

FRANCHISE DISCLOSURE DOCUMENT



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iFlex Franchising LLC (“we” “us” “our” or “Franchisor”) are offering regional developer business(s) under this Franchise Disclosure Document. Note that the term “Regional Developer” as used in this document has the same definition and meaning as an “Area Representatives” under the NASAA Multi-Unit Commentary adopted in September 2014. Regional Developers will recruit prospective iFlex Stretch Studio franchisees (“Franchisee(s)”) in a defined geographic area (the “Development Area”) and provide certain sales and support services to the Franchisees located within the Development Area. Franchisees will conduct business under the name of “iFlex Stretch Studio” and/or “iFlex” and operate stretch studios (“Studio(s)”) to provide assisted stretch programs, techniques, and systems to people of all ages in a clean, friendly, customer friendly environment.

The total investment necessary to begin operation of your Regional Developer Business will range from \$96,675 to \$309,750. This includes \$78,750 to \$254,250 that must be paid to Franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lyle Myers at 7131 W Ray Road #38, Chandler, AZ 85226 and lmyers@iflexfranchise.com.

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

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

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

The issuance date is February 26, 2024

How to Use This Franchise Disclosure Document?

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

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

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

Certain states may require other risks to be highlighted. If so, check the “State Specific Addenda” pages for your state. 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 Regional Developer requires you to resolve disputes with the franchisor by mediation or litigation only in Arizona. Out-of- state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or litigate with franchisor in Arizona than in your state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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

Franchisor, Parent, and Affiliates

The Franchisor is iFlex Franchising LLC, an Arizona limited liability company (“Franchisor” or “we” or “us”) that was formed on June 2, 2022. We offer franchises to establish and operate studios that offer stretching therapy services under the names “iFlex” and “iFlex Stretch Studio” and/or our then-current proprietary marks (collectively, the “Marks”) (each an “iFlex Stretch Studio” or “Studio”). We do not currently do business under any other names. Our principal business address is 7131 W Ray Road #38, Chandler, Arizona 85226.

Our agent for service of process is Gallagher & Kennedy Service Corporation. Its address is 2575 E. Camelback Road, Suite 1100, Phoenix, Arizona 85016. Our agents for service of process in several states are identified on Exhibit A.

We do not have any affiliates or predecessors.

Except as provided in this Item, we have not offered and do not offer franchises in any other line of business and we are not otherwise involved in any substantive business activity, including operating any businesses of the type to be operated by the franchisee.

Franchisor’s parent is iFlex Inc. Its principal business address is 1108 Lavaca St # 110-247, Austin, TX, 78701. iFlex, Inc. has owned and operated an iFlex Stretch Studio in Chandler, Arizona since March 2022. iFlex, Inc. does not offer franchises in any line of business.

Franchise Offered

We offer regional developer business(es) for sale under this Franchise Disclosure Document. Note that the term “Regional Developer” as used in this document has the same definition and meaning as an “Area Representatives” under the NASAA Multi-Unit Commentary adopted in September 2014. Regional Developers will recruit prospective iFlex Stretch Studio franchisees (“Franchisee(s)”) in a defined geographic area (the “Development Area”) and support Franchisees in the Development Area during the term of the Regional Developer Agreement.

Regional Developer Businesses recruit and refer prospective Franchisees to Franchisor in the Development Area and provide certain sales and support services to Franchisees located in the Development Area. Regional Developer or Franchisor must provide prospective Franchisees with a franchise disclosure document prepared by Franchisor. Regional Developers do not sign franchised agreements with Franchisees. You will refer prospective Franchisees to Franchisor who will enter into franchise agreements. If your Development Area includes a registration state (See Exhibit I), you will not be authorized to recruit or refer Franchisees to Franchisor until and unless our franchise offering is registered in that state.

You must operate your Regional Developer Business in accordance with the standards and procedures designated by Franchisor, and according to our operations manuals, or other notices we send you from time to time (the “Manuals(s)”). You will be provided a copy of our applicable Manuals at the time you sign your Regional Developer Agreement. A copy of the Table of Contents for each of our Manuals is attached as Exhibit H.

The Regional Developer Agreement is signed by us and by you, or if you are an entity, one or more individuals with the authority to bind you (the “Operating Principal(s)”). The Operating Principal(s) shall have the authority to act for you in all matters relating to your Regional Developer Business. By signing

the Regional Developer Agreement, you and the Operating Principal(s) agree to be individually bound by certain obligations in the Regional Developer Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Regional Developer Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or your Operating Principal(s) may be involved, we may require you or your Operating Principal(s) to sign additional confidentiality and non-competition agreements.

You (or, if you are an entity, one of your Operating Principals) must complete the RD Training Program (as defined below) prior to the opening of the Regional Developer Business.

Separate Franchise Disclosure Document (Unit Franchises)

In a separate franchise disclosure document, we offer franchises to operate iFlex Stretch Studios that offer stretching therapy services under the names “iFlex” and “iFlex Stretch Studio” and/or our then-current proprietary marks (each, a “Studio” or “Franchised Business”) according to the terms of our franchise agreement attached to this Disclosure Document (the “Franchise Agreement”). You will market, refer, and support iFlex Stretch Studios in your Development Area under a Regional Developer Agreement.

