computer System components we require as part of our System. You must also acquire all hardware components of our System’s then-current POS system/hardware, which must be acquired from our third-party Approved Supplier as of the Issue Date of this Disclosure Document.

You are required to utilize various software in connection with your Franchised Business, some of which you will license directly from a third-party and some of which you will receive as part of the Technology Fee we currently require you to pay to us.

The initial costs associated with acquiring and installing the initial Computer System will cost between \$5,000 and \$10,000. You will be solely responsible for updating all required software, hardware and other Computer System components. As of the Issue Date, we do not require that you acquire any kind of support or maintenance agreement in connection with the Computer System components, but reserve the right to do so in the future. We estimate that you may expend between \$500 and \$1,500 in annual costs in connection with any upgrades or updates or improvements to the Computer System, which doesn’t include the Technology Fee, if any, or other recurring software fees paid directly to third parties.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and

specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software. (Franchise Agreement, Sections 4(C) and 6(K)).

You are also required to participate in any System Site (as defined earlier in this Item 11) that we implement, and may be required to use such networks or system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 5(I)).

#### H. Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, landing page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook®, Instagram®, LinkedIn®, Instagram, Pinterest®, Twitter®, YouTube® or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement, Section 9(F)).

We have the right to establish and maintain a website, that may, without limitation, promote the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. We agree to establish an interior page on our corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) the Franchise Agreement governing that Franchised Business is not subject to termination. (Franchise Agreement, Section 5(I)). We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our affiliate) are the sole registrant of the Internet domain names [www.worldgym.com](http://www.worldgym.com), [www.worldgymfranchising.com](http://www.worldgymfranchising.com), as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name or e-mail address that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

*[Item 12 Continues Below]*

## **ITEM 12 TERRITORY**

### Premises and Relocation

You may only operate your Franchised Business from the Premises we approve. Once we agree on the Premises, we will designate it on the Data Sheet attached to your Franchise Agreement.

You may not relocate your Franchised Business without our written consent, which we will not unreasonably withhold provided: (i) the new location is located within your Designated Territory and meets our then-current criteria for Premises; and (ii) you pay our then-current relocation fee. When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate. We will not unreasonably withhold our approval of your relocation request, provided the location meets our site selection criteria.

### Franchise Agreement: Designated Territory

Once you have secured the Premises of your Franchised Business, we will define the Designated Territory on the Data Sheet attached to your Franchise Agreement. Your Designated Territory will be located in all or a portion of a listed town, city, or county. The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another Gym, or grant the right to anyone else to open a Gym, from a physical location within the Designated Territory. We reserve all rights to sell our products and services under the Marks in the Territory through alternative distribution channels, as discussed below.

As disclosed more fully under the “Reserved Rights” heading below in this Item, we reserve the right to open and operate System Gyms from “Non-Traditional Locations” such as airports, academic institutions, hotels and/or other captive venues. For this reason, we must include the following language in this item: You will not receive an exclusive Designated 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. Your Designated Territory cannot be modified except by mutual written agreement signed by both parties.

There is no minimum sales requirement, market penetration, or other contingency that will affect your limited territorial rights awarded within your Designated Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

### Limitations on Soliciting and Other Activities Outside of Your Designated Territory

You may only solicit sales from customers in your Designated Territory. You may not use Alternative Distribution Channels, such as the Internet, catalog sales, telemarketing or other direct marketing to make sales inside or outside your Designated Territory; however, we will include a listing on our website of your

Gym location. Your local advertising must target customers in your Designated Territory, although the reach of your local advertising may extend beyond your Designated Territory.

#### Development Agreement: Development Area

If you are granted the right to develop multiple Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated: (i) from a distinct Premises located within the Development Area; and (ii) within its own Designated Territory that we will define once the Premises for that Franchised Business has been approved.

You will not receive an exclusive Development Area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. During the term of your Development Agreement, provided that you are not in default of your Agreement(s) or Development Schedule, we will not open another Gym or grant the right to anyone else to open a Gym within your Development Area until the expiration or sooner termination of your Development Agreement. However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the Marks in the Development Area through alternative distribution channels, as further discussed in this Item 12.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

#### Reserved Rights

We and our affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Gyms and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if appropriate, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Development Area; (iii) use the Proprietary Marks and System, other such marks we designate, to distribute our Approved Products and/or Approved Services in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including provision of the Approved Services via “On Demand” video and/or live streaming services or otherwise via the Internet, as well as distribution of the Approved Products mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Approved Services (but under different marks), within or outside your Designated Territory(ies) and,

if appropriate, Development Area; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Development Agreement.

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternative channels of distribution) within your Designated Territory.

Additional Disclosures

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor any affiliate have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Approved Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

**ITEM 13  
TRADEMARKS**

We grant you a limited, non-exclusive license to use our then-current Proprietary Marks in connection with the operation of your Franchised Business only at your Premises and within your Designated Territory, provided you use these Proprietary Marks as outlined in your Franchise Agreement(s) and our Manuals. You do not obtain any additional rights to use any of our Proprietary Marks under any Development Agreement you enter into.

Our Affiliate, World Gym International IP, LLC (the “Trademark Licensor”), has filed for registration of each of the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and has granted us the exclusive right to use the Marks and to license to others the right to use the Marks:

<b>Trademark</b>	<b>Registration Date</b>	<b>Registration Number</b>	<b>Registration Class</b>
Words “World Gym” with vintage gorilla design	August 13, 1985	1,354,193	25
Words “World Gym” with horizontal design	March 4, 2014	4,490,361	25 & 41
Words “World Gym” with stacked design	March 4, 2014	4,490,362	25, 28 & 41

We expect and intend to work with Trademark Licensor to maintain the registrations list in the Chart above, subject to any decisions to file and/or substitute the same with a modified or updated version of the Proprietary Marks.

You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Proprietary Marks. The goodwill associated with our Proprietary Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with our Proprietary Marks during the term of the Franchise Agreement will benefit us. All rights to use our Proprietary Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

As of the Issue Date of this Disclosure Document, there is no litigation pending against us or TM Owner arising out of our Proprietary Marks, and we are not aware of any superior rights in, or infringing uses of, our Proprietary Marks that could materially affect your right to use these marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Proprietary Marks, nor are there any pending infringement, opposition or cancellation proceedings, or any material litigation, involving the Proprietary Marks.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a”. You may not modify the Proprietary Marks with words, designs or symbols, except those that we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates our primary mark “World Gym” or any mark confusingly similar thereto.

You must immediately notify us, in writing, if you become aware of any unauthorized use of our Proprietary Marks or other proprietary information, and you must permit us to participate in any litigation involving you and our Proprietary Marks. We will take the action we think appropriate. We will indemnify, defend and hold you harmless in connection with any third-party claims that are brought against you that arise solely out of your authorized use of any Proprietary Marks in the manner we prescribe, provided you immediately notify us of the proceeding (within 3 days) and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel, unless we approve of your use of such counsel in writing prior to you engaging counsel. We will not reimburse you for disputes where we challenge your use of our Proprietary Marks.

You must modify or discontinue using any of the Proprietary Marks, and add new names, designs, logos or commercial symbols to the Proprietary Marks as we instruct. We may, at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signage, marketing displays, trade dress and other advertising), at your sole expense.

**ITEM 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any registered patents or pending patent applications that are material to the franchise. We do, however, claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise and/or Development Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise/Development Agreement or any time after that, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the “Confidential Information”). You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

You must require your Designated Manager and any personnel having access to any of our Confidential Information to sign our then-current form of Confidentiality and Non-Competition Agreement that is attached to the Franchise Agreement as Exhibit “E”, under which these individuals agree that they will maintain the confidentiality of information they receive in connection with their employment and restrict their right to work for a competitor while they are employed by you. This confidentiality agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights. You will promptly forward to us via email all such signed Agreements.

The Franchise and Development Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any Franchised Business, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise and/or Development Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.



We may revise any of our copyrighted materials at our discretion, and may require that you cease using any outdated item or portion of the Manuals.

## **ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

While we generally recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Designated Manager to manage daily operations with our prior written consent. You and/or your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed our Initial Training Program and otherwise demonstrated that he/she has a good handle on our System standards and specifications for daily operations of a System Gym. If the franchisee is a business entity, we do not require the Designated Manager to own an interest in the entity, but the Designated Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement. The Designated Manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors.

Your Franchised Business must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program, unless we agree otherwise in a signed addendum to your Franchise Agreement (for Gyms that afford 24-hour access). In the event that you operate more than one Franchised Business, you must have a properly trained Designated Manager at each System Gym you own and operate. You must keep us informed at all times of the identity of any personnel acting as Designated Manager, and obtain our approval before substituting a new Designated Manager at any of your locations.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any coaches or other specialized/licensed personnel you use to perform the Approved Services at your System Gym. Please note that nothing in this Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, the form of Personal Guaranty attached to the Franchise Agreement as an Exhibit (the “Guaranty”). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the “Owners”), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may offer all and only the Approved Products and Approved Services that we expressly authorize through your Franchised Business, and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products and Approved Services (whether your Franchised Business is a Signature Model or Legacy Model) as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these

types of changes.

If we discontinue any Approved Product or Approved Service offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Premises of your Franchised Business for any other business purpose other than the operation of your Franchised Business. You may not lease, sublease, sublicense, or otherwise assign any portion of the Premises of your Franchised Business to any third party for the operation of (a) a retail establishment, and/or (b) an establishment selling juices, smoothies, and/or café-style food and drink items.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

A. Franchise Agreement

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Term of the Franchise	Section 3	The initial term is for ten (10) years commencing on the Effective Date set forth in the Franchise Agreement.
b.	Renewal or extension of the term	Section 3	Your renewal rights permit you to remain as a franchise after the initial term of your franchise agreement expires. If you wish to renew and you satisfy the required pre-conditions to renew, we will offer you an additional ten (10) year term. You have the option to renew your agreement for two (2) additional, consecutive terms of ten (10) years each. You must sign our then-current franchise agreement for the renewal term and this new agreement may have different terms and conditions (including higher royalty and/or advertising fees) from the agreement that covered your original term.
c.	Requirements for franchisee to renew or extend	Section 3	In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises; not have received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date; be in good financial standing; have continued right of possession to the Premises; complete required renovation and modernization of your Franchised Business; pay us our then-current Renewal Fee; execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); complete our then-current refresher training course, and pay the appropriate tuition fee; pay the Renewal Fee; execute a general release in our favor (as well as related parties); and agree to re-image, renovate, refurbish, and modernize the Premises and Gym within the time frame required by Franchisor no later than three (3) months after any renewal date, at your sole expense.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with “cause”	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g.	“Cause” defined – curable defaults	Section 15(B)	You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized (including Ancillary Products without our consent); failure to pay us, our Affiliates, or our Approved Suppliers any amount due, and failure to obtain any necessary permit/certificate/approval to operate the Franchised Business.  If you receive notice that you have failed to provide us with access to your POS system and/or any other Required Software tied to the financial performance of your Gym and/or Confidential Information, you must cure such a default within 3 days.
		Section 15(C)	Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).
		Conversion Addendum: Section 8	A breach of any term of the Conversion Addendum will constitute a breach of the Franchise Agreement that must be cured within 30 days (unless a shorter time period is prescribed for that type of default in the Franchise Agreement).
h.	“Cause” defined - defaults which cannot be cured	Section 15(A)	Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition is filed by or against you and not dismissed within 30 days; a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement.
		Section 15(B)	Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit any fraud or misrepresentation in connection with your Franchised Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three (3) or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Proprietary Marks, Proprietary Information or other confidential information provided to you; misuse any proprietary software that might be developed in a competitive or other manner that constitutes misappropriation of said intellectual property or license; you fail to cure any default under any other agreement you have with our affiliates or any Approved Supplier within the appropriate cure period; you default under your lease for the Premises and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			Franchised Business; you are convicted of a felony or any crime of moral turpitude or offense that will adversely affect the System; you take any property of the Franchised Business for personal use; there are insufficient funds in your EFT Account on three (3) or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.
i.	Franchisee's obligations on termination/non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; return of the Manuals of any other Proprietary Information to us; provide us with all customer information, lists and applicable contracts; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Premises to us; pay us all outstanding amounts; comply with our option to purchase the business, if we so choose; and provide us with written confirmation of compliance with these obligations within 30 days.
j.	Assignment of contract by franchisor	Section 13	No restrictions on our right to assign.
k.	"Transfer" by franchisee – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you.
l.	Franchisor approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m.	Conditions for franchisor approval of transfer	Section 13(E)  Section 13(F)	We have the right to impose the following conditions on any transfer by you: all of your obligations under the Franchise Agreement have been satisfied; you cure all existing defaults; the new franchisee must meet our then-current qualifications and criteria for a new franchisee; transferee must assume all of your obligations under the Franchise Agreement; transferee must complete our training program; transferee must execute our then-current form of franchise agreement; transferee must pay our Transfer Fee and successfully complete our Initial Training Program (and pay the applicable training fee); and you must execute a general release in our favor (as well as related parties).  You will not be required to pay any transfer fee in the event: (i) you wish to transfer your rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by you and established solely for purposes of operating the Franchised Business under that Franchise Agreement; or (ii) you are required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest with respect to the Franchised Business) in order to receive SBA or other traditional bank financing, provided we otherwise approve of the transfer.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party bona fide offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
o.	Franchisor's option to purchase franchisee's business	16(G)	We have the right, but not the obligations, to purchase all or any portion of the assets of your Franchised Business upon expiration/termination of your Franchise Agreement at book value.
p.	Death or disability of franchisee	Section 13(B)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q.	Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family member of you, your principals, guarantors, owners or Designated Managers, may: (i) own, operate, or otherwise be involved with, a Competing Business (as defined in the Franchise Agreement); or (ii) divert, or attempt to divert, any prospective customer to a Competing Business.
r.	Non- competition covenants after the franchise is terminated or expires	Section 14(B)(1)  Section 14(B)(2)	<p>For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with any business that is involved in the licensing or franchising of Competing Businesses at any location within the United States where we can demonstrate we have offered this franchise offering.</p> <p>For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with any Competing Business within a fifteen (15) mile radius of: (i) the perimeter of your Designated Territory; or (ii) any other Competing Business location that exists or is under development as of the date your Franchise Agreement is terminated, expires or is transferred.</p> <p>During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; or (ii) contacting any of our suppliers/vendors for a competitive business purpose.</p>
s.	Modification of the agreement	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Manuals as we deem appropriate in our discretion from time to time.
t.	Integration/merger clause	Sections 18 and 22	Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 21(B)  Section 21(C)	<p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place in Los Angeles County, California (or Franchisor's then-current headquarters), or a</p>

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			nearby location that Franchisor designates or otherwise agrees to in writing. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
v.	Choice of forum	Sections 21(D) and 21(E)	Subject to Sections 21(C) and 21(D) of the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is within or closest to Los Angeles County, California or, if appropriate, the USDC for the Central District of California (subject to state law).
w.	Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the State of Delaware, without reference to this state's conflict of laws principles (subject to state law).

**B. Development Agreement**

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a.	Term of franchise	6.1	The Development Agreement will commence on the Effective Date set forth in the Agreement and end on the earlier of (a) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule or (b) the day that the final Franchised Business is opened.
b.	Renewal or extension of the term	Not Applicable	Not Applicable.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable.
d.	Termination by you	Not Applicable	Not Applicable.
e.	Termination by us without cause	Not Applicable	Not Applicable.
f.	Termination by us with cause	6.2	We may terminate your Development Agreement with cause.
g.	Cause defined - default which can be cured	Not Applicable	Not Applicable.
h.	Cause defined - default which cannot be cured	6.2	Your Development Agreement can be terminated by us if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by Franchisee, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; (iii) you fail to meet your development obligations under the Development Schedule for any single Development Period, and fail to cure such default within 30 days of receiving notice thereof; and (iv) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i.	Your obligations on termination/	Not Applicable	Not Applicable.

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
	non-renewal		
j.	Assignment of contract by us	8	We have the right to assign our rights under the Development Agreement.
k.	“Transfer” by you - definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l.	Our approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m.	Conditions for our approval of transfer	Not Applicable	Not Applicable.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable.
o.	Our option to purchase your business	Not Applicable	Not Applicable.
p.	Your death or disability	Not Applicable	Not Applicable.
q.	Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s.	Modification of the Franchise Agreement	27	Any modification of the Development Agreement must be in writing and signed by both parties.
t.	Integration/ merger clauses	27	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u.	Dispute resolution by mediation	13	At our option, all claims or disputes between you and us must be submitted first to mediation in Los Angeles County, California, or a nearby location that Franchisor designates or otherwise agrees to in writing, in accordance with the American Arbitration Association’s Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation.
v.	Choice of forum	15	Subject to Sections 13 and 14 of the Development Agreement, all claims must be brought before a court of general jurisdiction nearest to Los Angeles County, California or the United States District Court for the Central District of California. You consent to the personal jurisdiction and venue of these courts (subject to state law).
w.	Choice of law	9	The Development Agreement is governed by the laws of the State of Delaware, without reference to this state’s conflicts of law principles. (subject to state law)

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figures to promote our franchise, but we reserve the right to use one or more in the future.

**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 by, for example, providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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 our management by contacting our Chief Executive Officer, Lewis Stanton, c/o World Gym International, LLC, Attn: Corporate Management Group, 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067, Telephone (424) 481-0321 , the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2021 - 2023\*  
(United States)**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised (U.S. Only)	2021	39	34	-5
	2022	34	33	-1
	2023	33	24	-9
Company- Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Totals (US Only)</b>	<b>2021</b>	<b>39</b>	<b>34</b>	<b>--5</b>
	<b>2022</b>	<b>34</b>	<b>33</b>	<b>-1</b>
	<b>2023</b>	<b>33</b>	<b>24</b>	<b>-9</b>



**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(other than the Franchisor)**  
**For Years 2021 - 2023**  
**(United States)**

State	Year	Number of Transfers
California	2021	1
	2022	0
	2023	0
<b>Totals</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021-2023**  
**(United States)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
AZ	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
CA	2021	9	0	0	3	0	1	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	1	0	0	4
CO	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	3	0	1	0	0	0	2
FL	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	3	0	1	0	0	0	2
GA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IN	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
ME	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	0
	2023	1	0	0	0	0	1	1
MD	2021	3	0	0	1	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2022	2	0	0	0	0	0	2
	2023	2	0	0	2	0	0	0
MT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NY	2021	6	0	1	0	0	0	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	1	3
NC	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OH	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	3	0	0	2
OR	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TX	2021	6	2	0	0	0	1	8
	2022	6	0	0	0	0	1	8
	2023	8	1	0	0	0	0	8
VA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	1	0	0	0
<b>Totals</b>	<b>2021</b>	<b>39</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>34</b>
	<b>2022</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>33</b>
	<b>2023</b>	<b>33</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>2</b>	<b>24</b>

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 2021 - 2023**  
**(United States)**

	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
<b>Totals</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 5**  
**Projected Openings as of December 31, 2023**  
**(United States)**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
CO	2	2	0
FL	1	1	0
TX	2	2	0
<b>TOTAL</b>	<b>5</b>	<b>5</b>	<b>0</b>

A list of the names of all of our current franchisees in the United States, along with the addresses and telephone numbers of their franchised Gyms, are set forth in Exhibit F to this Disclosure Document. The name, city, state and current business telephone number (if known) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issue date of this disclosure document, will be listed on Exhibit F to this Disclosure Document when applicable.

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

During the last three (3) fiscal years, certain franchisee(s) have entered into confidentiality provisions that would restrict their ability to speak openly about their experience with the System.

As of the Issue Date, there are no trademark-specific organizations formed by our franchisees that are associated with the System.

## ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements, and those of our affiliate, for the fiscal years ending December 31, 2023, December 31, 2022, and December 31, 2021, are attached as Exhibit D.

## ITEM 22 CONTRACTS

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Franchise Agreement (and Exhibits)	Exhibit B
Development Agreement (and Exhibits)	Exhibit C
State Specific Addenda	Exhibit E
Sample Termination and Release	Exhibit H
Franchisee Questionnaire	Exhibit I

## **ITEM 23 RECEIPTS**

Exhibit K to this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to our CEO, Lewis Stanton, c/o World Gym International, LLC, Attn: Corporate Management Group, 1901 Avenue of the Stars, Suite 1100 Los Angeles, California 90067, and via email at [info@worldgym.com](mailto:info@worldgym.com).

**EXHIBIT A  
TO FRANCHISE DISCLOSURE DOCUMENT**

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

## LIST OF STATE ADMINISTRATORS

California Department of Financial Protection and  
Innovation  
TOLL FREE 1-(866) 275-2677

### LA Office

320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500

### Sacramento Office

2101 Arena Boulevard  
Sacramento, CA 95834  
(866) 275-2677

### San Diego Office

1350 Front Street, Room 2034  
San Diego, CA 92101-3697  
(619) 525-4233

### San Francisco Office

One Sansome St., Suite 600  
San Francisco, CA 94104  
(415) 972-8565

Florida Department of Agricultural  
and Consumer Services

Division of Consumer Services  
Mayo Building, Second Floor  
Tallahassee, Florida 32399-0800  
(904) 922-2770

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

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

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-11  
Indianapolis, IN 46204  
(317) 232-6681

Kentucky Office of the Attorney General Consumer  
Protection Division  
P.O. Box 2000  
Frankford, KY 40602  
(502) 573-2200

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

Michigan Department of the Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, MI 48933  
(517) 373-7117

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198  
(651) 539-1600

Nebraska Department of Banking and Finance  
1200 North Street, Suite 311  
P.O. Box 95006  
Lincoln, NE 68509-5006  
(402) 471-3445

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, NY 10005  
(212) 416-8236

North Dakota Securities Department  
State Capital, 5<sup>th</sup> Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-2910

Oregon Department of Consumer  
and Business Services  
Division of Finance and Corporate  
Securities labor and Industries  
350 Winter Street, NE, Room 410  
Salem, OR 97310-3881  
(503) 378-4140

Director, Department of Business Regulations  
Rhode Island Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903-4232

South Dakota, Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, SD 57501-2017  
(605) 773-3563

Statutory Document Section  
Texas Secretary of State  
P.O. Box 12887  
Austin, TX 78711  
(512) 475-1769

State of Utah  
Division of Consumer Protection  
P.O. Box 45804  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219  
(804) 371-9051

State of Washington  
Washington Department of Financial Institutions  
Securities Division  
150 Israel Road, SW  
Tumwater, WA 98501  
(360) 902-8760

Wisconsin Commissioner of Securities  
345 W Washington Ave., 4<sup>th</sup> Floor  
Madison, WI 53703  
(608) 266-8550

**AGENTS FOR SERVICE OF PROCESS**

Mr. Lewis Stanton, CEO  
World Gym International, LLC  
Attn: Corporate Management Group  
1901 Avenue of the Stars, Suite 1100  
Los Angeles, California 90067

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California Commissioner of the Department of  
Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, CA 95834

Commissioner of the Department of Business  
Oversight  
One Sansome St., #600  
San Francisco, California 94104

Commissioner of the Department of Business  
Oversight  
1515 K Street., Suite 200  
Sacramento, CA 95814

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, IN 46204

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

Michigan Department of Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
P.O. Box 30054, 6546 Mercantile Way  
Lansing, MI 48909

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198

New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6th Floor  
Albany, NY 12231  
(518) 473 2492

North Dakota Securities Commissioner  
State Capitol – 5<sup>th</sup> Floor  
600 E. Boulevard Avenue  
Bismarck, ND 58505

Director, Department of Business Regulation  
Division of Securities  
Suite 232  
233 Richmond Street  
Providence, RI 02903-4232

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, SD 57501-3185

Clerk of the State Corporation Commission  
Tyler Building, 1<sup>st</sup> Floor  
1300 East Main Street  
Richmond, VA 23219

Washington Department of Financial Institutions  
Securities Division  
150 Israel Road, Southwest  
Tumwater, WA 98501

Wisconsin Commissioner of Securities  
345 West Washington Avenue, 4<sup>th</sup> Floor  
Madison, WI 53703  
(608) 261-9555



**EXHIBIT B  
TO FRANCHISE DISCLOSURE DOCUMENT**

**WORLD GYM INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**WORLD GYM INTERNATIONAL, LLC**  
**FRANCHISE AGREEMENT**

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<b>Exhibit F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names</b>	

**WORLD GYM INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (“Effective Date,”) by and between: (i) World Gym International, LLC, a Delaware limited liability company with its principal place of business at 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee” or “you”).

**RECITATIONS**

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a fitness center (each, a “Gym”) that provides (a) proprietary fitness training and related fitness instruction, wellness and recovery services, and any other fitness-related services we require or authorize in writing that you provide (the “Approved Services”), and (b) workout equipment, nutritional menu items including drinks, shakes, bars and supplements, branded apparel, accessories and other merchandise, as well as any other products we require or authorize for retail sale (the “Approved Products”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Gym; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Gym; standards and specifications for the furniture, fixtures and equipment located within a Gym; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales, marketing, and other aspects of operating a Gym. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System, which may, in whole or part, be contained in the relevant Franchisor’s manuals that are proprietary and confidential.

C. As of the date this Agreement is executed, the parties agree and acknowledge that Franchisor offers and awards the right to own and operate a franchised Gym from: (i) a footprint that is (a) typically 20,000 or more square feet in size, and (b) affords Franchisee the right to offer and provide all Approved Services and gym equipment that Franchisor authorizes in connection with its System and Proprietary Marks (the “Signature Model”); or (ii) a smaller footprint that is typically between 7,500 and 11,000 square feet in size that will offer and provide a more limited set of Approved Services and Approved Products that are designed to focus more on strength training, weightlifting and related exercises/activities (the “Legacy Model”). For purposes of this Agreement, the foregoing Models will each be described generally as a “Model,” with the Model of the Franchised Business awarded to Franchisee being set forth in the Data Sheet attached to this Agreement.

D. Franchisee’s Gym must be operated using Franchisor’s Proprietary Marks and in accordance with Franchisor’s proprietary operating System that is generally comprised of various components for the Model being awarded, including: (i) methodologies and know how, information, trade

secrets regarding the provision of the Approved Services, sourcing and resale of certain Approved Products and the establishment and operation of a franchised Gym generally; Franchisor's confidential operations manual (the "Operations Manual") and other proprietary manuals Franchisor may provide Franchisee with access to via hard copy or online (collectively, the "Manuals"); (ii) proprietary training (both initial and ongoing) related to the operation of a Gym, as well as all related training materials; (iii) designated sources and existing relationships with suppliers specified by Franchisor from whom Franchisee is either required or pre-approved to purchase certain items or services that are necessary to establish and/or operate a franchised Gym; (iv) information and, if Franchisor determines appropriate, prototypical plans for the design and layout of a franchised Gym; (v) specified equipment, inventory, mats, furniture and any fixtures that are necessary to build out a prototypical Gym; (vi) Franchisor's Proprietary Marks, as well as any other interior and exterior design, décor, color schemes, advertising and marketing specifications, and other standards, specifications, techniques, and procedures that Franchisor designates for developing, operating, and managing the Gym. Franchisor may, in its discretion, update, supplement, change or otherwise modify the System; as well as (vii) corresponding System suppliers, standards and specifications, as Franchisor determines appropriate from time to time via revisions to the Manuals or otherwise in writing.

E. Franchisee agrees and acknowledges that certain of the Approved Services provided at and from the Franchised Business, regardless of Model, must be performed by an individual that (i) Franchisee independently determines has sufficient personal trainer or similar fitness instruction experience prior to engaging, and (ii) who has attended and completed the appropriate instructor-related components of Franchisor's initial training program designed to provide instruction on how to provide the Approved Services in accordance with Franchisor's then-current System standards and methodologies (each, an "Authorized Coach").

F. The System and Gyms are identified by Franchisor's then-current and proprietary marks, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the "Proprietary Marks"). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

G. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Gym utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

H. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

I. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Gym from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

J. Franchisor is willing to grant Franchisee the right to operate a Gym based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

## AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. **PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE.** As material consideration for Franchisor entering into this Agreement, Franchisee agrees and acknowledges as follows:

- A. The business venture contemplated by this Agreement involves business risks.
- B. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- C. Franchisee has received, and will review and ensure it understands the provisions contained in, this Agreement and any exhibits hereto prior to executing this Agreement.
- D. Franchisee understands that the fitness industry is highly competitive with constantly changing market conditions.
- E. Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction prior to entering into this Agreement.
- F. Franchisee has either (a) consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business, or (b) has voluntarily and unilaterally declined to do so.
- G. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- H. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- I. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.
- J. Franchisee will not contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.

- K. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- L. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide fitness and, as applicable, personal training services, that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.
- M. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a Gym; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

## 2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single franchised Gym (the "Franchised Business"), which the parties agree and acknowledge must be developed and operated under the Model that the parties mutually agreed-upon in the Data Sheet to this Agreement (the "Applicable Model") prior to the execution of this Agreement.
- B. **Approved Premises; Site Selection Area** The Franchised Business must be operated from a single location that Franchisor reviews and approves (the "Premises"). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") on the data sheet attached to this Agreement as Exhibit A (the "Data Sheet") wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Gym within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Gym, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.
- C. **Relocation of Premises.** Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an

alternative location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor's then-current site selection criteria for the premises of a Gym; and (ii) Franchisee pays Franchisor a relocation fee amounting to \$2,500 prior to Franchisor's approval of the relocation, plus any actual costs/expenses incurred in connection with evaluating the proposed relocation site.

- D. **Designated Territory.** Upon locating and securing a Premises for the Franchised Business with the Applicable Model, Franchisor will designate a geographical area surrounding the Premises wherein Franchisor will not open or locate, or license a third party the right to open or locate, another Gym utilizing the System and Proprietary Marks (the "Designated Territory"), for so long as Franchisee is in compliance with this Agreement. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.
1. Franchisee may not solicit prospective customers outside of the Designated Territory, unless (a) these prospective customers do not reside within the territory granted to another franchisee or other Gym location, and (b) Franchisee obtains Franchisor's prior written consent.
  2. Franchisee may not actively advertise the Franchised Business outside of the Designated Territory, unless (a) the area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and is not granted to another franchisee or other Gym location, and (b) Franchisee obtains Franchisor's prior written consent.
- E. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Gyms and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Gyms, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- F. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open and operate, other Gyms utilizing the Proprietary Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Gyms (such as private label products that Franchisor may develop) through alternative channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Gym, located within or outside your Designated Territory, and subsequently operate (or license a third party the right to operate) these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; (v) open and operate, or license third parties the right to open or operate gyms in non-traditional sites, including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls, other shopping outlets, food courts, and train stations and airports, both within and outside of Franchisee's



Designated Territory, with determination of what constitutes a non-traditional site subject to Franchisor's sole discretion; and (vi) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.

- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise), which the parties agree and acknowledge may be Model-specific.

### 3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to two (2) additional, consecutive terms of ten (10) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.
  2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
  3. Franchisee pays Franchisor the then-current renewal fee which currently amounts to Five Thousand Dollars (\$5,000) at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.
  4. Franchisee and/or the Designated Manager (as defined in this Agreement and as applicable) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement, and Franchisor's then-current Training Fee, if any, for any required refresher training that

Franchisor determines appropriate. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training.

5. Franchisee executes a general release in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule or ordinance.
6. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
7. Franchisee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Gym within the time frame required by Franchisor no later than three (3) months after any renewal date hereunder, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly opened Gym.

#### 4. **FEES AND PAYMENTS**

A. **Fees.** In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:

1. *Initial Franchise Fee.* Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Forty-Five Thousand Dollars (\$45,000.00) (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
2. *Royalty Fee.* On or before the fifth (5<sup>th</sup>) day each calendar month (or then-current reporting/payment period that Franchisor designates) once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee must pay Franchisor an ongoing royalty fee amounting to five percent (5%) of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business in the preceding month (the "Royalty Fee") beginning when the Franchised Business opens.
3. *Brand Development Fund.* Franchisor has established a brand development fund (the "Fund") for the benefit of the System and the Franchisor's brand generally, and requires Franchisee to pay two percent (2%) of the Gross Sales generated by the Franchised Business over the payment period that Franchisor designates (the "Fund Contribution") which will be payable at the same time and in the same manner as the Royalty Fee.
4. *Technology Fee; Required Software-Related Fees.* In connection with certain technology and related systems that Franchisor designates for use in connection with the System, Franchisee must pay: (i) Franchisor its then-current technology

fee (the “Technology Fee”) for the technology and services that Franchisor determines to provide as part of Technology Fee; and (ii) any other license fees or other amounts necessary to acquire and maintain access to such required software (the “Required Software”) and other technology, including without limitation, any (a) gym management system and/or CRM system that Franchisee must use in connection with the Franchised Business, and/or (b) online app or other platform that Franchisor permits Franchisee to offer and sell to Gym members/patrons for on-demand fitness services and instruction that can be viewed online, to Franchisor’s then-current approved suppliers. The Technology Fee shall be payable at the same time and same manner as your Royalty Fee or monthly, as Franchisor designates in the Manuals or otherwise.

5. *Training Fee(s)*. Upon execution of this Agreement and throughout the term thereof, Franchisee must pay Franchisor the then-current applicable training fee for the type of training at issue (collectively, the “Training Fee(s)”).
6. *Fees for System-Associated Online Training Platform(s)*. Franchisee must pay Franchisor the then-current fee for Franchisor’s online and/or on-demand fitness training platform(s). This fee shall be payable at the same time and same manner as your Royalty Fee or monthly, as Franchisor designates in the Manuals or otherwise.
7. *Initial Inventory Package*.
  - a. Franchisee must purchase its initial stock of nutritional supplements and certain other inventory (including branded apparel) from Franchisor’s approved supplier before Franchisee opens its business. This amount is due to Franchisor’s approved supplier for these inventory items at or around the time the order is placed for the inventory.
  - b. Franchisee will be required to purchase ongoing inventory, including certain proprietary and/or branded inventory and/or nutritional supplements necessary to provide the Approved Services on an on-going basis and in the amounts required by Franchisor and/or otherwise as required to meet client demand for certain Approved Products.
8. *Annual Franchisee Convention*. Franchisor may establish and conduct an annual convention for all Gym owners and operators and will require Franchisee and its Designated Manager to attend this convention. Franchisor reserves the right to charge Franchisee its then-current registration fee in connection with any convention conducted pursuant to this Section, as required under this Agreement and/or the Manuals, and Franchisee will be solely responsible for all expenses incurred in attending such conferences. Franchisor reserves the right to charge Franchisee a non-attendance fee amounting to \$2,000 if Franchisee (or its Designated Manager or other owner) does not attend and participate in the convention.
9. *Definition of Gross Sales*. “Gross Sales” means the total revenue generated at, through or otherwise by your Franchised Business or any other activities conducted at the Premises, including all revenue generated from the sale and provision of (i) Approved Services, including all physical/personal training services and Gym

membership revenue, (ii) Approved Products, including all retail apparel and merchandise you are authorized to offer at your Franchised Business, (iii) gift cards, (iv) other activities offered and provided by the Franchised Business, including but not limited to income or other consideration earned by you as a result of a tenant or sub-tenant of the Franchised Business utilizing space (pursuant to our prior written approval) within the Gym, or otherwise at the Premises, and (v) all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "Gross Sales" does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Services or Approved Products as part of a *bona fide* refund transaction.

10. *Other Amounts.* All other training/tuition fees, evaluation fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement.

B. **Method of Payment.** With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the "EFT Program"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "EFT Account"). Franchisee shall deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account.

C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system and all software applications used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Gym, in order to obtain Gross Sales, membership rates, counts and other membership-related information, and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisor may require Franchisee to use a Computer System and/or related software

that is administered through Franchisor and that provides Franchisor with automatic access to all data and reports that might be created by such Computer System and/or software.

D. **Gross Sales Reports; Right to Modify Payment Interval.** On or before Monday of each week (or other date that Franchisor determines in writing), Franchisee must send Franchisor a signed Gross Sales report (a “Gross Sales Report”) detailing the following information: (i) Gross Sales of the Franchised Business from the preceding Business Week; (ii) Franchisee’s calculated Royalty Fee and Fund Contribution (if appropriate) based on the Gross Sales from the preceding Business Week; and (iii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time.

1. The parties agree and acknowledge that Franchisor may require Franchisee to use a Computer System and/or software in connection with the Franchised Business that provides Franchisor with automatic access to Gross Sales Reports and any other data/reports generated by such Computer System and/or software, but in no event shall such access by Franchisor affect Franchisee’s obligation to provide all reports required under this Franchise Agreement unless Franchisor agrees otherwise in writing.
2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee’s Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly.

E. **Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest in connection with the overdue amount, at a rate of one and one-half percent (1.5%) per month, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay the greater of (a) Thirty-Five Dollars (\$35.00) or (b) Franchisor’s actual expenses for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.

F. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.

G. **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee’s interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions,

accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.

1. Notwithstanding anything contained in Section 4(I) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(I) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).

H. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement, in whole or part, for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

I. **Compliance with Membership Reciprocity and Gift Card Redemption Policies.** Franchisee agrees and acknowledges that Franchisor has set forth policies and guidelines regarding (i) Franchisee's provision of certain Approved Products and Approved Services to clientele at the Franchised Business that have purchased a membership at a Gym other than the Franchised Business (and vice versa), and (ii) Franchisee's redemption of gift cards at the Franchised Business that were purchased at a Gym other than the Franchised Business (and vice versa), along with directives and guidelines for how any compensation (membership fee or otherwise) will be allocated amongst the Franchised Business and the other Gym(s) at issue. Franchisee agrees and acknowledges that such policies and guidelines may affect Franchisee's payment obligations under this Agreement, whether to Franchisor and/or to a different Gym location, but agrees to strictly comply with such directives, policies and guidelines as set forth and updated by Franchisor in the Manuals or otherwise in writing.

## 5. **DUTIES OF FRANCHISOR**

A. **Initial Training Program.** Franchisor shall offer and make available an initial training program (the "Initial Training Program") for Franchisee and up to two (2) additional persons designated by Franchisee, provided these individuals attend at the same time. One

of the trainees must be Franchisee (or one of Franchisee's principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, another of the attendees must be the individual that Franchisee appoints that will be responsible for the day to day management of the Franchised Business and that Franchisor approves (the "Designated Manager").

1. The Initial Training Program will be provided by Franchisor and its training personnel through: (i) remote/online instruction and classes that may be completed via a Learning Management System (or "LMS") or other technology that Franchisor can use to prepare, deliver, and track progress/completion of such instruction by Franchisee and any other required trainees; (ii) training that will be provided at Franchisor's designated training facility; and (iii) on-site assistance that Franchisor's training personnel provides at the Franchised Business prior to or at around the time it is opening (the "On-Site Assistance").
2. The portions of the Initial Training Program that cannot be conducted and completed remotely will be provided subject to the schedule and availability of Franchisor's training personnel.
3. Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor's staff), provided Franchisee pays Franchisor its then-current Initial Training Fee for each individual that attends in addition to the first three (3) persons (as well as any expenses incurred).

**B. Personnel Training; Replacement Training (Initial Training Program)**

1. Franchisor will, as it deems appropriate in its discretion, provide Franchisee with certain webinars, LMS and other instructional materials designed to help Franchisee train and certify any individual that will be providing training or other of the Approved Services at the Franchised Business (the "Training Materials"). Franchisee must ensure that: (i) each individual that Franchisee wishes to have provide Approved Services at the Franchised Business successfully reviews and completes the appropriate Training Materials; (ii) each such individual takes and completes any test or other device designed to ensure that the personnel providing the Approved Services fully understand the System standards and specifications surrounding those Approved Services; and (iii) at Franchisor's request, Franchisee provides a written representation to Franchisor that all personnel providing the Approved Services at the Franchised Business have completed the Training Materials and successfully passed all corresponding tests described in this Section prior to performing any such Approved Services at the Franchised Business.
2. Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor's then-current initial training fee (as well as any expenses incurred).

**C. Additional and Refresher Training.** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor may require Franchisee and its designated attendees to pay its then-current training tuition fee in connection with attending

additional/refresher training (in addition to Franchisee's obligation to pay for any expenses incurred by Franchisor and its personnel in providing such training). Franchisor will not require Franchisee and its management to attend more than: (i) five (5) days of additional/refresher training each year; and (ii) 20 hours of additional LMS Training remotely each year.