Market and Competition

The market for fitness services and studios is crowded. You will face competition for members from other stretching studios, gyms, personal trainers, yoga and Pilates studios, fitness/exercise centers and studios, health clubs, barre-based studios, and even other System franchisees (subject to the territorial protections and restrictions described in Item 12).

Applicable Regulations

As a Regional Developer, you must comply with all applicable federal and state franchise laws. You must comply with the disclosure requirements mandated by the FTC Franchise Disclosure Rule. Further, in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin, we are required to register the Franchise Disclosure Document (or in some cases submit a notice filing) before the offer or sale of any franchise in that particular state. The states of New York and Washington will also require you to register as a franchise broker. It is your responsibility to investigate and comply with all applicable laws. You will not be authorized to engage in the Regional Developer Business until you and we have fully complied with all applicable obligations. Importantly, you must make sure you are aware of any and all employment laws, regulations and statutes that are applicable where your Regional Developer Business is located.

You should consult with an attorney, and local and state agencies/authorities, before buying a Regional Developer Business to determine if there are any specific regulations you must comply with in your state and consider the effects on you and the cost of compliance. These requirements can affect a broad scope of your operations, including hiring of personnel, among other things. It is your sole responsibility to investigate any regulations in your area, including those related to the sale and marketing of Franchises in your state. If you enter into a Regional Developer Business with us, you will be required to ensure that our directives, whether described in the Manuals or otherwise, are carried out in a manner that is consistent with all applicable laws where your franchised Studio(s) is/are located.

ITEM 2 : BUSINESS EXPERIENCE

Joshua Reed (CEO). Joshua Reed has been our CEO since February 1, 2024. Most recently, he served as the COO for Inspire Franchise, LLC, based in Davie, FL, from April 2021 to February 2024 and for Xtension Envy Franchise Group, LLC, based in Scottsdale, AZ, from March 2021 to February 2024. Mr. Reed served as the Vice President of Operations at Franchise Founders Group, a franchise incubator based in Miami, FL from April 2020 to April 2021. From June 2019 to April 2020, he served as a freelance franchise development consultant in Los Angeles, CA. Mr. Reed was the Vice President of Operations at Tough Mudder Bootcamp, based out of New York, NY and London, England from August 2018 to June 2019. From December 2015 to March 2018, Josh served as the Vice President of Operations for Hammer & Nails Grooming Shop for Guys in Los Angeles, CA.

Craig Colmar (General Counsel). Mr. Colmar has been our General Counsel since our formation in June 2022. Mr. Colmar has been a partner at Johnson and Colmar, a law firm since January 1992 in Chicago, Illinois. Mr. Colmar was a co-founder of The Joint Corp., a franchisor and operator of chiropractic clinics.

Julian Colmar (CFO). Mr. Colmar has been our CFO since our formation in June 2022. From June 2011 through December 2022, Mr. Colmar was a franchisee of The Joint Chiropractic in Austin, Texas. Mr. Colmar has been the Director of Research for Business Ventures Corp. in Austin, Texas since January 2016.

Lyle Myers (Chief Development Officer). Mr. Myers has been our Chief Development Officer since July 2022. Between January 2017 and March 2020, Mr. Myers was the President of Clovr Life Spa Franchising LLC formally known as Sirius Day Spa Franchising, LLC in Scottsdale, AZ. From January 2015 through July 2019, he was the President of Redline Athletics Franchising, LLC in Scottsdale, Arizona. From April 2013 through July 2022, Mr. Myers was an independent franchise management consultant.

Sean Riehl (Vice President - Training). Mr. Riehl has been our Vice President-Training since our formation in June 2022. Since 1991 to present, Mr. Riehl has been a Licensed Neuromuscular Therapist focused on massage, bodywork, and stretching. Mr. Riehl is also the President of Real Bodywork in Santa Barbara, California from 1998 to present.

Ryan Cole (Chief Information Officer). Mr. Cole has been our Chief Information Officer since May 2023. From December 2020 through June 2023, he was the Chief Information Officer of Blue media Inc. and independent franchise consultant. Between January 2017 and July 2021, Mr. Cole was the Chief Information Officer of Clovr Life Spa Franchising LLC formally known as Sirius Day Spa Franchising, LLC in Scottsdale, AZ. From March 2016 through April 2020, he was a Vice President of The Leonesio Group, LLC/Leonesio Brands LLC in Scottsdale, Arizona.

ITEM 3 : LITIGATION

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

ITEM 4 : BANKRUPTCY.

There are no bankruptcies that are required to be disclosed in this Item.

ITEM 5 : INITIAL FEES.

Development Fee

You must pay us a Development Fee (“the Development Fee”) ranging from \$78,000 to 253,500, depending on the population of your defined Development Area. The formula used to determine the Development Fee for your Development Area is calculated by multiplying 25% of the then-current Initial Franchise Fee for iFlex Stretch Studios times the number potential iFlex Stretch Studios within the proposed geographically defined Development Area.