- D. **Manuals**. Franchisor will provide access to, or otherwise loan, Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the "Manuals"). Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the "Required Items"), which may depend on the Applicable Model of the Franchised Business; (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the "Approved Suppliers"); and (iii) a list of the Approved Products and Approved Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business, including membership programs and services that, again, may vary and depend on the Applicable Model designated for the Franchised Business. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you. Franchisor may also establish and maintain a System website portal (the "Team Site"), wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed on the Team Site. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manual must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the term of this Agreement.
- E. **Site Selection Assistance**. Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee's selection of a Premises for the Franchised Business, including Franchisor's then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee's proposed location, as well as the lease for the Premises (the "Lease") or purchase agreement for the location, in writing prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord's execution of Franchisor's form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
- F. **Initial Marketing Spend Assistance**. Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting its Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee's expense.



- G. **Continuing Assistance.** Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business (after the Initial On-Site Training has been provided). Franchisor's determination not to provide any particular service, whether initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement. Franchisor may provide such assistance via telephone, fax, intranet communication, Skype®, Zoom® or any other communication channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor's personnel. In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor's then-current training tuition fee in connection with such training (in addition to reimbursing Franchisor for any costs/expenses that Franchisor's personnel incurs in connection with providing such assistance).
- H. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- I. **Website.** For so long as Franchisor has an active website containing content designed to promote the brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with all communications related to the Franchised Business.
- J. **Private Label Products.** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be sold at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates.
- K. **Inspections of the Franchised Business and Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Gym's common area, taking samples of any Approved Products for sale at the Gym, interviewing and surveying Franchisee's personnel and customers, inspecting any and all books and records, and conducting mystery shop services. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- L. **Administration of Fund.** Franchisor will administer the Fund as it deems appropriate in its sole discretion as described more fully in Section 9 of this Agreement.
- M. **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is

only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

- N. **Delegation of Duties**. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O. **Pre-Opening Obligations Acknowledgement**. If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within sixty (60) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.

## 6. **DUTIES OF FRANCHISEE**

- A. **Secure a Premises**. Franchisee must secure a Premises within the Designated Territory within six (6) months of executing this Agreement unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, the form of Lease must be approved by Franchisor and Franchisee must ensure that both Franchisee and the party leasing the Premises to Franchisee under the Lease execute the form of Collateral Assignment of Lease attached to this Agreement as Exhibit C prior to, or at the same time, the Lease is executed.
- B. **Access to Franchisor for Inspection of Premises**. Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.
- C. **Compliance with Lease**. Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that Gym by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.
- D. **Construction and Build-Out**. Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans for the Applicable Model and must otherwise open the Franchised Business to the public no later than twelve (12) months after the date this Agreement is executed. Franchisor may require that Franchisee use one or more Approved Suppliers for

certain pre-opening project and construction management services, which may also include services related to preparation of the architectural plans. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.

1. Notwithstanding anything contained in this Section, Franchisor will provide Franchisee with a reasonable extension of time not to exceed ninety (90) days to complete the build-out/construction of the Franchised Business and open to the public, provided: (i) Franchisee has already executed a lease for, or otherwise obtained, a Premises that Franchisor approves; and (ii) Franchisee notifies Franchisor of its need for such an extension no less than thirty (30) days prior to expiration of the twelve (12) month timeline to open and commence operations described herein. Any extension granted under this Section will not affect any of Franchisee's other obligations under this Agreement or any of the development obligations set forth in any ADA (as defined below).
  2. The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an Area Development Agreement that Franchisee (or its affiliate) has entered into with Franchisor (an "ADA"), then that ADA will control the timeline for opening and operating the Franchised Business in the event there is an inconsistency between the ADA and this Agreement. Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (regardless of when Franchisee executes this Agreement).
- E. **Required Licenses and Permits.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer and sale of fitness services, including fitness classes, personal training services and the other Approved Products and Approved Services that Franchisor authorizes Franchisee to provide at the Franchised Business.
- F. **Licensing Requirements for Authorized Coaches, Instructors, and Trainers.** If and as required by applicable laws where the Franchised Business is located, Franchisee must ensure that the applicable Approved Products and Approved Services provided at the Franchised Business are only performed by Authorized Coaches (as appropriate) that are licensed by the appropriate authorities to provide the Approved Products and Approved Services at issue. Franchisee must also comply with any and all state laws and regulations that (i) require any examination and certification of Authorized Coaches, and (ii) restrict the types of services and treatments Authorized Coaches or other Franchised Business personnel may offer. For purposes of clarification, Franchisee must also ensure that any prospective Authorized Coach has completed and received all required training to be certified as a personal trainer in accordance with the requirements of the state where the Franchised Business is located.

G. **Approved Products and Approved Services.** Franchisee must only offer and sell only the Approved Products and Approved Services, which may include provision of gym consulting that is provided at the Premises via Franchisee or third-party consultant, at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Products and Approved Services are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Approved Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. Franchisee must grant access and extend certain privileges of membership services to all members of a System-associated membership program, no matter where such membership was issued or purchased, so long as such membership is current and in good standing. Franchisee shall accept as payment for services or products any valid gift card or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. Franchisee shall be compensated for providing membership services and fulfilling prepaid services as specified in the Manual or otherwise in writing by Franchisor.

1. *Compliance with Gift Card Policies.* Franchisee must accept as payment for Approved Products and Approved Services any valid gift card or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. Franchisee shall be compensated for providing membership services and fulfilling prepaid services at the Franchised Business as specified in the Manual or otherwise in writing by Franchisor. Franchisee must sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee or another Gym location. Franchisee must sell, issue, and redeem (without any offset against any Royalty or other amounts owed to Franchisor) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Gym locations and for making timely payment to Franchisor, other operators of a Gym, or a third-party service provider for Gift Cards issued from the Franchised Business that are honored by another Gym location.

2. *Compliance with Membership Policies.* Franchisee must grant access and extend certain privileges of membership services to all members of a System-associated membership program, no matter where such membership was issued or purchased, so long as such membership is current and in good standing. Franchisee must institute membership programs as specified in the Manual. Franchisee agrees and acknowledges that all member information and membership data is (a) confidential, (b) the exclusive property of Franchisor, and (c) may only be used by

Franchisee in strict adherence to Franchisor's policies and procedures as stated in the Manual.

- H. **Other Devices Prohibited at Premises; Restrictions on Sublease.** Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, Internet kiosks, beverage coolers or other related equipment, or any other electrical or mechanical device in the Gym other than those that Franchisor prescribes or approves. During the Term of this Agreement, Franchisee is specifically prohibited from leasing, subleasing, sublicensing, or otherwise assigning any portion of the Premises of the Franchised Business to any third party for the operation of (a) a retail establishment, and/or (b) an establishment selling juices, smoothies, and/or café-style food and drink items.
- I. **Fixtures, Furniture, Signs and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, artwork, décor items and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business more than once every five (5) years unless such renovation/refurbishment is in connection with a renewal or transfer of this Agreement. The parties agree and acknowledge, however, that the limitation set forth in the preceding sentence will not apply to any request to modify the Proprietary Marks as provided for in this Agreement.
- J. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to providing fitness services, including fitness classes, and certification/licensing of trainers. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.
- K. **Required Items.** Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchisor designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- L. **Alternative Supplier Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the

proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current product/supplier evaluation fee (the "Evaluation Fee"). At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- M. **Computer Issues**. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
- N. **Promotional Materials Display**. Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials, or other promotions that Franchisor designates, including without limitation, participating in any seasonal sales/promotions and displaying all designated signage in connection therewith.
- O. **Initial Training Program and Other Training/Conference Attendance**. Franchisee and each of its management personnel must attend and successfully complete all training and annual conferences that are prescribed by Franchisor under this Agreement, regardless of the Applicable Model associated with the Franchised Business:

1. Franchisee, its Designated Manager (if applicable) and any other trainees that Franchisee designates to participate in the Initial Training Program prior to opening must attend (or otherwise participate in) and complete all portions of the Initial Training Program other than the On-Site Assistance at least 4 weeks (but no more than 8 weeks) before the earlier of the date the Franchised Business (a) opens, or (b) is required to be open under this Agreement.
2. Franchisee and its required trainees must be on-site at the Franchised Business when Franchisor's training personnel provides the On-Site Assistance at the Premises, and must actively participate in and complete such On-Site Assistance.
3. Franchisee must also cover all costs associated with the costs and expenses that Franchisee and any of its personnel incur in connection with attending any part of the Initial Training Program, including costs associated with travel, lodging, meals and personnel compensation.
4. Franchisee and, if applicable, Franchisee's Designated Manager must: (i) attend and complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year; and (ii) attend Franchisor's annual conference if such a conference is conducted by Franchisor (and pay Franchisor's then-current registration fee).
5. Any failure to attend and complete the Initial Training Program or other training/conferences described in this Section will be a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement (if any).
6. In addition to the Initial Training Program, we reserve the right to require that each of your Authorized Coaches: (i) successfully participates in and completes any webinars, LMS and other training classes that can be completed at your Gym and are designed to instruct such personnel on how to provide such Approved Services in accordance with our System standards; and (ii) successfully passes the appropriate test, if any, that you will administer to ensure personnel understand the content of this instruction. Such instruction is designed to build on the skills, licensed or otherwise, that such personnel already have in the personal training and fitness instruction industries with a focus on providing the Approved Services in accordance with our then-current System standards.. (Franchise Agreement, Section 5(B)).

**P. Training of Employees.**

1. Franchisee or at least one (1) of Franchisee's personnel or Authorized Coaches that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one (1) person that has completed the Initial Training Program must manage the Franchised Business at all times.

2. Franchisee must strictly comply with the obligations regarding the Training Materials and corresponding tests that Franchisor provides to Franchisee for use in connection with training those that will be providing Approved Services at the Franchised Business, as set forth more fully in Section 5(B) of this Agreement. Franchisee must provide any reports that Franchisor reasonably requires to demonstrate that all personnel at the Franchised Business have been adequately trained by Franchisee.
- Q. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- R. **Image.** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, so that the Premises and Franchised Business conform to Franchisor's then-current System standards and specifications for a new Gym.
- S. **Customer Lists and Data/Agreements.** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history and any membership agreements associated therewith, at the Premises; and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information, which is deemed "Confidential Information" and Franchisor's exclusive property hereunder, to Franchisor upon expiration or termination of this Agreement for any reason. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.
- T. **Promotional/Minimum Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or minimum prices set by Franchisor for a particular membership program or other Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of certain Approved Products and Approved Services offered at the Franchised Business. Franchisor may request information from Franchisee that has been used to substantiate any reduction or increase in pricing made by Franchisee to meet market conditions.
- U. **Operation of Franchised Business and Customer Service.** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- V. **Access to Gym.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all



times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview or survey personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.

- W. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- X. **Credit Cards.** Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and any other major credit cards designated by Franchisor.
- Y. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Z. **Employment Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's personnel must be competent, conscientious, and properly trained. Nothing in this Agreement is intended or may be construed to create any type of employer or joint employer relationship between (a) Franchisee and/or its personnel (including any therapists or other licensed personnel), and (b) Franchisor.

## 7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use.** It is understood and agreed that (a) the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which

may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), for the Applicable Model of the Franchised Business.

- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
  2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
  3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, WORLD GYM, under a license agreement with World Gym International, LLC."
- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register, or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- F. **Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or

substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages

- G. **Modification or Substitution of Proprietary Marks by Franchisee.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- H. **Cease Use of Marks on Termination/Non-Renewal.** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- I. **Disconnection of Telephone Number on Termination/Renewal.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the then-current Proprietary Mark(s) that Franchisor designates, or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.
- J. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- K. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;

2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- L. **Use Outside Scope.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- M. **Notification of Infringement.** Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- N. **Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.
- O. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name

or other identification of Franchisee as Franchisor may direct in writing from time to time.

## 8. OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION

- A. **Compliance with Manuals.** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. **Franchisee's Obligation to Control Gym and Ensure Compliance.** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, methodologies/systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.
- C. **Confidential Information.** Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Confidential Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.
- D. **Trade Secrets and Confidential Information.** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:
1. The Manuals;
  2. Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a Gym or the System that is not commonly known by, or available to, the public, including without limitation: (i) information and materials related to the architectural plans, design, layout, equipping, build-out and/or construction of a Gym from the Applicable Model; (ii) methodology, protocol and System standards/specifications for the promotion, offer and sale of any Approved Product(s) or the offer/provision of any Approved Service(s), including any programs developed for provision within a given System Gym, including Franchisor's policies regarding Gift Cards

and membership programs/reciprocity, from any franchised Gym (regardless of Model); (iii) information related to Franchisor's relationship with existing or prospective Approved Suppliers or other third-party vendors (whether or not Franchisee is required to use such vendors); (iv) the reservations system, as well as Computer System and related software generally, that has been customized in any manner for use by Franchisor and/or a Gym; (v) marketing and advertising materials, as well as any other items that display the Proprietary Marks in any manner, as well as Franchisor's designated marketing/advertising/promotional campaigns; and (vi) any passwords, logins or other keys necessary to access Franchisee's point-of-sale system ("POS System") and/or business management/scheduling software, reservation system, Computer System or related software used in connection with the Franchised Business; and

3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").

E. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchised Business are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

F. **Information Not Proprietary.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:

1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.

G. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.

H. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must

ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, “Restricted Persons”) execute Franchisor’s prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the “Confidentiality and Non-Competition Agreement”). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee’s spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor’s request.

- I. **Loan of Manuals.** Franchisor will loan, or provide Franchisee with online or other access, to one (1) copy of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J. **Modification of Manuals.** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee’s Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.
- K. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the “Improvements”), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor’s interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

## 9. **ADVERTISING**

- A. **Advertising and Sales Promotion Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Gyms operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these

programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (at Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.

- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials fifteen (15) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously approved materials in writing. Franchisor may revoke its approval of any previously approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.
- C. **Local Advertising Requirement.** Franchisee must expend a minimum of four percent (4%) of Gross Sales generated by the Franchised Business each calendar month as your Local Advertising Requirement. Franchisee must commence spending its Local Advertising Requirement in the first full calendar month after the actual opening date of the Franchised Business. Franchisee must expend the Local Advertisement Requirement each month that the Franchised Business is open and operating in connection with the local advertising and promotion of the Franchised Business within the Designated Territory (the "Local Advertising Requirement"). Franchisor reserves the right to require Franchisee expend any portion of these funds on (a) products or services Franchisor directs or approves, or (b) services that you must acquire from an Approved Supplier, which may be Franchisor or one of its affiliates.
1. Upon Franchisor's request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
  2. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other Gym); and (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.
  3. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless: (i) the geographic area wherein Franchisee wishes to advertise is (A) contiguous to the Designated Territory, and (B) that area has not



been granted to any other System franchisee/developer; or (ii) Franchisor otherwise provides its prior written consent in writing.

D. **Brand Development Fund.** Franchisor has established a System-wide brand development Fund designed to promote, market, and otherwise develop the System, Proprietary Marks and brand generally. Franchisor requires Franchisee to contribute to this Fund on a weekly basis in an amount equal to two percent (2%) of the Gross Sales generated by the Franchised Business over the payment period we designate. Any amounts Franchisee is required to contribute to the Fund will be credited towards Franchisee's LAR requirements. All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor's designee as follows:

1. Franchisor will use the Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.
2. Franchisor is not obligated to spend monies from the Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
3. The Fund may be used to meet any and all costs of maintaining, administering, directing, and preparing advertising. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to the Gyms operating under the System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.
4. Franchisor shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.

5. Franchisor will, on an annual basis, account for the operation of the Fund and prepare an unaudited financial statement evidencing such accounting that will be available to Franchisee, upon Franchisee's written request, one hundred twenty (120) days after the Franchisor's fiscal year end.
  6. Franchisor may dissolve, suspend, modify and/or reinstate the Fund at any time after it is established.
- E. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Gyms, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- F. **Website.** Franchisor agrees that it will establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards, and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.
- G. **Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Gym owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in a maximum amount equal to Franchisee's then-current Local Advertising Requirement (currently, 4% of the Gross Sales of your Franchised Business), unless approved by a majority vote of the Cooperative members. All amounts paid to a Cooperative will be credited towards Franchisee's Local Advertising Requirement (if any). Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

## 10. ACCOUNTING AND RECORDS

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, prepare monthly financial statements, and maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records, including bank account statements, Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).
- B. **Examination and Audit of Records; Approved Accountant During Initial Operations.**
1. Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business or any amount due to Franchisor by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.
  2. Franchisor may require Franchisee to engage its Approved Supplier for accounting services or, at Franchisor's discretion, another third-party accountant that Franchisor approves to handle the bookkeeping and related accounting work associated with the Franchised Business for the period beginning before the Franchised Business is open and ending once the Franchised Business has been open for a period of one (1) year.
- C. **Computer System for Records.** Franchisee shall record all transactions and Gross Sales of the Franchised Business on a Computer System that is designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.
- D. **Computer System Files and Passwords.** Franchisee will not install or load any computer software, whether in the Cloud or on the hard drives of the Computer System used in connection with the Franchised Business, without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The

passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.

- E. **Current Contracts, Listings and Projects.** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects that Franchisee is involved in or working with.
- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Required Reports.** Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales Report as described more fully in Section 4 of this Agreement on or before Monday of each week; (ii) on or before the twentieth (20<sup>th</sup>) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, a statement of cash flows, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (iv) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.
- H. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the Designated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

## 11. **INSURANCE AND INDEMNIFICATION**

- A. **Required Insurance.** Franchisee shall, at its own expense upon execution of this Agreement, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not), which may or may not vary based on the Applicable Model of the Franchised Business. This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure the minimum following coverages (subject to the below provisions):

1. Commercial general liability insurance, including coverage for professional liability and sexual abuse of at least THREE MILLION DOLLARS (\$3,000,000) per occurrence and FIVE MILLION DOLLARS (\$5,000,000) in the aggregate, with additional excess insurance coverage of ONE MILLION DOLLARS (\$1,000,000);
2. Workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE MILLION DOLLARS (\$1,000,000) or, if higher, the statutory minimum limit as required by state law;
3. Business interruption insurance;
4. Property insurance for the full replacement value of furniture, fixtures, equipment, vehicles, inventory, and leasehold improvements or FIFTY THOUSAND DOLLARS (\$50,000), whichever is greater;
5. Cybersecurity insurance of at least ONE MILLION DOLLARS (\$1,000,000);
6. Comprehensive automobile insurance to include all owned, non-owned and hired operated by the Franchised Business or on behalf of the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and
7. Employment Practices Liability Insurance ("EPLI") of at least ONE MILLION DOLLARS (\$1,000,000) with both first-party and third-party coverage;
8. Crime Coverage of at least ONE MILLION DOLLARS (\$1,000,000) with both first-party and third-party coverage;
9. Tenant Improvement Property Coverage with a limit up to the total cost of the tenant improvement construction. Builder's Risk coverage should be secured during the construction of the tenant improvement and the franchisor must be included as an additional insured on the contractor's general liability policy.
10. Such insurance as necessary to provide coverage under the indemnity provisions set forth in this Agreement.

Franchisor may supplement, update and/or otherwise modify the insurance requirements set forth in this Section above upon written notice via the Manual(s) or otherwise. Franchisee shall consult with its insurance broker and give careful consideration to procuring earthquake and/or flood insurance coverage if the Franchised Business location is in an earthquake and/or flood-prone zone.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic

conditions, or other relevant changes in circumstances. General liability insurance policies Franchisee purchases must name Franchisor and any other party that Franchisor designates as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall promptly deliver certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

## 12. **INDEPENDENT CONTRACTOR**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee to be an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar that Franchisor designates in the Manuals or otherwise in writing):

“This franchised Gym is independently owned and operated pursuant to a license agreement with [INSERT FRANCHISOR NAME].”

- C. Neither this Agreement nor Franchisor’s course of conduct is intended, nor may anything in this Agreement (nor Franchisor’s course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee’s employees and/or independent contractors, or vice versa.

### 13. **TRANSFER AND ASSIGNMENT**

- A. **No Transfer by Franchisee without Franchisor’s Approval.** Franchisee’s rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee’s interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor’s prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor’s prior written consent shall be voidable at Franchisor’s option and shall subject this Agreement to termination as specified herein.

B. **Death or Disability.**

1. In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors), Franchisee’s legal representative, or Franchisee’s partner’s or guarantor’s respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as “Franchisee” under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the “90 Day Period”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company guaranteeing Franchisee’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s training program (which Franchisor will provide at Franchisor’s then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.
2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee’s legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee’s death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee’s behalf and at Franchisee’s expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor’s sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor’s management services and other costs. Franchisor may obtain

approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership or control, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).

D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:

1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;



2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
4. Franchisee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;
5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of Franchisor;
6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee shall pay Franchisor's then-current transfer fee, which is currently \$10,000, while the Franchisee and/or the Transferee must pay any third-party broker fees that are due in connection with the proposed transfer;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor its then-current Training Fee for initial training for transferee and one (1) other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the initial training program);
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;

10. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party, nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation, limited liability company, or other business entity, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or has a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### 14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, nor any person with whom the Franchisee co-habits, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) offers, sells or provides any kind of fitness classes or any of the other Approved Products and Approved Services offered by any System Gym location regardless of Applicable Model (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

- B. **After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any

location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business: (i) at the Premises; (ii) within the Designated Territory; or (iii) within a 15-mile radius of the perimeter of the Designated Territory being granted hereunder or any other designated territory or development area licensed by Franchisor to a Gym (whether franchised or company-owned) at any time from the date of expiration or termination of this Agreement through the date Franchisee attempts to undertake the competitive activity at issue; or
  - b. Subject to and as permitted by applicable law, solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

C. **Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 15 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 15 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

D. **Confidentiality and Non-Competition Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document

attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.

- E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

## 15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
  2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
  3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
  4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
  5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
  6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.
- B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:
1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business,

including without limitation, any misrepresentation made in Franchisee's franchise application;

2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business in a competitive or other manner that constitutes misappropriation of said intellectual property or license;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates; and (iv) the operation of the Franchised Business without an Authorized Coach on-site to provide the Approved Services.
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's

prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;

12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's POS System, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides fitness services.

C. **Termination upon Notice and 30 Days' Cure.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) does not comply with any Manual or other obligations hereunder that are specific to the Applicable Model of the Franchised Business and/or otherwise breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or

violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

- D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to eight percent (8%) of the Gross Sales of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## 16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Gym; Cease to Affiliate with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a WORLD GYM franchise at or with respect to the Premises (unless Franchisor agrees otherwise in writing);
- B. **Return Manuals and Confidential Information; Pay Outstanding Amounts Due.**
1. Return to Franchisor the Manuals and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software, and property owned by Franchisor, and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law; and
  2. Pay any outstanding amounts due to Franchisor, its affiliates, or any Approved Supplier within 30 days of the date this Agreement is terminated or expires.
- C. **Assignment of Customer Agreements, Telephone Numbers, Domain Names and/or Social Media/Network Medium Handles and any Corresponding Account Information.** Take such action that Franchisor may designate to: (i) provide and assign to Franchisor the then-current and up-to-date customer list and any membership contracts to



Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone numbers, domain names, social media accounts and/or handles used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.

- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass.
1. Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor; and
  2. Franchisee must cease holding itself out as a present franchisee of Franchisor or the Franchisor's franchise system and as a past franchisee of Franchisor or the WORLD GYM franchise system.
- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- G. **Purchase of Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.
- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all System franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document.

## 19. ENFORCEMENT

- A. **Full Access to Premises for Inspection.** In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.
- B. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- D. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## 20. NOTICES

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: World Gym International, LLC  
Attn: Lewis Stanton and Corporate Management Group  
1901 Avenue of the Stars  
Suite 1100  
Los Angeles, CA 90067  
[lewis.stanton@worldgym.com](mailto:lewis.stanton@worldgym.com)  
[karin.michael@worldgym.com](mailto:karin.michael@worldgym.com)

With a copy to:

Attn: Daniel Nussbaum, Esq.  
Fisher Zucker, LLC  
21 South 21<sup>st</sup> Street  
Philadelphia, PA 19103  
[dnussbaum@fisherzucker.com](mailto:dnussbaum@fisherzucker.com)

To Franchisee:

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Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address. Franchisor may also provide notice to Franchisee via email, and such notice shall be valid only where Franchisee replies with an email confirming receipt.

## 21. GOVERNING LAW AND DISPUTE RESOLUTION

- A. **Governing Law.** This Agreement is governed by the laws of the state of Delaware, without reference to this state’s conflict of laws principles.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee’s dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. **Mediation.** At Franchisor’s option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties’ respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor’s then-current corporate headquarters, or nearby location Franchisor designates or otherwise agrees to in writing, under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically

enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

- D. **Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.
- E. **Venue.** Subject to Sections 22(B)-(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Franchisor's then-current corporate headquarters or, if appropriate, the United States District Court for the Central District of California. Franchisee acknowledges that this Agreement has been entered into in the State of California, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in California, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of California as set forth in this Section.
- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## **22. SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, which may include PDF or comparable electronically-signed pages, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

## **23. ACKNOWLEDGMENTS**

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of

Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

***[THIS REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES APPEAR ON THE FOLLOWING PAGE.]***



**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**WORLD GYM INTERNATIONAL, LLC**

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

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

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

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

Spouse Signature: \_\_\_\_\_

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

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

**IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:**

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

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

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

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**  
**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

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2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

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3. DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

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4. APPLICABLE MODEL OF FRANCHISED BUSINESS (check box prior to signing)

Signature Model

Legacy Model

6. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

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

Daytime Telephone No.: \_\_\_\_\_

Evening Telephone No.: \_\_\_\_\_

Cellular Telephone No.: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT.**

**THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.**

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**WORLD GYM INTERNATIONAL, LLC**

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

Lewis Stanton, CEO

## **EXHIBIT B TO THE FRANCHISE AGREEMENT**

### **PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

### **ARTICLE I PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to World Gym International, LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named \_\_\_\_\_ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing World Gym International, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

### **ARTICLE II CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a System franchised business (hereafter, a "Franchised Business"); (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business (v) knowledge of the operating results and financial performance of other gyms operated utilizing the System (a "Gym"); (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor's proprietary marks (the "Proprietary

Marks”); (ix) information generated by, or used or developed in, the Franchised Business’s operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business’s computer system; (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business; (xi) Franchisor’s proprietary Operations Manual and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (xii) as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, “Confidential Information”). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor’s copyrighted materials; price marketing mixes related to the offer and sale fitness services and other Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee’s obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes Confidential Information under this Section: (i) former, current and prospective customer information, including customer names and addresses, contracts/agreements (collectively “Customer Lists”), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

### **ARTICLE III** **NON-COMPETITION**

You acknowledge that as a participant in the Franchisor’s System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor’s franchisees, you agree as follows:

1. **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that (a) offers, sells or provides any kind of fitness classes and/or any of the other Approved Products and Approved Services that are offered at a System Gym (each, a “Competing Business”), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of a System franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company.

1.2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform,

directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

**2. After the Term of This Agreement.**

2.1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business.

2.2. For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Designated Territory granted under the Franchise Agreement; or (iii) within a radius 5 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement or (b) the perimeter of any other designated territory or development area granted by Franchisor to any System Gym at any time beginning from the expiration, transfer or termination of this Agreement through the date of your involvement in any Competing Business.

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Subject to and as permitted by applicable law, solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment.

**3. Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

**ARTICLE IV  
DISPUTE RESOLUTION**

**1. Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Agreement is governed by the laws of the state of Delaware without reference to this state's conflict of laws principles.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's management. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, at Franchisor's then-current headquarters or nearby location that Franchisor designates or otherwise approves in writing, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any action or other proceeding against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to the other dispute resolution provisions in this Guaranty, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to Franchisor's then-current headquarters or, if appropriate, the United States District Court for the Central District of California. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision

or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **No waiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told



by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties' heirs, successors, assigns or transferees.

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.**

**PERSONAL GUARANTORS**

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

## EXHIBIT C TO THE FRANCHISE AGREEMENT

### COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “Assignment”) is made, entered into and effective on this \_\_\_ day of \_\_\_\_\_, 20\_\_ Effective Date,) by and between: (i) World Gym International, LLC, a Delaware limited liability company with its principal place of business at 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

### BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the “Franchise Agreement”) dated as of \_\_\_\_\_, 20\_\_ with the Franchisee, pursuant to which the Franchisee plans to own and operate a WORLD GYM franchised business (the “Franchised Business”) located at \_\_\_\_\_ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from \_\_\_\_\_ (the “Lessor”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

### OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

- 1. Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.
- 2. Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.
- 3. Indemnification of Franchisor:** Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
- 4. Conditional Assignment:** Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be

deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;

c) to exclude the Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately

terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section

or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

**FRANCHISEE**

**FRANCHISOR**

**WORLD GYM  
INTERNATIONAL, LLC**

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.**

**LESSOR**

\_\_\_\_\_  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D TO THE FRANCHISE AGREEMENT**

**EFT AUTHORIZATION FORM**

Bank Name: \_\_\_\_\_  
ABA# : \_\_\_\_\_  
Acct. No.: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes World Gym International, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the franchised business located at: \_\_\_\_\_ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions; (iii) Technology Fee; (iv) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (v) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**FRANCHISEE**

**[INSERT FRANCHISEE NAME]**

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

Name (Print): \_\_\_\_\_

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

**FRANCHISOR APPROVAL**

**WORLD GYM INTERATIONAL, LLC**

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

Lewis Stanton, CEO

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**

**AGREEMENT FOR CREDIT CARD OR DEBIT CARD  
PAYMENT AUTHORIZATION**

World Gym International, LLC (“World Gym”) accepts Visa or MasterCard cards only.

By completing and submitting this form, you authorize World Gym to charge your credit card between the first and the third day of each month (or on any other day designated by World Gym) for the monthly Royalties and Promotional Fees specified in your franchise agreement and for any additional or extraordinary fees and charges that you incur (including any public performance rights fees), except for customary processing charges. You must promptly reimburse World Gym for any expense it incurs in connection with your credit card payment. You authorize World Gym to charge your credit card for this expense or to require payment in another form. This authorization will remain in effect until you notify World Gym otherwise in writing.

Your representative to contact when processing a payment: \_\_\_\_\_

Your representative's email address: \_\_\_\_\_

Your representative's telephone number: \_\_\_\_\_

**CREDIT CARD INFORMATION** [*Check appropriate box*]:

Visa

MasterCard

Credit Card Number: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Verification Code: \_\_\_\_\_

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

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

**EXHIBIT E TO THE FRANCHISE AGREEMENT**  
**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**  
*(for trained employees, officers, directors, general partners, members, Designated Managers,  
Authorized Coaches, and any other management personnel of Franchisee)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of \_\_\_\_\_ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from World Gym International, LLC (the “Company”) to: (i) establish and operate a franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of a System-based Gym (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other businesses utilizing the marks and System; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of a System business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such



information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) offers, sells or provides any kind of fitness classes and/or any of the other Approved Products and Approved Services offered by a System Gym; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that earn revenue from services including fitness classes and/or the other Approved Products and Approved Services offered by a System Gym (collectively, a “Competing Business”). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two (2) years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 5-mile radius of the Premises; or (ii) within a 5-mile radius of any other System business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this

Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE GYM IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE **[INSERT APPROPRIATE DISTRICT COURT]**. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY CALIFORNIA OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

The notice shall be addressed to

World Gym International, LLC  
Attn: Lewis Stanton and Corporate Management Group  
1901 Avenue of the Stars  
Suite 1100  
Los Angeles, California 90067

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

Signature: \_\_\_\_\_

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

Address: \_\_\_\_\_

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

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

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

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS, DOMAIN NAMES AND/OR SOCIAL MEDIA ACCOUNTS/HANDLES**

1. \_\_\_\_\_, (the “Assignor”), in exchange for valuable consideration provided by World Gym International, LLC (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, domain names, social media handles and/or accounts, as well as any listings associated therewith, utilized by Assignor in the operation of its franchised business operating under Assignor’s licensed marks at the following location: \_\_\_\_\_ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_  
Domain Name(s) Use in Connection with the Franchised Business and/or that Contain the Proprietary Marks in any Manner: \_\_\_\_\_; and  
Social Media Accounts and/or Handles used in Connection with Franchised Business and/or that Contain the Proprietary Marks in any Manner: \_\_\_\_\_

2. The conditional agreement will become effective automatically upon any termination or expiration of the Assignor's in-term rights awarded under the Franchise Agreement. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

**ASSIGNOR**

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

TITLE: \_\_\_\_\_

**ASSIGNEE**

**WORLD GYM INTERNATIONAL, LLC**

BY: \_\_\_\_\_  
Lewis Stanton, CEO

**EXHIBIT C  
TO FRANCHISE DISCLOSURE DOCUMENT**

**WORLD GYM INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

## **DEVELOPMENT AGREEMENT**

This Development Agreement (“Agreement”) entered into this \_\_\_ day of \_\_\_, 202\_\_ (the “Effective Date”), between: (i) World Gym International, LLC, a Delaware limited liability company with its principal place of business at 1901 Avenue of the Stars, Suite 1100, Los Angeles, California 90067 (the “Franchisor”); and (ii) \_\_\_\_\_, a/n \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Developer”).

### **BACKGROUND**

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a fitness center (each, a “Gym”) that provides (a) proprietary fitness training and related fitness instruction, wellness and recovery services, and any other fitness-related services we require or authorize in writing that you provide (the “Approved Services”), and (b) workout equipment, nutritional menu items including drinks, shakes, bars and supplements, branded apparel, accessories and other merchandise, as well as any other products we require or authorize for retail sale (the “Approved Products”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Gym; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Gym; standards and specifications for the furniture, fixtures and equipment located within a Gym; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales, marketing, and other aspects of operating a Gym. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System, which may, in whole or part, be contained in the relevant Franchisor’s manuals that are proprietary and confidential.

C. Developer’s Gyms must be operated using Franchisor’s Proprietary Marks and in accordance with Franchisor’s proprietary operating System that, as of the Issue Date of the Franchise Disclosure Document, is comprised of various components, including: methodologies and know how, information, trade secrets regarding the provision of the Approved Services, sourcing and resale of certain Approved Products and the establishment and operation of a franchised Gym generally; Franchisor’s confidential operations manual (the “Operations Manual”) and other proprietary manuals Franchisor may provide Franchisee with access to via hard copy or online (collectively, the “Manuals”); proprietary training (both initial and ongoing) related to the operation of a Gym, as well as all related training materials; designated sources and existing relationships with suppliers specified by Franchisor from whom Franchisee is either required or pre-approved to purchase certain items or services that are necessary to establish and/or operate a franchised Gym; information and, if Franchisor determines appropriate, prototypical plans for the design and layout of a franchised Gym; specified equipment, inventory, mats, furniture and any fixtures that are necessary to build out a typical Gym; Franchisor’s Proprietary Marks, as well as any other interior and exterior design, décor, color schemes, advertising and marketing specifications, and other standards, specifications, techniques, and procedures that Franchisor designates for developing, operating, and managing one (1) or more Gyms. Please note that Franchisor may update, supplement, change or otherwise modify the System, as well as corresponding System suppliers, standards and specifications, as Franchisor determines appropriate from time to time via the Manuals or otherwise in writing.

D. The System and Gyms are identified by Franchisor’s then-current and proprietary marks, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

E. Franchisor grants qualified third parties the right to develop a certain number of Gyms within a defined geographical area (the “Development Area”), in accordance with the terms of this Agreement to which Developer must be strictly adhere, with each Gym within the Development Area being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor’s then-current form of franchise agreement (each, a “Franchise Agreement”).

F. Developer recognizes the benefits of receiving the right to operate a Gym utilizing the System and desires to: (i) become a multi-unit operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

G. Developer has applied for the right to open and operate a certain number of Gyms within the Development Area as set forth in this Agreement (each, a “Franchised Business”), and Franchisor has approved such application in reliance on Developer’s representations made herein.

H. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor’s operations manual and other System standards and specifications, are essential to the operation of all Gyms and the System as a whole.

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## **AGREEMENT**

### **1. Development Area.**

1.1 Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish a total of \_\_\_\_\_ Franchised Businesses within the Development Area defined in the Data Sheet attached hereto as Exhibit A (the “Data Sheet”), provided Developer opens and commences operations of such Franchised Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the “Development Schedule”) and otherwise subject to the terms and conditions set forth herein.

1.2 Except as provided in Section 1.3 and otherwise herein, during the term of this Agreement Franchisor will not open or operate, or license any third party the right to open or operate, any Gym utilizing the Proprietary Marks and System within the Development Area.

1.3 Developer agrees and acknowledges that Franchisor will have the right to modify the boundaries of the Development Area upon written notice to Developer to account for any designated territory that is granted to another System franchisee or developer in connection with a premises for a Gym at a location that (a) Developer secures, and (b) is close to the outer boundaries of the Development Area, to the extent necessary to avoid overlap between that designated territory and the Development Area. In the event Franchisor notifies Developer that it is modifying the Development Area as set forth in this Section, Developer agrees to work in good faith with Franchisor to enter into an addendum to this Agreement detailing the modified Development Area.

## 2. **Development Fee.**

2.1 Developer shall pay Franchisor the development fee set forth in Section 3 of the Data Sheet (the “Development Fee”) for the right to develop the foregoing Franchised Businesses within the Development Area under this Agreement, with the parties agreeing and acknowledging that this Development Fee is: (i) deemed fully earned upon payment and is not refundable under any circumstances; and (ii) payable in accordance with the schedule set forth in this Section 2.2 below. The parties further agree and acknowledge that the Development Fee is consideration solely for the territorial rights that are being granted to Developer within the Development Area under this Agreement, and that such Development Fee is not tied to (a) any particular franchise, or (b) the pre-opening or other obligations of either party in connection with any particular franchise.

2.2 Once the Development Fee is paid, Developer shall not be required to pay Franchisor any initial franchise fee in connection with the Franchised Businesses that Developer is awarded the right to develop under this Agreement (the “Initial Franchised Business”).

2.3 The parties agree and acknowledge that the Development Fee will be deemed fully earned and non-refundable upon execution of this Agreement.

3. **Initial Franchise Agreement.** Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor’s current form of Franchise Agreement for the Initial Franchised Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer’s principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor’s then-current form of Franchise Agreement for each Additional Franchised Business that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed-upon Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Franchised Businesses during each of the development periods defined in the Development Schedule (each, a “Development Period”); and (ii) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer’s failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder).

## 6. **Term and Termination.**

6.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Franchised Business that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any “Designated Territory” associated with a Franchised Business that Developer has opened and commenced operating as of



the date this Agreement is terminated or expires (as such rights are granted by Franchisor under the respective Franchise Agreement(s) into which Developer has entered for such Franchised Business(es)).

6.2 Franchisor will have the right to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Franchised Businesses within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; or (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

6.3 In the event this Agreement is terminated prior to its natural expiration for any reason, the parties agree and acknowledge that the geographic scope of the post-term non-compete described in Section 14(B) of the Initial Franchise Agreement shall also include (a) the Development Area, and (b) a fifteen (15) mile radius around the perimeter of the Development Area.

7. **Reservation of Rights.** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. **Acknowledgment.** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

10. **Notices.** Notices, requests and reports to be given under this Agreement are to be in writing, and delivered either by hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice). Franchisor may also provide notice to Developer via email, and such notice shall be valid only where Developer replies with an email confirming receipt.

11. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to this state's conflict of laws principles.

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Mediation.** At Franchisor’s option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties’ respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 12 above, must be submitted first to non-binding mediation, at Franchisor’s then-current headquarters or a nearby location that Franchisor designates or otherwise agrees to in writing, under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor.

13.1 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 14 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential/proprietary information of Franchisor (as such information is defined more fully in the Franchise Agreements); (ii) any of the restrictive covenants contained in this Agreement or any other Franchise Agreements executed in connection with the Franchised Businesses opened within the Development Area; and (iii) any of Developer’s payment obligations under this Agreement or any such Franchise Agreement.

13.2 This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation and that any mediation proceeding involving Franchisor and Developer or its principals that arises out of or relates to this Agreement in any manner must be mediated in a proceeding that does not involve any other third party, including any other franchisee or licensee of Franchisor’s franchise system.

14. **Injunctive Relief.** Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer’s violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer’s use of the Proprietary Marks and Franchisor’s confidential information; (ii) Developer’s covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement or any Franchise Agreement with Franchisor; (iii) Developer’s obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor’s rights with respect to confidentiality under this Agreement; and (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor’s franchise system or threatens other franchisees of Franchisor. Developer’s only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

15. **Jurisdiction and Venue.** Subject to Sections 13 and 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion

exclusively in the state court of general jurisdiction closest to Franchisor's then-current corporate headquarters, or, if appropriate, the United States District Court for the Central District of California (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 14 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

16. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

17. **JURY TRIAL WAIVER.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

18. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

21. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted

and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. **Successors.** References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

25. **Additional Documentation.** Developer must, from time to time, subsequent to the date first set forth above, at Franchisor’s request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer’s attorney-in-fact to execute any and all documents on Developer’s behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK  
SIGNATURES ON THE FOLLOWING PAGE***

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**WORLD GYM INTERNATIONAL, LLC**

**DEVELOPER:**

\_\_\_\_\_

\_\_\_\_\_

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

**IF AN INDIVIDUAL:**

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

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

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

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

Spouse Signature: \_\_\_\_\_

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

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

**IF LLC, CORPORATION, OR OTHER ENTITY:**

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

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

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

Owner Signature: \_\_\_\_\_

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

Owner Signature: \_\_\_\_\_

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

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

**EXHIBIT A to DEVELOPMENT AGREEMENT**

**DATA SHEET**

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

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2. **Development Schedule.** The Development Schedule referred to in Section 5 of the Development Agreement is as follows:

<b>Expiration of Development Period (each, a "Development Period")</b>	<b>Model Type ([S]ignature or [L]egacy)</b>	<b># of New Franchised Businesses Opened Within Development Period</b>	<b>Cumulative # of Franchised Businesses that Must Be Open and Operating as of the Expiration of this Development Period</b>
___ Months from Effective Date		<i>[Example: 1]</i>	<i>[Example: 1]</i>
___ Months from Effective Date		1	2
___ Months from Effective Date		1	3
___ Months from Effective Date		1	4
___ Months from Effective Date		1	5

3. **Development Fee.** The Development Fee that is due and payable to Franchisor immediately upon execution of this Agreement shall be \$\_\_\_\_\_.

**APPROVED AND ACCEPTED BY:**

**WORLD GYM INTERNATIONAL, LLC**

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

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

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

**DEVELOPER**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

**EXHIBIT D  
TO FRANCHISE DISCLOSURE DOCUMENT**

**WORLD GYM INTERNATIONAL, LLC  
FINANCIAL STATEMENTS**



# **World Gym International, LLC and Affiliate**

Consolidated Financial Statements

December 31, 2023

# World Gym International, LLC and Affiliate

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December 31, 2023

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## Independent Auditors' Report

To the Members of  
World Gym International, LLC and Affiliate

### Opinion

We have audited the consolidated financial statements of World Gym International, LLC and Affiliate (the Company), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Los Angeles, California  
April 8, 2024

# World Gym International, LLC and Affiliate

Consolidated Balance Sheet

December 31, 2023

## Assets

### Current Assets

Cash	\$	227,983
Accounts receivable, net of allowance for doubtful accounts of \$58,880		163,590
Due from related parties, net		100,097
Inventory		25,588
Prepaid expenses and other		162,350

Total current assets 679,608

### Property and Equipment, Net

171,946

### Goodwill

217,233

### Intangible Assets, Net

5,090,992

Total assets \$ 6,159,779

## Liabilities and Members' Equity

### Current Liabilities

Accounts payable	\$	695,441
Accrued expenses		225,172
Deferred revenue, current portion		84,362
Related party payable		565,000
Note payable, current portion		42,030

Total current liabilities 1,612,005

### Deferred Revenue, Net of Current Portion

166,139

### Notes Payable, Net of Current Portion

1,952,970

Total liabilities 3,731,114

### Members' Equity

Members' equity, World Gym International, LLC		1,223,723
Members' equity, Affiliate		1,204,942

Total members' equity 2,428,665

Total liabilities and members' equity \$ 6,159,779

See notes to consolidated financial statements

## World Gym International, LLC and Affiliate

Consolidated Statement of Operations

Year Ended December 31, 2023

	<u>Amount</u>	<u>Percent of Sales</u>
<b>Revenues, Net</b>		
Franchise fees and royalties	\$ 2,640,465	79.2 %
Vendor rebates earned	440,476	13.2
Brand Development Fund	208,196	6.3
Other revenue	44,347	1.3
	<u>3,333,484</u>	<u>100.0</u>
<b>Operating Expenses</b>		
General and administrative	1,930,242	57.9
Payroll and related taxes	1,133,514	34.0
Advertising and promotion	854,271	25.6
Cost of sales	7,823	0.2
Depreciation and amortization	55,246	1.7
	<u>3,981,096</u>	<u>119.4</u>
Total operating expenses	<u>3,981,096</u>	<u>119.4</u>
Net loss before income tax expense	(647,612)	(19.4)
<b>Income Tax Expense</b>	<u>103,672</u>	<u>3.1</u>
Net loss	(751,284)	(22.5)
<b>Net Loss Attributable to Affiliate</b>	<u>(58,414)</u>	<u>(1.8)</u>
Net loss attributable to World Gym International, LLC	<u>\$ (692,870)</u>	<u>(20.7) %</u>

See notes to consolidated financial statements

## World Gym International, LLC and Affiliate

Consolidated Statement of Changes in Members' Equity  
Year Ended December 31, 2023

	<b>World Gym International, LLC</b>	<b>Affiliate</b>	<b>Total</b>
<b>Balance, January 1, 2023</b>	\$ 1,899,493	\$ 1,263,356	\$ 3,162,849
Net loss	(692,870)	(58,414)	(751,284)
Contributions	17,100	-	17,100
<b>Balance, December 31, 2023</b>	<u>\$ 1,223,723</u>	<u>\$ 1,204,942</u>	<u>\$ 2,428,665</u>

*See notes to consolidated financial statements*

## World Gym International, LLC and Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2023

### Cash Flows From Operating Activities

Net loss	\$ (751,284)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	55,246
Bad debt expense	28,106
Changes in operating assets and liabilities:	
Accounts receivable	(114,479)
Due from related parties	(3,071)
Inventory	(3,315)
Prepaid expenses and other	3,850
Accounts payable	292,532
Accrued expenses	(133,044)
Deferred revenue	(81,666)
	<u>(707,125)</u>

### Cash Flows From Investing Activities

Purchases of intangibles	(85,230)
Purchase of property and equipment	(83,647)
	<u>(168,877)</u>

### Cash Flows From Financing Activities

Proceeds from related party payable	565,000
Contributions	17,100
	<u>582,100</u>
Net cash provided by financing activities	<u>582,100</u>
Net decrease in cash	(293,902)

**Cash, Beginning**

521,885

**Cash, Ending**

\$ 227,983

### Supplemental Disclosures of Cash Flow Information

Income taxes paid	<u><u>\$ 103,672</u></u>
Cash paid for interest	<u><u>\$ 66,516</u></u>

See notes to consolidated financial statements



# World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2023

## 1. Business and Summary of Significant Accounting Policies

### Business Activity

World Gym International, LLC (World Gym) was organized in the State of Delaware as a limited liability company on December 17, 2008. World Gym International IP, LLC (Affiliate) was organized in the State of California as a limited liability company on December 17, 2008 in order to hold the intellectual property assumed upon purchase of the World Gym franchise, which consists of a number of registered trademarks associated with World Gym. World Gym is a franchisor of fitness centers worldwide and is headquartered in Los Angeles, California. As of December 31, 2023, World Gym had contractual relationships with 237 franchised gyms.

As a limited liability company, each member's liability is limited to the amount reflected in the respective member's account.

### Principles of Consolidation

The consolidated financial statements as of December 31, 2023 and for the year then ended include the accounts of World Gym and Affiliate (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

Under the applicable provisions of accounting standards related to Consolidation of Variable Interest Entities, the Company determined that World Gym is the primary beneficiary of Affiliate and, therefore, Affiliate is required to be consolidated. This determination was based on an analysis that includes both qualitative and quantitative reviews. The analysis is based on an evaluation of the design of the entity, its organizational structure including decision-making ability and financial agreements, including related guarantees.

The following assets (liabilities) of the Affiliate have been included in the accompanying consolidated balance sheet:

Cash	\$	8,990
Intangible assets		5,090,992
Accounts payable		(79,570)
Accrued expenses		(8,417)

### Liquidity

Pursuant to Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statement Going Concern* (Subtopic 205-40), management evaluates the Company's ability to continue as a going concern for one year after the date of the financial statements are available for issuance. During the year ended December 31, 2023, the Company incurred a loss from operations and negative operating cash flows of \$751,284 and \$707,125, respectively. As of December 31, 2023, the Company had cash in the amount of \$227,983 and negative working capital of \$932,397. Management believes that its existing cash as of December 31, 2023, combined with additional funding from its LLC members will be sufficient to meet its anticipated cash requirements through at least one year from the date of issuance of the financial statements. To date, the Company has funded its operating activities through operations and contributions from its LLC members. The LLC members have confirmed in writing their continued financial support to the Company. If the Company is unable to raise additional funds when needed, it may be required to delay, limit, or reduce future activities.

## World Gym International, LLC and Affiliate

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Notes to Consolidated Financial Statements

December 31, 2023

### Revenue Recognition

Franchise fee revenue is recognized when the Company has performed the performance obligations to the franchisee, per the Franchise Agreement. The Company executes Franchise Agreements that set the terms of its arrangement with each franchisee. The Franchise Agreements may require the franchisee to pay initial, nonrefundable franchise fees ranging from \$22,500 to \$45,000 for the use of the World Gym name for a term of 10 years with renewal options. The franchise fees are nonrefundable and generally due upon signing of the Franchise Agreement. Franchise fee revenue from the sale of individual franchises is partly recognized over the term of the individual Franchise Agreement and partly upon distinct pre-opening performance obligations being satisfied. Unamortized nonrefundable fees collected in relation to the sale of franchises is recorded as deferred franchise fee revenue. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. In the event a franchisee does not comply with their development timeline for opening gym locations, the franchise rights may be terminated and franchise fee revenue is recognized for nonrefundable deposits. Initial and renewal fees included in revenues for the year ended December 31, 2023 were \$211,255.

Franchise royalties consist of both annual and monthly royalties. Monthly royalties are recognized as revenue when the franchisee submits the franchise monthly sales report to the Company. Annual royalties are recognized as revenue over the period of time the performance obligations are provided which is the term of the Franchise Agreement. Annual franchise royalties depend on the agreements but generally range from \$1,800 to \$40,000. Franchise royalties' revenue for the year ended December 31, 2023 amounted to \$2,429,210.

Deferred revenue represents billings or collections in advance of the recognition of the revenue of franchisees' payments or vendor rebates. The amount deferred as of December 31, 2023 was \$250,501.

### Vendor Rebates

The Company receives funds from vendors for various programs related to purchases by franchisees at rates based on sales, volume, etc. and priced according to the specific vendor rebate contract. The Company recognizes these amounts at a point in time once the period for which the rebate is earned has ended. For the year ended December 31, 2023 the Company recognized revenue for vendor rebates earned of \$440,476.

### Allowance for Doubtful Accounts

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

## **World Gym International, LLC and Affiliate**

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Notes to Consolidated Financial Statements

December 31, 2023

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

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from five to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

### **Website Development Costs**

The Company capitalizes the costs of website development, which relate to application and infrastructure development, graphics development and software integration. The Company expenses costs related to planning, content input, data conversion and operations. The Company amortizes the capitalized website costs on a straight-line basis over an estimated useful life of three years, which commences when the website is launched.

### **Goodwill and Other Intangible Assets**

The Company classifies intangible assets as definite-lived or indefinite-lived intangible assets, as well as goodwill. The excess cost over fair value of net assets acquired in a business combination is classified as goodwill.

Goodwill and other intangible assets that have indefinite useful lives are not amortized but are tested for impairment at least annually. As permitted under accounting principles generally accepted in the United States of America, the Company took a qualitative approach in determining whether it was more likely than not that the goodwill and indefinite-lived intangibles were impaired as of December 31, 2023. Intangible assets that have finite lives are amortized over their useful lives of five to ten years and are subject to testing for impairment when events and circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2023.

### **Long-Lived Assets**

Long-lived assets to be held and used, other than goodwill and intangibles with indefinite lives, are subject to testing for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2023.

## World Gym International, LLC and Affiliate

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Notes to Consolidated Financial Statements

December 31, 2023

### Advertising and Promotional Expenses

Advertising and promotion costs are expensed as incurred. Advertising and promotional expenses for the year ended December 31, 2023 amounted to \$854,271. See Note 3 for discussion of the brand development fund.

### Income Taxes

World Gym and Affiliate are limited liability companies and are classified as partnerships for income tax purposes. Profits and losses are reportable by the members on their respective income tax returns. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for the year ended December 31, 2023 except for the required minimum California state taxes applicable to limited liability companies of \$800.

World Gym and Affiliate have no unrecognized tax benefits as of December 31, 2023. The Company's federal and state income tax returns prior to fiscal years 2020 and 2019, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If necessary, World Gym and Affiliate recognize interest and penalties associated with tax matters as part of income tax expense and include accrued interest and penalties with the related tax liability in the consolidated balance sheets. No interest and penalties were recognized for the year ended December 31, 2023.

Franchises in Canada and Mexico are subject to a 10% nonresident foreign withholding tax, franchises in Australia are subject to a 5% nonresident foreign withholding tax, and franchises in Egypt are subject to a 15% nonresident foreign withholding tax. Beginning in March 2015, the foreign withholding tax is withheld on all franchise fees and royalty fees paid to World Gym by franchises in these countries. For the year ended December 31, 2023, foreign withholding taxes recorded by World Gym amounted to \$103,672 and are included in income tax expense in the consolidated statement of operations.

### Use of Estimates

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

### Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses. This ASU is intended to provide financial statement users with more decision-useful information about expected credit losses and is effective for annual periods and interim periods for those annual periods beginning after December 15, 2022. This adoption of this new pronouncement did not have a material impact on the financial statements.

### Subsequent Events

The Company has evaluated subsequent events through April 8, 2024, which is the date that the consolidated financial statements were approved and available to be issued.

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2023

### 2. Business and Credit Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The concentration of credit risk with respect to accounts receivable is mitigated by the generally short payment terms. In addition, the Company closely monitors the extension of credit to its customers and franchisees while maintaining allowances for potential credit losses.

For the year ended December 31, 2023, the Company had a developer in Taiwan that, along with its sub-franchisees, accounted for approximately 29% of the Company's revenues as of December 31, 2023 and a master franchisee in Australia that, along with its sub-franchisees, accounted for approximately 15% of the Company's revenues and 34% of the Company's accounts receivable as of December 31, 2023. As of December 31, 2023, approximately 21% of accounts receivable was from one other franchisee.

For 2023, the Company's revenues were geographically concentrated as follows:

United States	18 %
Taiwan	29
Canada	13
Australia	15
Other	25

### 3. Brand Development Fund

During 2018, the Company established a brand development fund (the Fund) for the creation and development of promotional marketing, advertising, public relations and related programs and materials for those franchisees who have agreed to participate in the Fund program. On behalf of the Fund, the Company acts as an agent and collects 2% of gross monthly revenues from participating franchisees, in accordance with the provisions of the franchise agreements. The use of amounts received by the Fund is restricted to promotional, marketing, advertising and public relations purposes and for World Gym brand promotion throughout the world. The Company has complete discretion over the usage of the funds. The Fund is accounted for separately from the Company's other funds and is not used to pay any of the Company's general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead that is spent on activities administering the Fund and its programs. Fund revenue for the year ended December 31, 2023 amounted to \$208,196. No management or administrative fees were charged to the Fund during the year ended December 31, 2023. Amounts received by the Fund are reported as restricted cash on the accompanying consolidated balance sheet. As of December 31, 2023, there is no such restricted cash. Advertising may be disseminated in various types of media such as print, radio, television, the internet and billboards.

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2023

### 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

Computer equipment	\$	27,007
Furniture and fixtures		71,650
Website development costs		126,660
Club design asset		41,657
		<u>266,974</u>
Less accumulated depreciation and amortization		<u>(95,028)</u>
	\$	<u>171,946</u>

For the year ended December 31, 2023, depreciation and amortization expense amounted to \$55,246.

### 5. Intangible Assets

As of December 31, 2023, the carrying amount for the indefinite-lived and definite-lived intangible assets consists of the following:

	Gross Carrying Amount			Net Carrying Amount
	Indefinite-Lived	Definite-Lived	Accumulated Amortization	
Trademark	\$ 5,090,992	\$ -	\$ -	\$ 5,090,992
Franchise agreements	-	1,281,000	(1,281,000)	-
Commercial production costs	-	48,360	(48,360)	-
	<u>\$ 5,090,992</u>	<u>\$ 1,329,360</u>	<u>\$ (1,329,360)</u>	<u>\$ 5,090,992</u>

### 6. Accrued Expenses

Accrued expenses consisted of the following as of December 31, 2023:

Accrued vacation	\$	43,771
Accrued payroll		17,842
Accrued expenses		<u>163,559</u>
Total	\$	<u>225,172</u>

### 7. Profit Sharing Plan

The Company contributes to a 401(k) profit sharing plan (the Plan) for the benefit of full-time employees who have completed one year of service and are at least 21 years old. The Company is required to make matching contributions equal to 100% of the first 3% of eligible wages and an additional 50% of the next 2% of eligible wages. The employer match vests 100% upon receipt. Contributions to the Plan were approximately \$12,000 for the year ended December 31, 2023. In addition, the Company can make further discretionary matching contributions and such profit sharing contributions are determined annually by the managing members. There were no discretionary contributions to the plan for the year ended December 31, 2023.

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2023

### 8. Note Payable

On June 6, 2020, the Company executed the standard loan documents required for securing a loan (the EIDL Loan) from the United States Small Business Administration (the SBA) under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. In May 2022, the Company executed an amendment to the loan to receive an additional \$1,850,000.

Interest on the EIDL Loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning 12 months from the date of the EIDL Loan in the amount of \$9,897. In March 2021, the SBA deferred installment payments another 12 months from the date of the EIDL loan and in March 2022, an additional six months was added for a total deferment period of 30 months. Principal payments are not required to be made until all accrued interest incurred during the deferral period has been paid. The balance of principal and interest is payable 30 years from the date of the promissory note.

Maturities of notes payable are as follows:

Years ending December 31:		
2024	\$	42,030
2025		46,328
2026		48,096
2027		49,931
2028		51,644
Thereafter		<u>1,756,971</u>
	\$	<u>1,995,000</u>

### 9. Related-Party Transactions

As of December 31, 2023, the Company has \$565,000 due to a related party. The amount occurs in the normal course of business, is non-interest bearing and is due on demand.

As of December 31, 2023, the Company has \$100,097 due from affiliated entities for various expenses paid on behalf of the affiliates in the normal course of business.

### 10. Commitments and Contingencies

#### Legal Matters

Certain claims have been filed against the Company in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, these matters are not expected to have a material effect on the Company's consolidated financial position or results of operations.

# **World Gym International, LLC and Affiliate**

Consolidated Financial Statements

December 31, 2022



# World Gym International, LLC and Affiliate

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## Independent Auditors' Report

To the Members of  
World Gym International, LLC and Affiliate

### Opinion

We have audited the consolidated financial statements of World Gym International, LLC and Affiliate (the Company), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Los Angeles, California  
April 18, 2023

# World Gym International, LLC and Affiliate

Consolidated Balance Sheet

December 31, 2022

## Assets

### Current Assets

Cash	\$	521,885
Accounts receivable, net of allowance for doubtful accounts of \$39,900		77,217
Due from related parties, net		97,026
Inventory		22,273
Prepaid expenses and other		166,200

Total current assets 884,601

### Property and Equipment, Net

143,545

### Goodwill

217,233

### Intangible Assets, Net

5,005,762

Total assets \$ 6,251,141

## Liabilities and Members' Equity

### Current Liabilities

Accounts payable	\$	402,909
Accrued expenses		358,216
Deferred revenue		89,690

Total current liabilities 850,815

### Deferred Revenue

242,477

### Notes Payable

1,995,000

Total liabilities 3,088,292

### Members' Equity

Members' equity, World Gym International, LLC	1,899,493
Members' equity, Affiliate	1,263,356

Total members' equity 3,162,849

Total liabilities and members' equity \$ 6,251,141

See notes to consolidated financial statements

## World Gym International, LLC and Affiliate

Consolidated Statement of Operations

Year Ended December 31, 2022

	<u>Amount</u>	<u>Percent of Sales</u>
<b>Revenues, Net</b>		
Franchise fees and royalties	\$ 2,581,854	73.8 %
Vendor rebates earned	402,506	11.5
Brand Development Fund	257,746	7.3
Other revenue	258,464	7.4
	<u>3,500,570</u>	<u>100.0</u>
<b>Operating Expenses</b>		
General and administrative	2,628,213	75.1
Payroll and related taxes	1,541,864	44.0
Advertising and promotion	678,828	19.4
Cost of sales	91,710	2.6
Depreciation and amortization	48,533	1.4
	<u>4,989,148</u>	<u>142.5</u>
<b>Loss From Operations</b>	(1,488,578)	(42.5)
<b>Other Income</b>		
PPP loan forgiveness	199,292	5.7
	<u>(1,289,286)</u>	<u>(36.8)</u>
<b>Income Tax Expense</b>	49,183	1.4
	<u>(1,338,469)</u>	<u>(38.2)</u>
<b>Net Income Attributable to Affiliate</b>	8,292	0.2
	<u>\$ (1,346,761)</u>	<u>(38.5) %</u>

See notes to consolidated financial statements

## World Gym International, LLC and Affiliate

Consolidated Statement of Changes in Members' Equity  
Year Ended December 31, 2022

	<b>World Gym International, LLC</b>	<b>Affiliate</b>	<b>Total</b>
<b>Balance, January 1, 2022</b>	\$ 3,176,254	\$ 1,185,064	\$ 4,361,318
Net income (loss)	(1,346,761)	8,292	(1,338,469)
Contributions	70,000	70,000	140,000
<b>Balance, December 31, 2022</b>	<u>\$ 1,899,493</u>	<u>\$ 1,263,356</u>	<u>\$ 3,162,849</u>

*See notes to consolidated financial statements*

## World Gym International, LLC and Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2022

### Cash Flows From Operating Activities

Net loss	\$ (1,338,469)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	48,533
Bad debt expense	(520)
PPP loan forgiveness	(199,292)
Changes in operating assets and liabilities:	
Accounts receivable	(18,896)
Due from related parties	(2,734)
Inventory	(16,273)
Prepaid expenses and other	(65,166)
Accounts payable	(204,914)
Accrued expenses	176,122
Deferred revenue	119,868
	<u>(1,501,741)</u>

### Cash Flows From Investing Activities

Purchase of intangibles	(46,490)
Purchase of property and equipment	(62,889)
	<u>(109,379)</u>

### Cash Flows From Financing Activities

Proceeds from note payable	1,850,000
Payments on note payable	(5,000)
Contributions	140,000
	<u>1,985,000</u>
Net increase in cash	373,880

**Cash, Beginning**

148,005

**Cash, Ending**

\$ 521,885

### Supplemental Disclosures of Cash Flow Information

Income taxes paid	<u>\$ 49,183</u>
Cash paid for interest	<u>\$ 9,897</u>

### Supplemental Disclosures of Noncash Financing activities

Capital expenditures incurred but not paid	<u>\$ 71,650</u>
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See notes to consolidated financial statements

# World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2022

## 1. Business and Summary of Significant Accounting Policies

### Business Activity

World Gym International, LLC (World Gym) was organized in the State of Delaware as a limited liability company on December 17, 2008. World Gym International IP, LLC (Affiliate) was organized in the State of California as a limited liability company on December 17, 2008 in order to hold the intellectual property assumed upon purchase of the World Gym franchise, which consists of a number of registered trademarks associated with World Gym. World Gym is a franchisor of fitness centers worldwide and is headquartered in Los Angeles, California. As of December 31, 2022, World Gym had contractual relationships with 233 franchised gyms.

As a limited liability company, each member's liability is limited to the amount reflected in the respective member's account.

### Principles of Consolidation

The consolidated financial statements as of December 31, 2022 and for the year then ended include the accounts of World Gym and Affiliate (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

Under the applicable provisions of accounting standards related to Consolidation of Variable Interest Entities, the Company determined that World Gym is the primary beneficiary of Affiliate and, therefore, Affiliate is required to be consolidated. This determination was based on an analysis that includes both qualitative and quantitative reviews. The analysis is based on an evaluation of the design of the entity, its organizational structure including decision-making ability and financial agreements, including related guarantees.

The following assets (liabilities) of the Affiliate have been included in the accompanying consolidated balance sheet:

Cash	\$	64,076
Intangible assets		5,005,762
Due to World Gym		(3,651,572)
Accounts payable		(154,910)

The above amounts due to World Gym have been eliminated in consolidation.

### Liquidity

Pursuant to Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statement Going Concern* (Subtopic 205-40), management evaluates the Company's ability to continue as a going concern for one year after the date of the financial statements are available for issuance. During the year ended December 31, 2022, the Company incurred a loss from operations and negative operating cash flows of \$1,488,578 and \$1,501,741, respectively. As of December 31, 2022, the Company had cash in the amount of \$521,885 and positive working capital of \$33,786.

Management believes that its existing cash as of December 31, 2022, combined with additional funding from its LLC members will be sufficient to meet its anticipated cash requirements through at least one year from the date of issuance of the financial statements. To date, the Company has funded its operating activities through operations and contributions from its LLC members. The LLC members have confirmed in writing their continued financial support to the Company. If the Company is unable to raise additional funds when needed, it may be required to delay, limit, or reduce future activities.



## **World Gym International, LLC and Affiliate**

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Notes to Consolidated Financial Statements

December 31, 2022

### **Revenue Recognition**

Franchise fee revenue is recognized when the Company has performed the performance obligations to the franchisee, per the Franchise Agreement. The Company executes Franchise Agreements that set the terms of its arrangement with each franchisee. The Franchise Agreements may require the franchisee to pay initial, nonrefundable franchise fees ranging from \$22,500 to \$45,000 for the use of the World Gym name for a term of 10 years with renewal options. The franchise fees are nonrefundable and generally due upon signing of the Franchise Agreement. Franchise fee revenue from the sale of individual franchises is partly recognized over the term of the individual Franchise Agreement and partly upon distinct pre-opening performance obligations being satisfied. Unamortized nonrefundable fees collected in relation to the sale of franchises is recorded as deferred franchise fee revenue. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. In the event a franchisee does not comply with their development timeline for opening gym locations, the franchise rights may be terminated and franchise fee revenue is recognized for nonrefundable deposits. Initial and renewal fees included in revenues for the year ended December 31, 2022 were \$313,683.

Franchise royalties consist of both annual and monthly royalties. Monthly royalties are recognized as revenue when the franchisee submits the franchise monthly sales report to the Company. Annual royalties are recognized as revenue over the period of time the performance obligations are provided which is the term of the Franchise Agreement. Annual franchise royalties depend on the agreements but generally range from \$1,800 to \$40,000. Franchise royalties' revenue for the year ended December 31, 2022 amounted to \$2,268,171.

Deferred revenue represents billings or collections in advance of the recognition of the revenue of franchisees' payments or vendor rebates. The amount deferred as of December 31, 2022 was \$332,167.

### **Vendor Rebates**

The Company receives funds from vendors for various programs related to purchases by franchisees at rates based on sales, volume, etc. and priced according to the specific vendor rebate contract. The Company recognizes these amounts at a point in time once the period for which the rebate is earned has ended. For the year ended December 31, 2022 the Company recognized revenue for vendor rebates earned of \$402,506.

### **Allowance for Doubtful Accounts**

Accounts receivable are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on an analysis of specific customers and franchisees, taking into consideration the age of past due accounts and an assessment of the customer's or franchisee's ability to pay. The Company does not charge interest on past due accounts. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from five to 10 years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

## **World Gym International, LLC and Affiliate**

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Notes to Consolidated Financial Statements

December 31, 2022

### **Website Development Costs**

The Company capitalizes the costs of website development, which relate to application and infrastructure development, graphics development and software integration. The Company expenses costs related to planning, content input, data conversion and operations. The Company amortizes the capitalized website costs on a straight-line basis over an estimated useful life of 3 years, which commences when the website is launched.

### **Goodwill and Other Intangible Assets**

The Company classifies intangible assets as definite-lived or indefinite-lived intangible assets, as well as goodwill. The excess cost over fair value of net assets acquired in a business combination is classified as goodwill.

Goodwill and other intangible assets that have indefinite useful lives are not amortized but are tested for impairment at least annually. As permitted under accounting principles generally accepted in the United States of America, the Company took a qualitative approach in determining whether it was more likely than not that the goodwill and indefinite-lived intangibles were impaired as of December 31, 2022. Intangible assets that have finite lives are amortized over their useful lives of five to 10 years and are subject to testing for impairment when events and circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2022.

### **Long-Lived Assets**

Long-lived assets to be held and used, other than goodwill and intangibles with indefinite lives, are subject to testing for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2022.

### **Advertising and Promotional Expenses**

Advertising and promotion costs are expensed as incurred. Advertising and promotional expenses for the year ended December 31, 2022 amounted to \$660,128. See Note 3 for discussion of the brand development fund.

### **Income Taxes**

World Gym and Affiliate are limited liability companies and are classified as partnerships for income tax purposes. Profits and losses are reportable by the members on their respective income tax returns. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for the year ended December 31, 2022 except for the required minimum California state taxes applicable to limited liability companies of \$800.

World Gym and Affiliate have no unrecognized tax benefits as of December 31, 2022. The Company's federal and state income tax returns prior to fiscal years 2019 and 2018, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If necessary, World Gym and Affiliate recognize interest and penalties associated with tax matters as part of income tax expense and include accrued interest and penalties with the related tax liability in the consolidated balance sheets. No interest and penalties were recognized for the year ended December 31, 2022.

# World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2022

Franchises in Canada and Mexico are subject to a 10% nonresident foreign withholding tax. Beginning in March 2015, the foreign withholding tax is withheld on all franchise fees and royalty fees paid to World Gym by franchises in these countries. For the year ended December 31, 2022, foreign withholding taxes recorded by World Gym amounted to \$48,383 and are included in income tax expense in the consolidated statement of operations.

## Use of Estimates

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

## Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses. This ASU is intended to provide financial statement users with more decision-useful information about expected credit losses and is effective for annual periods and interim periods for those annual periods beginning after December 15, 2022. Entities may early adopt beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of ASU No. 2016-13 on the consolidated financial statements.

## Subsequent Events

The Company has evaluated subsequent events through April 18, 2023, the date that the consolidated financial statements were available to be issued.

## 2. Business and Credit Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The concentration of credit risk with respect to accounts receivable is mitigated by the generally short payment terms. In addition, the Company closely monitors the extension of credit to its customers and franchisees while maintaining allowances for potential credit losses.

For the year ended December 31, 2022, the Company had a developer in Taiwan that, along with its sub-franchisees, accounted for approximately 26% of the Company's revenues and 32% of accounts receivable as of December 31, 2022 and a master franchisee in Australia that, along with its sub-franchisees, accounted for approximately 13% of the Company's revenues. As of December 31, 2022, approximately 24% of accounts receivable was from two vendors related to rebates and one franchisee.

For 2022, the Company's revenues were geographically concentrated as follows:

United States	24%
Taiwan	26%
Canada	11%
Australia	13%
Other	26%

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2022

### 3. Brand Development Fund

During 2018, the Company established a brand development fund (the Fund) for the creation and development of promotional marketing, advertising, public relations and related programs and materials for those franchisees who have agreed to participate in the Fund program. On behalf of the Fund, the Company acts as an agent and collects 2% of gross monthly revenues from participating franchisees, in accordance with the provisions of the franchise agreements. The use of amounts received by the Fund is restricted to promotional, marketing, advertising and public relations purposes and for World Gym brand promotion throughout the world. The Company has complete discretion over the usage of the funds. The Fund is accounted for separately from the Company's other funds and is not used to pay any of the Company's general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead that is spent on activities administering the Fund and its programs. Fund revenue for the year ended December 31, 2022 amounted to \$257,746. No management or administrative fees were charged to the Fund during the year ended December 31, 2022. Amounts received by the Fund are reported as restricted cash on the accompanying consolidated balance sheet. As of December 31, 2022, there is no such restricted cash. Advertising may be disseminated in various types of media such as print, radio, television, the internet and billboards.

### 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2022:

Computer equipment	\$	22,017
Furniture and fixtures		71,650
Website development costs		89,660
		<u>183,327</u>
Less accumulated depreciation and amortization		<u>(39,782)</u>
	\$	<u>143,545</u>

For the year ended December 31, 2022, depreciation and amortization expense amounted to \$17,951.

### 5. Intangible Assets

As of December 31, 2022, the carrying amount for the indefinite-lived and definite-lived intangible assets consists of the following:

	Gross Carrying Amount			
	Indefinite-Lived	Definite-Lived	Accumulated Amortization	Net Carrying Amount
Trademark	\$ 5,005,762	\$ -	\$ -	\$ 5,005,762
Franchise agreements	-	1,281,000	(1,281,000)	-
Commercial production costs	-	48,360	(48,360)	-
	<u>\$ 5,005,762</u>	<u>\$ 1,329,360</u>	<u>\$ (1,329,360)</u>	<u>\$ 5,005,762</u>

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2022

### 6. Accrued Expenses

Accrued expenses consisted of the following as of December 31, 2022:

Accrued vacation	\$	39,922
Accrued payroll		19,724
Accrued expenses		<u>298,570</u>
Total	\$	<u>358,216</u>

### 7. Profit Sharing Plan

The Company contributes to a 401(k) profit sharing plan (the Plan) for the benefit of full-time employees who have completed one year of service and are at least 21 years old. The Company is required to make matching contributions equal to 100% of the first 3% of eligible wages and an additional 50% of the next 2% of eligible wages. The employer match vests 100% upon receipt. Contributions to the Plan were approximately \$13,000 for the year ended December 31, 2022. In addition, the Company can make further discretionary matching contributions and such profit sharing contributions are determined annually by the managing members. There were no discretionary contributions to the plan for the year ended December 31, 2022.

### 8. Notes Payable

#### PPP Loan

In April 2021, the Company received a second PPP loan in the amount of \$199,292 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, 10 months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

In July 2022, the full amount of the second loan was forgiven. The Company recorded the amount forgiven as forgiveness income within the other income section of its statement of operations.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

## World Gym International, LLC and Affiliate

Notes to Consolidated Financial Statements

December 31, 2022

### EIDL Loan

On June 6, 2020, the Company executed the standard loan documents required for securing a loan (the EIDL Loan) from the United States Small Business Administration (the SBA) under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. In May 2022, the Company executed an amendment to the loan to receive an additional \$1,850,000.

Interest on the EIDL Loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning 12 months from the date of the EIDL Loan in the amount of \$9,897. In March 2021, the SBA deferred installment payments another 12 months from the date of the EIDL loan and in March 2022, an additional six months was added for a total deferment period of 30 months. Principal payments are not required to be made until all accrued interest incurred during the deferral period has been paid. The balance of principal and interest is payable 30 years from the date of the promissory note.

Maturities of notes payable are as follows:

Years ending December 31:	
2023	\$ -
2024	42,030
2025	46,328
2026	48,096
2027	49,931
Thereafter	<u>1,808,615</u>
	<u>\$ 1,995,000</u>

## 9. Commitments and Contingencies

### Legal Matters

Certain claims have been filed against the Company in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, these matters are not expected to have a material effect on the Company's consolidated financial position or results of operations.

**World Gym International, LLC and Affiliate**  
***(Limited Liability Companies)***

**Consolidated Financial Statements**

**December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
World Gym International, LLC and Affiliate

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of World Gym International, LLC and Affiliate (the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

**BAKER TILLY US, LLP**

*Baker Tilly US, LLP*

Los Angeles, California

March 24, 2021

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE**  
**(LIMITED LIABILITY COMPANIES)**  
**CONSOLIDATED BALANCE SHEET**  
**December 31, 2021**

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**ASSETS**

**Current Assets**

Cash	\$ 148,005
Accounts receivable, net of allowance for doubtful accounts of \$50,000	57,801
Due from related parties, net	94,292
Inventory	6,000
Prepaid expenses and other	101,034
Total current assets	<u>407,132</u>

<b>Property and equipment, net</b>	26,956
<b>Goodwill</b>	217,233
<b>Website development costs, net</b>	30,582
<b>Intangible assets, net</b>	<u>4,959,272</u>
Total assets	<u><u>\$ 5,641,175</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

**Current Liabilities**

Accounts payable	\$ 536,172
Accrued expenses	182,094
Deferred revenue	212,299
Total current liabilities	<u>930,565</u>

Notes payable - net of current portion	<u>349,292</u>
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Total liabilities	<u>1,279,857</u>
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**Commitments and Contingencies (Note 10)**

**MEMBERS' EQUITY**

Members' equity, World Gym International, LLC	3,176,254
Members' equity, Affiliate	1,185,064
	<u>4,361,318</u>

Total liabilities and members' equity	<u><u>\$ 5,641,175</u></u>
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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE**  
**(LIMITED LIABILITY COMPANIES)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2021**

	<b>2021</b>	<b>% of Net</b>
	<b>Amount</b>	<b>Sales</b>
<b>Revenues, net</b>		
Franchise fees and royalties	\$ 2,118,710	81.7 %
Vendor rebates earned	197,316	7.6
Promotional fund	218,313	8.4
Other revenue	57,614	2.2
Total revenues, net	<u>2,591,953</u>	<u>100.0</u>
<b>Operating Expenses</b>		
Cost of sales	62,502	2.4
Payroll and related taxes	1,358,258	52.4
Advertising and promotion	699,063	27.0
Depreciation and amortization	65,417	2.5
General and administrative	1,960,555	75.6
Total operating expenses	<u>4,145,795</u>	<u>159.9</u>
<b>Loss from Operations</b>	(1,553,842)	(59.9)
<b>Other Income</b>		
PPP loan forgiveness	<u>156,770</u>	<u>6.0</u>
<b>Loss before Income Tax Expense</b>	(1,397,072)	(53.9)
<b>Income Tax Expense</b>	<u>(40,061)</u>	<u>(1.5)</u>
<b>Consolidated Net Loss</b>	(1,437,133)	(55.4)
<b>Net Loss Attributable to Affiliate</b>	<u>(57,458)</u>	<u>(2.2)</u>
<b>Net Loss attributable to World Gym International, LLC</b>	<u>\$ (1,379,675)</u>	<u>(53.2) %</u>

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
For the Year Ended December 31, 2021**

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	<b>World Gym International, LLC</b>	<b>Affiliate</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>BALANCE - January 1, 2021</b>	\$ 3,959,856	\$ 1,224,522	\$ 5,184,378
Consolidated net loss	(1,379,675)	(57,458)	(1,437,133)
Contributions	1,087,000	18,000	1,105,000
Distributions	<u>(490,927)</u>	<u>-</u>	<u>(490,927)</u>
<b>BALANCE - December 31, 2021</b>	<u><u>\$ 3,176,254</u></u>	<u><u>\$ 1,185,064</u></u>	<u><u>\$ 4,361,318</u></u>

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE**  
**(LIMITED LIABILITY COMPANIES)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (1,437,133)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	65,417
Bad debt expense	(16,900)
Loss on disposal of property and equipment	96,071
PPP loan forgiveness	(156,770)
Changes in operating assets and liabilities:	
Accounts receivable	46,979
Due from related parties	308,825
Inventory	26,913
Prepaid expenses and other	(85,113)
Other assets	5,757
Accounts payable	279,445
Accrued expenses	80,881
Deferred revenue	54,686

**Net cash used in operating activities** (730,942)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of intangibles (16,095)

**Net cash used in investing activities** (16,095)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from PPP note payable	199,392
Contributions	1,105,000
Distributions	<u>(490,927)</u>

**Net cash provided by financing activities** 813,465

**NET INCREASE IN CASH** 66,428

**CASH - beginning of year** 81,577

**CASH - end of year** \$ 148,005

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Income taxes paid \$ (40,061)

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Business Activity***

World Gym International, LLC ("World Gym") was organized in the State of Delaware as a limited liability company on December 17, 2008. World Gym International IP, LLC ("Affiliate") was organized in the State of California as a limited liability company on December 17, 2008 in order to hold the intellectual property assumed upon purchase of the World Gym franchise, which consists of a number of registered trademarks associated with World Gym. World Gym is a franchisor of fitness centers worldwide and is headquartered in Los Angeles, California. As of December 31, 2021, World Gym had contractual relationships with 234 franchised gyms.

As a limited liability company, each member's liability is limited to the amount reflected in the respective member's account.

**Principles of Consolidation**

The consolidated financial statements as of December 31, 2021 and for the year then ended include the accounts of World Gym and Affiliate (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Under the applicable provisions of accounting standards related to "Consolidation of Variable Interest Entities," the Company determined that World Gym is the primary beneficiary of Affiliate and, therefore, Affiliate is required to be consolidated. This determination was based on an analysis that includes both qualitative and quantitative reviews. The analysis is based on an evaluation of the design of the entity, its organizational structure including decision-making ability, and financial agreements, including related guarantees.

The following assets (liabilities) of the Affiliate have been included in the accompanying consolidated balance sheet:

	<u>2021</u>
Cash	\$ 5,707
Intangible assets	\$ 4,959,272
Due to World Gym	\$(3,656,095)
Accounts payable	\$ (123,820)

The above amounts due to World Gym have been eliminated in consolidation.

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Liquidity***

Pursuant to Accounting Standards Update (“ASU”) No. 2014-15, Presentation of Financial Statement Going Concern (Subtopic 205-40), management evaluates the Company’s ability to continue as a going concern for one year after the date of the financial statements are available for issuance. During the year ended December 31, 2021, the Company incurred a loss from operations and negative operating cash flows of \$1,553,842 and \$730,942, respectively. As of December 31, 2021, the Company had cash in the amount of \$148,005 and negative working capital of \$523,433. Management believes that its existing cash as of December 31, 2021, combined with additional funding from its LLC members will be sufficient to meet its anticipated cash requirements through at least one year from the date of issuance of the financial statements. To date, the Company has funded its operating activities through operations and contributions from its LLC members. The LLC members have confirmed in writing their continued financial support to the Company. If the Company is unable to raise additional funds when needed, it may be required to delay, limit, or reduce future activities.

***Revenue Recognition***

Franchise fee revenue is recognized when the Company has performed the performance obligations to the franchisee, per the Franchise Agreement. The Company executes Franchise Agreements that set the terms of its arrangement with each franchisee. The Franchise Agreements may require the franchisee to pay initial, nonrefundable franchise fees ranging from \$15,750 to \$35,000 for the use of the World Gym name for a term of ten years with renewal options. The franchise fees are non-refundable and generally due upon signing of the Franchise Agreement. As of January 1, 2020, franchise fee revenue from the sale of individual franchises is partly recognized over the term of the individual Franchise Agreement and partly upon distinct pre-opening performance obligations being satisfied. Unamortized non-refundable fees collected in relation to the sale of franchises is recorded as deferred franchise fee revenue. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. In the event a franchisee does not comply with their development timeline for opening gym locations, the franchise rights may be terminated, and franchise fee revenue is recognized for non-refundable deposits. Initial and renewal fees included in revenues for the year ended December 31, 2021 were \$165,314.

Franchise royalties consist of both annual and monthly royalties. Monthly royalties are recognized as revenue when the franchisee submits the franchise monthly sales report to the Company. Annual royalties are recognized as revenue over the period of time the performance obligations are provided which is the term of the Franchise Agreement. Annual franchise royalties depend on the agreements but generally range from \$6,000 to \$12,000. Franchise royalties’ revenue for the year ended December 31, 2021 amounted to \$1,953,396.

Deferred revenue represents billings or collections in advance of the recognition of the revenue of franchisees’ payments or vendor rebates. The amount deferred as of December 31, 2021 was \$212,299.



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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Vendor Rebates***

The Company receives funds from vendors for various programs related to purchases by franchisees at rates based on sales, volume, etc. and priced according to the specific vendor rebate contract. The Company recognizes these amounts at a point in time once the period for which the rebate is earned has ended. For the year ended December 31, 2021 the Company recognized revenue for vendor rebates earned of \$197,316.

***Allowance for Doubtful Accounts***

Accounts receivable are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on an analysis of specific customers and franchisees, taking into consideration the age of past due accounts and an assessment of the customer's or franchisee's ability to pay. The Company does not charge interest on past due accounts. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from five to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

***Website Development Costs***

The Company capitalizes the costs of website development, which relate to application and infrastructure development, graphics development and software integration. The Company expenses costs related to planning, content input, data conversion and operations. The Company amortizes the capitalized website costs on a straight-line basis over an estimated useful life of ten years, which commences when the website is launched.

***Goodwill and Other Intangible Assets***

The Company classifies intangible assets as definite-lived or indefinite-lived intangible assets, as well as goodwill. The excess cost over fair value of net assets acquired in a business combination is classified as goodwill.

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE**  
**(LIMITED LIABILITY COMPANIES)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021**

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**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Goodwill and Other Intangible Assets*** (continued)

Goodwill and other intangible assets that have indefinite useful lives are not amortized but are tested for impairment at least annually. As permitted under accounting principles generally accepted in the United States of America, the Company took a qualitative approach in determining whether it was more likely than not that the goodwill and indefinite-lived intangibles were impaired as of December 31, 2021. Intangible assets that have finite lives are amortized over their useful lives of five to ten years and are subject to testing for impairment when events and circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2021.

***Long-lived Assets***

Long-lived assets to be held and used, other than goodwill and intangibles with indefinite lives, are subject to testing for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. No impairment write-downs were required during the year ended December 31, 2021.

***Advertising and Promotional Expenses***

Advertising and promotion costs are expensed as incurred. Advertising and promotional expenses for the year ended December 31, 2021 amounted to \$699,063. See Note 3 for discussion of the promotional fund.

***Income Taxes***

World Gym and Affiliate are limited liability companies and are classified as partnerships for income tax purposes. Profits and losses are reportable by the members on their respective income tax returns. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for the year ended December 31, 2021 except for the required minimum California state taxes applicable to limited liability companies of \$800.

World Gym and Affiliate have no unrecognized tax benefits as of December 31, 2021. The Company's federal and state income tax returns prior to fiscal years 2018 and 2017, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If necessary, World Gym and Affiliate recognize interest and penalties associated with tax matters as part of income tax expense and include accrued interest and penalties with the related tax liability in the consolidated balance sheets. No interest and penalties were recognized for the year ended December 31, 2021.

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes*** (continued)

Franchises in Canada and Mexico are subject to a 10% non-resident foreign withholding tax. Beginning in March 2015, the foreign withholding tax is withheld on all franchise fees and royalty fees paid to World Gym by franchises in these countries. For the year ended December 31, 2021, foreign withholding taxes recorded by World Gym amounted to \$39,261 and are included in income tax expense in the consolidated statement of operations.

***Use of Estimates***

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

***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires lessees to recognize at the lease commencement date a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date for private entities by one year, making this change effective January 1, 2022. Early adoption is permitted. Management is currently evaluating the impact of the future adoption of this guidance on the Company's consolidated financial statements.

**2. BUSINESS AND CREDIT CONCENTRATIONS**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The concentration of credit risk with respect to accounts receivable is mitigated by the generally short payment terms. In addition, the Company closely monitors the extension of credit to its customers and franchisees while maintaining allowances for potential credit losses.

For the year ended December 31, 2021, the Company had a developer in Taiwan that, along with its sub-franchisees, accounted for approximately 33% of the Company's revenues and a master franchisee in Australia that, along with its sub-franchisees, accounted for approximately 16% of the Company's revenues and 55% of accounts receivable as of December 31, 2021. As of December 31, 2021, approximately 15% of accounts receivable was from three other franchisees (see Note 11).

**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

**2. BUSINESS AND CREDIT CONCENTRATIONS** (continued)

For 2021, the Company's revenues were geographically concentrated as follows:

<b>Year Ended December 31,</b>	<b>2021</b>
United States	18%
Taiwan	40%
Canada	19%
Australia	16%
Other	7%

**3. PROMOTIONAL FUND**

During 2018, the Company established a promotional fund (the "Fund") for the creation and development of promotional marketing, advertising, public relations and related programs and materials for those franchisees who have agreed to participate in the Fund program. On behalf of the Fund, the Company acts as an agent and collects 2% of gross monthly revenues from participating franchisees, in accordance with the provisions of the franchise agreements. The use of amounts received by the promotional fund is restricted to promotional, marketing, advertising, and public relations purposes and for World Gym brand promotion throughout the world. The Company has complete discretion over the usage of the funds. The Fund is accounted for separately from the Company's other funds and is not used to pay any of the Company's general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead that is spent on activities administering the Fund and its programs. Promotional fund revenue for the year ended December 31, 2021 amounted to \$218,313. No management or administrative fees were charged to the Fund during the year ended December 31, 2021. Amounts received by the Fund are reported as restricted cash on the accompanying consolidated balance sheet. As of December 31, 2021, there is no such restricted cash. Advertising may be disseminated in various types of media such as print, radio, television, the internet and billboards.

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<b>2021</b>
Computer equipment	\$ 19,288
Furniture and fixtures	4,416
Software	29,500
	<u>53,204</u>
Less: accumulated depreciation and amortization	<u>(26,248)</u>
Total	<u>\$ 26,956</u>

**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

For the year ended December 31, 2021, depreciation and amortization expense amounted to \$26,538.

**5. WEBSITE DEVELOPMENT COSTS**

Website development costs consist of the following as of December 31:

	<b>2021</b>
Website development costs	\$ 110,610
Less: accumulated amortization	(80,028)
Total	<b>\$ 30,582</b>

For the year ended December 31, 2021, amortization expense amounted to \$38,879.

Total estimated amortization expense for website development costs is as follows:

Years ending December 31:	
2022	\$ 22,122
2023	8,460
Total	<b>\$ 30,582</b>

**6. INTANGIBLE ASSETS**

As of December 31, 2021, the carrying amount for the indefinite-lived and definite-lived intangible assets consists of the following:

	Gross Carrying Amount			Net Carrying Amount
	Indefinite-lived	Definite-lived	Accumulated Amortization	
Trademark	\$ 4,959,272	\$ -	\$ -	\$ 4,959,272
Franchise agreements	-	1,281,000	(1,281,000)	-
Commercial production costs	-	48,360	(48,360)	-
Total	\$ 4,959,272	\$ 1,329,360	\$ (1,329,360)	\$ 4,959,272

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**7. ACCRUED EXPENSES**

Accrued expenses consisted of the following as of December 31:

	<u>2021</u>
Accrued vacation	\$ 50,091
Accrued payroll	20,029
Accrued expenses	<u>111,974</u>
Total	<u>\$ 182,094</u>

**8. PROFIT SHARING PLAN**

The Company contributes to a 401(k) profit sharing plan (the “Plan”) for the benefit of full-time employees who have completed 1 year of service and are at least 21 years old. The Company is required to make matching contributions equal to 100% of the first 3% of eligible wages and an additional 50% of the next 2% of eligible wages. The employer match vests 100% upon receipt. Contributions to the Plan were approximately \$11,000 for the year ended December 31, 2021. In addition, the Company can make further discretionary matching contributions and such profit sharing contributions are determined annually by the managing members. There were no discretionary contributions to the plan for the year ended December 31, 2021.

**9. NOTES PAYABLE**

***PPP Loan***

On April 25, 2020, the Company received loan proceeds in the amount of \$156,770 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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**9. NOTES PAYABLE** (continued)

***PPP Loan*** (continued)

In April 2021, the Company received a second PPP loan in the amount of \$199,392.

In August 2021, the full amount of the first loan was forgiven. The Company believes it met the PPP's loan forgiveness requirements for the second loan but has not yet applied for forgiveness. When legal release is received, the Company will record the amount forgiven as forgiveness income within the other income section of its statement of operations. If any portion of the Company's PPP loan is not forgiven, the Company will be required to repay that portion, plus interest, through the maturity date.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

***EIDL Loan***

On June 6, 2020, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the United States Small Business Administration (the "SBA") under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL Loan in the amount of \$731. In March 2021, the SBA deferred installment payments another twelve months from the date of the EIDL loan and in March 2022, an additional twelve months was added for a total deferment period of thirty-six months. Principal payments are not required to be made until all accrued interest incurred during the deferral period has been paid. The balance of principal and interest is payable thirty years from the date of the promissory note.

Maturities of notes payable are as follows:

Years ending December 31:	
2022	\$ -
2023	-
2024	2,096
2025	3,284
2026	3,409
Thereafter	<u>141,211</u>
Total	<u>\$ 150,000</u>

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**WORLD GYM INTERNATIONAL, LLC AND AFFILIATE  
(LIMITED LIABILITY COMPANIES)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021**

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## **10. COMMITMENTS AND CONTINGENCIES**

### ***Leases***

The Company entered into a lease agreement in November 2018 for a gym and office space located in Costa Mesa, California (see Note 11). The lease commenced on May 1, 2019 and expires on April 30, 2029. Monthly payments under the operating lease range from \$16,158 to \$21,082 plus monthly operating expenses of \$4,617.

The monthly payments paid by the Company under the lease agreement are allocated 26% to the Company and 74% to a related party (see Note 11). In June 2021, the lease was taken over by the related party in full.

Rent expense under the aforementioned lease amounted to \$26,988 for the year ended December 31, 2021.

### ***Litigation***

Certain claims have been filed against the Company in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, these matters are not expected to have a material effect on the Company's consolidated financial position or results of operations.

### ***Effects of the COVID-19 Outbreak***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the World. The global and domestic response to the COVID-19 outbreak continues to rapidly evolve. To date, certain responses to the COVID-19 outbreak have included mandates from international, federal, state and/or local authorities to mitigate the spread of the virus, which have included the closing of fitness centers and gyms, and have adversely impacted global commercial activity and have contributed to significant volatility in financial markets. The COVID-19 outbreak and associated responses could result in a material impact to the Company's future results of operations, cash flows and financial condition; however, at this time the extent to which COVID-19 may impact the Company's consolidated financial condition and results of operations is uncertain.

## **11. RELATED PARTY TRANSACTIONS**

The Company collected royalties and fees during the year ended December 31, 2021 from two franchisees who are related through common ownership, in the amounts of \$23,509.

## **12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events that have occurred from January 1, 2022 to March 24, 2022, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.



**EXHIBIT E  
TO FRANCHISE DISCLOSURE DOCUMENT**

**WORLD GYM INTERNATIONAL, LLC  
STATE SPECIFIC ADDENDA**

## **CALIFORNIA**

### **ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND DEVELOPMENT AGREEMENT**

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.

Neither the franchisor nor any person in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement and the area development agreement contain covenants not to compete that extend beyond the termination of the franchise and the area development franchise. These provisions may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement and the area development agreement require binding arbitration. The arbitration will occur at Los Angeles, California, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Section 23(A) of the Franchise Agreement is hereby deleted and replaced with the following: “Franchisee acknowledges that this Agreement, the franchise disclosure document (“FDD”), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.

Item 5 of the Franchise Disclosure Document is amended to include the following: “The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

Prospective franchisees and area developers are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement or an area development agreement restricting venue to a forum outside the State of California.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

Section 31512 of the Franchise Investment Law (FIL) and 20010 of the California Franchise Relations Act (CFRA) provide that any condition, stipulation or provision purporting to bind you to waive compliance with any provision of these laws is void. Therefore, any release of claims that you must sign as a condition of renewal or transfer may not apply to claims arising under the FIL or the CFRA.

Unless the transaction is exempt, Section 31125 of the California Corporations Code requires us to give you a special disclosure document, approved by the Commissioner of Financial Protection and Innovation, before asking you to consider a proposed material modification of an existing franchise.

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

**ADDENDUM REQUIRED BY THE STATE OF ILLINOIS**

The conditions under which the Franchise Agreement and/or Development Agreement can be terminated and your rights upon nonrenewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement and Development Agreement, Illinois law governs.

Although the Franchise Agreement and Development Agreement require litigation to be instituted in a court in Delaware (or other state where Franchisor’s headquarters are located), all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois, subject to the mediation provision of the Franchise Agreement and Development Agreement.

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

The undersigned hereby acknowledge and agree that this Addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**WORLD GYM INTERNATIONAL,  
LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

## **ADDENDUM REQUIRED BY THE STATE OF INDIANA**

Neither World Gym International, LLC, its Affiliate, nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement and Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and/or Development Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

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

## **ADDENDUM REQUIRED BY THE STATE OF MARYLAND**

For franchises and franchisee/developers subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces, supplements and/or otherwise amends, as the case may be, the corresponding disclosures in the main body of the text of the World Gym International, LLC Franchise Disclosure Document:

### Item 17.

The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

With respect to this Item's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

A franchisee may bring a lawsuit in 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 3 years after the grant of a franchise.

### Exhibit I

With respect to the Franchisee Questionnaire/Compliance Certification, all representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they as act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

The Franchisee Questionnaire/Compliance Certification attached as an Exhibit to the Franchise Disclosure Document is hereby deleted. If you are a resident of, or intend to operate the franchised business in, the State of Maryland, do not complete or sign the Compliance Certification attached to the Franchise Disclosure Document.

## **ADDENDUM REQUIRED BY THE STATE OF MICHIGAN**

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

(A) A PROHIBITION OF 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 EACH 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, MATERIALS, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, MATERIALS, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS 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 QUALIFICATION OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.



## **ADDENDUM REQUIRED BY THE STATE OF MINNESOTA**

In an Addendum to the Franchise Agreement, we agree to indemnify you against losses and liabilities for which you are held liable in any proceeding arising out of your use of the mark “WORLD GYM” or any other trademark, service mark or logotype that you are authorized by us to use with the System franchise. This indemnification is contingent upon you using the marks or logotypes in accordance with the provisions of the Franchise Agreement. You are not granted any trademark rights under the Development Agreement.

We will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement and/or Development Agreement.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us 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 your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2869.4400(d) prohibits us from requiring that you assent to a general release as set forth in Item 17 of this Disclosure Document.

Nothing in the Disclosure Document, Franchise Agreement or Development Agreement shall effect your rights under Minnesota Statute Section 80C.17, Subd. 5.

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

The following is added to the end of Item 5:

Franchise will defer collection of the initial franchise fee and other initial fees payable to the Franchisor until Franchisor has fulfilled its pre-opening obligations, and the Franchisee is open for business.

## **ADDENDUM REQUIRED BY THE STATE OF NEW YORK**

All references to “Disclosure Document” shall be deemed to include the term “Disclosure Document” as used under New York law.

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 at the end of Item 3:

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities

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

3. The following is added to the end of 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 that 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.

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

## NORTH DAKOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for World Gym International, LLC shall be amended by the addition of the following language:

The following language is added to the “Summary” section of Item 17(c) entitled **Requirements for the franchisee to renew or extend:**

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

The following language is added to the “Summary” section of Item 17(r) entitled **Non-competition covenants during the term of the franchise.**

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

The following language is added to the “Summary” section of 17(u) entitled **Dispute Resolution by arbitration or mediation:**

To the extent required by North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

The following language is added to the “Summary” section of 17(v) **entitled Choice of forum:**

However, to the extent allowed by North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

The following language is added to the “Summary” section of 17(w) entitled **Choice of law:**

North Dakota law applies.

Notwithstanding anything contained in the Franchise Agreement or Development Agreement to the contrary, you do not have to pay us the Initial Franchise Fee until we perform our pre-opening obligations under the Franchise Agreement and you have opened for business. Once we complete this obligation, you must immediately pay us all initial fees we deferred.

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

*[Signatures on Following Page]*

**WORLD GYM INTERNATIONAL, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

**FRANCHISEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

## **ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND**

Even though our Franchise Agreement and Development Agreement provide that the laws of Delaware apply, the Rhode Island Franchise Investment Law may supersede these agreements because the Rhode Island Franchise Investment Law provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of laws of another state is void with respect to a claim otherwise enforceable under the Act.”

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

## **ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for WORLD GYM INTERNATIONAL, LLC for use in the Commonwealth of Virginia shall be amended as follows:

With respect to disclosures in Item 6 of the Disclosure Document regarding a franchisee securing funds by selling securities in the franchise, be advised that any securities offered or sold by an Investor Franchisee as part of its World Gym International, LLC Franchise must be either registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

Additional Disclosure: The following statements are added to Item 17h:

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.

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



**STATE SPECIFIC ADDENDA**  
**TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**ADDENDUM REQUIRED BY THE STATE OF ILLINOIS**

Notwithstanding Section 15 of the Franchise Agreement and Section 14 of the Development Agreement, the conditions under which these agreements can be terminated and the parties' rights upon non-renewal may be affected by Illinois law, (815 ILCS 705/19 and 705/20).

Section 1(A) of the Franchise Agreement, as well as the first paragraph of Section 23(G) of the Development Agreement, is hereby modified by adding the following text after the last sentence thereof:

The parties expressly confirm that there are no other oral or written agreements, "side-deals", arrangements or understandings between them except as set forth herein and in Franchisor's applicable Franchise Disclosure Document.

Notwithstanding anything to the contrary in Section 21(A) of the Franchise Agreement, as well as Section 21(A) of the Development Agreement, Illinois law shall govern this Agreement and the parties agree that, to the extent any legal action or proceeding arising out of or relating to these agreements is initiated and not subject to mediation pursuant to Section 21(C) of the Franchise Agreement or Section 21(C) of the Development Agreement, all such actions or proceedings shall be brought in Illinois courts.

Nothing in the Franchise Agreement or Development Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

The Franchise Agreement and Development Agreement are hereby amended to include the following: "No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

Any condition, stipulation or provision of the Franchise Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987, as amended, is void.

The undersigned hereby acknowledge and agree that this Addendum is hereby made part of and incorporated into the foregoing Franchise Agreement and/or Development Agreement.

*[Signatures on Following Page]*

**WORLD GYM INTERNATIONAL,  
LLC**

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

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

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

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

**FRANCHISEE**

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

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

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

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

## **ADDENDUM REQUIRED BY THE STATE OF INDIANA**

Section 21(D) of the Franchise Agreement, as well as Section 22(B) of the Development Agreement, are hereby modified to provide that: (i) the acts described in these Sections may cause Franchisor irreparable harm; and (ii) Franchisor is entitled to seek (rather than obtain) restraining orders or injunctive relief in accordance with the terms of these Sections without the necessity of posting a bond.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Section 13(E)(3) of the Franchise Agreement and Section 16(C)(3) Development Agreement are hereby deleted in their entirety.

Section 15 of the Franchise Agreement, as well as Section 14 of the Development Agreement, are hereby modified by adding the following subsection after the last subsection thereof:

Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 21(C) of the Franchise Agreement and Development Agreement are hereby modified such that Franchisor agrees to select as the place for mediation a location within the State of Indiana and the laws of the State of Indiana shall apply to the mediation proceedings.

Section 21(I) of the Franchise Agreement, as well as Section 22(F) of the Development Agreement, are hereby modified by deleting everything in the first sentence thereof after the words “brought before the expiration of” and before “and that any action not brought...,” and replacing the deleted portion with “two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee/Developer of the facts constituting the violation.”

Any covenant not to compete in the Franchise Agreement or Development Agreement which extends beyond the termination of such agreement(s) (whichever are applicable) may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 21(A) of the Franchise Agreement and/or Development Agreement, the laws of the State of Indiana shall govern the construction and enforcement of these agreements.

Section 21(E) of the Franchise Agreement, as well as Section 22(A) of the Development Agreement, are hereby modified by adding the following text as the last sentence thereof:

This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

**AMENDMENT TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached World Gym International, LLC Franchise Agreement and Development Agreement agree as follows:

1. Sections 15(A)(2) of the Franchise Agreement and Section 14(A)(1) of the Development Agreement are hereby supplemented and amended as follows:

The termination of this Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

2. Sections 3(B)(6) and 13(E)(3) of the Franchise Agreement and Section 16(C)(3) Development Agreement are hereby supplemented and amended as follows:

The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 21(E) of the Franchise Agreement and Section 22(A) of the Development Agreement are hereby supplemented and amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 21(I) of the Franchise Agreement and Section 22(F) of the Development Agreement are hereby supplemented and amended as follows:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. The Franchise Agreement and Development Agreement are hereby supplemented and amended as follows:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

7. The Franchise Agreement and Development Agreement are hereby amended to include the following: “No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

## **ADDENDUM REQUIRED BY THE STATE OF MINNESOTA**

The Sections of the Franchise Agreement and Development regarding your obligation to execute a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

The following is added to the end of Section 4(A)(1) of the Franchise Agreement and Section 2.1 of the Area Development Agreement:

Franchise will defer collection of the initial franchise fee and other initial fees payable to the Franchisor until Franchisor has fulfilled its pre-opening obligations, and the Franchisee is open for business.

Section 7(Q) of the Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

- Q. Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held liable by a court of competent jurisdiction in any proceeding arising solely out of Franchisee's use of the mark "WORLD GYM" and all other trademarks, service marks and associated marks and symbols utilized by Franchisee pursuant to this Agreement, provided such use is in accordance with and pursuant to the provisions of this Agreement. The foregoing indemnification is conditioned upon the following: Franchisee must (i) provide written notice to Franchisor of any claims subject to indemnification hereunder within twenty (20) days of Franchisee's receipt of any written information pertaining to such claims, (ii) tender the defense of the claims to Franchisor if Franchisor so desires, and (iii) permit Franchisor to have sole control of the defense and settlement of any such claim.

Section 15 of the Franchise Agreement, as well as Section 14 of the Development Agreement, are hereby modified to add the following subsection after the last subsection therein:

Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of the Franchise Agreement.

Section 21(D) of the Franchise Agreement, as well as Section 22(B) of the Development Agreement, are hereby modified by adding the word "seek to" in the first sentence thereof after the word "to" and before the word "obtain."

Section 21(E) of the Franchise Agreement, as well as Section 22(A) of the Development Agreement, are hereby modified by adding the following text as the last sentence thereof:

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us 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 your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Section 21(I) of the Franchise Agreement and Section 22(F) of the Development Agreement, are hereby modified by replacing all references of “one year” time limit to “three years” time limit to institute claims.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Nothing in the Franchise Agreement or Development Agreement is intended to abrogate or reduce any rights of the Franchisee as provided in for Minnesota Statutes, Chapter 80C.

## **NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

The following language is added to Section 3 of the Franchise Agreement:

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

The following language is added to the Section 14 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

The following language is added to Section 21 of the Franchise Agreement and Section 15 of the Area Development Agreement:

To the extent required by North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

The following language is added to Section 21 of the Franchise Agreement and Section 9 of the Area Development Agreement:

However, to the extent allowed by North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

The following language is added to Section 21 of the Franchise Agreement and Section 9 of the Area Development Agreement:

North Dakota law applies.

Franchisor acknowledges that pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, all provisions in the Disclosure Document requiring Franchisee to consent to the jurisdiction of courts outside North Dakota are hereby void.

Section 21 of the Franchise Agreement and Section 17 of the Area Development Agreement requiring waiver of jury trial and Section 21 of the Franchise Agreement and Section 19 of the Area Development Agreement requiring waiver of exemplary and punitive damages, are hereby deleted in their entirety.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Notwithstanding anything contained in the Franchise Agreement or Development Agreement to the contrary, you do not have to pay us the Initial Franchise Fee until we perform our pre-opening obligations under the Franchise Agreement and you have opened for business. Once we complete this obligation, you must immediately pay us all initial fees we deferred.

**WORLD GYM INTERNATIONAL, LCC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

**FRANCHISEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_



## **ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND**

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Notwithstanding Section 21(E) of the Franchise Agreement or Section 22(A) of the Development Agreement, Section 19-28.1-14 of the Rhode Island Franchise Investment Act (the “Act”) provides that a provision in these agreements restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.

## **ADDENDUM REQUIRED BY THE STATE OF WISCONSIN**

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

Section 15 of the Franchise Agreement, as well as Section 14 of the Development Agreement, are hereby modified to add the following subsection after the last subsection therein:

Wisconsin Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Wisconsin law, Chapter 135, Wisc. Stats., the Wisconsin Fair Dealership Law.

Section 21(E) of the Franchise Agreement, as well as Section 22(A) of the Development Agreement, are hereby modified by adding the following language after the last sentence thereof:

“The Wisconsin Fair Dealership Law supersedes any provision of this Agreement which is inconsistent with that law.”

## **Washington State Addenda to the Franchise Disclosure Document, Franchise Agreement, and Development Agreement**

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

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

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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 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 language is added to the end of Item 5 of the Franchise Disclosure Document, Section 4(A)(1) of the Franchise Agreement and Section 2.1 of the Area Development Agreement:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. In addition, because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released

proportionally with respect to each franchise outlet opened and is deferred until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

Sections 1(A), 1(B), 1(C), 1(D), 1(E), 1(F), 1(G), 1(I), and 1(L) of the Franchise Agreement are hereby deleted. For clarity, Sections 1(H), 1(J), 1(K), 1(M), 1(N), and 1(O) shall remain in full force and effect.

The undersigned does hereby acknowledge receipt of this addendum.

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

\_\_\_\_\_  
FRANCHISOR

\_\_\_\_\_  
FRANCHISEE

**FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM**

Notwithstanding Section 22(A) of the Franchise Agreement or Section 23(G) of the Development Agreement to the contrary, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement and/or Development Agreement (as applicable). In the event of any conflict between the Franchise/Development Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement and Development Agreement are intended or made by the parties.

Applicable State: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum on the day and year first above written.

FRANCHISEE:

FRANCHISOR:

**WORLD GYM INTERNATIONAL, LLC**

\_\_\_\_\_(SEAL)

\_\_\_\_\_(SEAL)

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

[OR]

OWNERS (SHAREHOLDERS/PARTNERS/  
MEMBERS):

\_\_\_\_\_  
Corporate Name, Partnership or  
Limited Liability Company

\_\_\_\_\_(SEAL)

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

RIDER TO STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND  
FRANCHISE AGREEMENT

**FOR THE FOLLOWING STATES ONLY: CALIFORNIA, HAWAII, ILLINOIS, INDIANA,  
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE  
ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN (EACH A  
“REGULATED STATE” AND COLLECTIVELY, THE “REGULATED STATES”)**

This Rider to State Addendum to the Franchise Disclosure Document and Franchise Agreement (“Rider”) is entered into by and between (i) World Gym International, LLC, a Delaware limited liability company with an address at 1901 Avenue of the Stars, Suite 1100, Los Angeles, CA 90016 (“Franchisor”), and (ii) \_\_\_\_\_, a (individual/limited liability company/corporation) with an address at \_\_\_\_\_ (“Franchisee”).

- A. Concurrently with the execution of this Rider, Franchisor and Franchisee are entering into a franchise agreement (the “Franchise Agreement,”), pursuant to which Franchisee will acquire the right and undertake the obligation to own and operate a franchised business that may be located in, or subject to the regulations of, one of the Regulated States (the “Applicable Franchise Registration State”).
  
- B. Franchisor and Franchisee wish to amend the Franchise Agreement as provided in this Rider.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Franchise Agreement is hereby amended as follows:

1. NASAA SOP Acknowledgment. For prospective franchisees that reside in or are looking to operate the Franchised Business in any Regulated State, the Franchise Agreement will be amended to include the following provision:

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

2. Except as provided in this Rider, the Franchise Agreement remains in full force and effect in accordance with its terms. This Rider shall be effective only to the extent that the jurisdictional requirements of the franchise law of the Applicable Franchise Registration State are met independently without reference to this Rider.

*[Signatures on Following Page]*

Signed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR**

**FRANCHISEE**

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

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

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

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

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

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

**EXHIBIT F  
TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF OPEN FRANCHISEES AS OF DECEMBER 31, 2023**

<b><u>Franchisee Operator Name</u></b>	<b><u>Address of Gym</u></b>	<b><u>City</u></b>	<b><u>State</u></b>	<b><u>Zip Code</u></b>	<b><u>Phone</u></b>
Phillip Krausch III	2930 N Campbell Avenue	Tucson	AZ	85719	521-849-5924
Joe Talmadge	1500 Healdsburg Avenue	Healdsburg	CA	95448	707-433-9500
**Anthony & Wanda Matranga	72840 HWY 111	Palm Desert	CA	92260	760-773-5711
**Jeff Dunham	1751 N. Sunrise Way #E	Palm Springs	CA	92262	760-327-7100
Arlene Tsuji	2340 East St	Tracy	CA	95376	209-836-3488
Ed Weihenmayer	110 Hwy 29 South	Cantonment	FL	32533	850-679-4810
Ed Weihenmayer	6908 N. 9th Avenue	Pensacola	FL	32504	850-484-9391
Brenda Carter	4425 S.Cobb Drive	Smyrna	GA	30080	770-801-0006
Jeffery Butler	2500 Miracle Lane Town & Country Shopping Center	Mishawaka	IN	46545	574-254-0460
Sean Averill	555 East Swift Creek Way	Kalispell	MT	59901	406-407-7372
Dean Altes	958 W. First Street South	Fulton	NY	13069	315-593-6398
Ron Sember & Tim Dougherty	190 Greece Ridge Center Drive	Rochester	NY	14626	585-271-0990
Tralee McElroy	Route 22	Pawling	NY	12564	845-350-2526
Ronald Sember	1717 East Ave	Rochester	NY	14610	585-271-0440
Bryan Limtiaco	504 N. MccPherson Church Road	Fayetteville	NC	28304	910-867-9300
Jeff Paolina	5120A Guersey Street	Bellaire	OH	43906	740-671-0890
Rebecca Powell	9481 Princeton-Glendale Rd.	Cincinnati	OH	45011	513-874-8384
David & Jackie Lawson	887 Main Street	Dallas	OR	97338	503-623-4440
Jody Nolan	229 Dowlen Road, Ste 5	Beaumont	TX	77706	409-866-5595



Jody Nolan	3970 Dowlen Road	Beaumont	TX	77706	409-899-9555
Donna Burger	3300 Wilshire Blvd	Burleson	TX	76033	817-484-2005
Donna Burger	1301 W. Henderson	Cleburne	TX	76033	817-774-2688
Jerome Karam	7903 S Loop E	Houston	TX	77012	409-986-9675
Jerome Karam	1000 Emmett F. Lowry Expressway	Texas City	TX	77546	409-986-9675

\*\* These franchisees have de-identified as System Gyms as of the Issue Date of this Disclosure Document.

**LIST OF FRANCHISEES WITH SIGNED FRANCHISE AGREEMENTS FOR A SYSTEM GYM THAT IS NOT YET OPEN AS OF DECEMBER 31, 2023**

Franchisee Operator Name	Notice Address (Facility Not Open Yet)	City	State	Zip Code	Phone	ADA Rights Awarded (Y/N)?
Jerome Karam	1200 Grape Street	Abilene	TX	79601	TBD	N
Kantave "Leyon" Greene	TBA	Kyle	TX	78640	TBD	N
Keila Valenzuela	TBA	Avon	CO	81620	TBD	Y
Keila Valenzuela	TBA	Glenwood Springs	CO	81301	TBD	Y

**LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM IN THE PAST FISCAL YEAR OR THAT HAVE FAILED TO COMMUNICATE WITH US IN THE 10 WEEKS PRECEDING THE ISSUE DATE OF THIS DISCLOSURE DOCUMENT**

Former Franchisee	Last Known Contact Email or Phone Number	Reason for Leaving System? (Transfer, Ceased Operations, Non-Renewal, Termination, etc.)
World Gym California, MD	202-439-8200	Non-Renewal
World Gym Leonardtown, MD	202-439-8200	Non-Renewal
World Gym Dale City, VA	202-439-8200	Non-Renewal
World Gym Portland, ME	207-281-3812	Ceased Operations
World Gym Akron, OH	216-978-6530	Non-Renewal

World Gym Brooklyn, OH	216-978-6530	Non-Renewal
World Gym Sheffield Village, OH	216-978-6530	Non-Renewal
World Gym Rochester, NY	585-752-0440	Ceased Operations
World Gym Oxnard, CA	323-807-7100	Non-Renewal

**EXHIBIT G  
TO FRANCHISE DISCLOSURE DOCUMENT**

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**Chapter 13**

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**Chapter 14**

Maintenance & Housekeeping

**Chapter 15**

World Gym Support Documents

**EXHIBIT H  
TO FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE RELEASE AGREEMENT**

In consideration for the consent of World Gym International, LLC (the “Franchisor”), to the assignment by \_\_\_\_\_ (“Franchisee”) of its interest in that certain franchise agreement entered into by and between Franchisor and Franchisee dated \_\_\_\_\_ (the “Franchise Agreement”), Franchisee and its principals hereby remises, releases, and forever discharges Franchisor, its affiliates, parents, subsidiaries, principals, officers, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature through the date of this Release, including but not limited to those arising out of or existing under (a) the Franchise Agreement and the parties respective rights and obligations thereunder, (b) the offer and sale of the WORLD GYM franchised business described therein, and (c) the franchise relationship between the parties hereto, whether in law or in equity. Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

**FRANCHISEE:**

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

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

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

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

## EXHIBIT I

### FRANCHISEE QUESTIONNAIRE

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU RESIDE IN, OR INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES:**

**CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI**

As you know, World Gym International, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one (1) or more WORLD GYM franchises (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes \_\_\_ No \_\_\_ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes \_\_\_ No \_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes \_\_\_ No \_\_\_ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes \_\_\_ No \_\_\_ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes \_\_\_ No \_\_\_ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes \_\_\_ No \_\_\_ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes \_\_\_ No \_\_\_ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes \_\_\_ No \_\_\_ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the WORLD GYM mark or any other mark at any location outside your (a) Designated Territory under the Franchise

Agreement and (b) Development Area is you have entered into a Development Agreement, without regard to the proximity of these activities to you're the premises of your Franchised Business(es) or Development Area?

- Yes \_\_\_ No \_\_\_ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our then-current headquarters?
- Yes \_\_\_ No \_\_\_ 10. Do you understand the Franchise Agreement and Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes \_\_\_ No \_\_\_ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes \_\_\_ No \_\_\_ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Designated Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes \_\_\_ No \_\_\_ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes \_\_\_ No \_\_\_ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes \_\_\_ No \_\_\_ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes \_\_\_ No \_\_\_ 16. Do you understand that we will not approve your purchase of a WORLD GYM franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes \_\_\_ No \_\_\_ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes \_\_\_ No \_\_\_ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20 \_\_\_\_\_

Dated: \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20 \_\_\_\_\_

Dated: \_\_\_\_\_, 20 \_\_\_\_\_

**GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)**



**EXHIBIT J**  
**STATE EFFECTIVE PAGE**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Florida, Hawaii, Kentucky, Indiana, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington and Wisconsin. This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state:

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

**EXHIBIT K**  
**RECEIPTS (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 World Gym International, LLC offers you a franchise it must provide this Disclosure Document to you within 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.

**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 agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If World Gym International, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document.

The Issue Date of this Disclosure Document is April 10, 2024.

A list of our agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of April 10, 2024, which contained the following Exhibits:

- A. List of State Franchise Administrators/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement (and Exhibits)
- D. Financial Statements
- E. State Specific Addenda
- F. List of Franchisees and Franchisees That Left Our System in the Past Fiscal Year or That Have Not Communicated to Us in the 10 Weeks Prior to the Issue Date of this Disclosure Document
- G. Franchisee Manual Table of Contents
- H. Sample Termination and Release Agreement
- I. Franchisee Questionnaire
- J. State Effective Page
- K. Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows: Lewis Stanton and Eric O'Connor, 1901 Avenue of the Stars, Suite 1100 Los Angeles, California 90067, 1-800-544-7441.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES TO APPEAR ON THE FOLLOWING PAGE]**

Date: \_\_\_\_\_ Franchisee  
\_\_\_\_\_(Print Name)  
\_\_\_\_\_(Telephone Number)

Below for a Partnership, Corporation or Limited Liability Corporation:

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

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

Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_

## RECEIPTS (YOUR 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 World Gym International, LLC offers you a franchise it must provide this Disclosure Document to you within 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.

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Date: \_\_\_\_\_ Franchisee  
\_\_\_\_\_(Print Name)  
\_\_\_\_\_(Telephone Number)

Below for a Partnership, Corporation or Limited Liability Corporation:

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

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

Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_