The Development Fee must be paid by wire transfer, cash, or certified funds when you sign the Regional Developer Agreement. The Development Fee formula is applied uniformly for all Regional Developers.

The Development Fee is fully earned by us upon receipt and is nonrefundable.

Technology Fee

Regional Developers will pay us a monthly Technology Fee beginning when you sign a lease. Initially, we will collect \$750 and this reflects the technology fees for your first three (3) months of operation. Thereafter will pay us a Technology Fee of \$250 per month. The Technology Fee is not refundable. The Technology Fee provides you access to the Computer Systems, e-mail service, intranet, and other technology services that we determine, in our sole discretion. There is no maximum amount that we may charge you for a Technology Fee although any increase will only be based upon an increase in our costs and expenses in providing technology services to you.

ITEM 6 OTHER FEES*

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Interest	Lesser of 15% per annum, or the highest commercial contract interest rate permitted by law	From the date payments are due, and continues until outstanding balance and accrued interest are paid in full	Charged on any late payments of any amounts due us or our affiliates.
Technology Fee (2)	\$250 per month	Monthly	Payable to cover the monthly cost of accessing our proprietary computer management software and programs (See Item 11). May be increased upon written notice to you.
Audit Expenses	Cost of audit and inspection, plus any reasonable accounting and legal expenses	On demand	Payable if 2% or more discrepancy in amounts owed, or if you fail to submit required reports.
Late Reporting Fee	\$250 per late report per week	10th day of the month following any month for which any required report is not timely submitted	Payable if any report or other information required to be submitted to us is received by us after the established deadline.
Additional Training Fee	To be set by Franchisor prior to such training or	On demand	Payable for each person who attends any

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
	meeting not to exceed \$1,500 per attendee		mandatory or optional additional training program or Owners meeting held by us. We do not currently charge this fee. If you fail to attend any of these required training courses or meetings, we may charge you a non-attendance fee of up to \$1,500 per attendee.
Renewal Fee	Twenty-five percent (25%) of the Development Fee (including Development Fee for Additional Studios) paid by Regional Developer	Upon renewal	Payable upon renewal of your Regional Developer Agreement.
Transfer Fee	\$30,000	At the time of transfer	Applies to any transfer of the Regional Developer Agreement, the Regional Developer, or its assets, except transfers to a legal entity principally controlled by you. Used to cover cost associated with transfers, including training cost.
Termination Fee (4)	One-half of the original Development Fee for your Development Area, plus our attorneys' fees and costs	On demand	Payable if you terminate, or we terminate your Regional Developer Agreement for cause before your Term expires.
Insurance (5)	The amount you fail to pay for insurance premiums plus ten percent (10%)	On demand	Payable only if you fail to maintain required insurance coverage and we pay premiums for you.
Legal Costs and Attorney's Fees	All legal costs and attorneys' fees incurred by us	On demand	Payable if we must enforce, defend our actions related to, or against your breach of, the Regional Developer Agreement.
Indemnification	All amounts (including attorneys' fees and costs) incurred by us or	On demand	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors,

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
	otherwise required to be paid		employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses related to your ownership and operation of the franchise, your breach of the Regional Developer Agreement, or your non-compliance with any law or regulation.

Explanatory Notes:

*Except for some product and service purchases (see Item 8), all fees are uniform, and are imposed by, collected by, and payable to us. **All fees are non-refundable.**

1. You must pay all amounts due by automatic debit or other electronic mean established by us. You will be required to execute an ACH Authorization Form (or similar form) permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must ensure that there are sufficient funds available in your account for withdrawal before each due date.

2. The monthly technology fee for Regional Developers is currently \$250 per month (“Technology Fee”). The Technology Fee allows you to access our intranet site, including, training programs and our propriety software. Your monthly technology fee will be payable beginning the first month after you complete your initial training. We have the right to increase this amount in the future upon written notice to you. See Item 7 and 11 for additional information regarding Computer Systems. The Technology Fee may be increased upon written notice to you.

3. You must pay the termination fee, plus any costs and attorneys’ fees incurred by us, if you improperly attempt to terminate or close your Regional Developer Business before your term expires, or we terminate your Regional Developer Agreement for any reason as described in the Regional Developer Agreement. We may also recover from you any damages suffered by us (e.g., lost future revenues) resulting from your improper or wrongful termination of the Regional Developer Business. See Item 17 for additional information.

4. If you fail to pay the premiums for insurance required to operate your Regional Developer Business, we may obtain insurance for you and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment is Made
Development Fee (1)	78,000	253,500	Lump sum	Execution	Us

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment is Made
Real property rental (3 months) (2)	\$0	\$6,000	Monthly	As arranged	Landlord
Lease security deposit (3)	\$0	\$2,000	Lump sum	As arranged	Landlord
Build out expenses	\$0	\$5,000	As arranged	As arranged	Suppliers and contractors
Insurance (4)	\$5,000	\$10,000	As arranged	As incurred	Insurance company
Utility deposits (5)	\$200	\$500	As arranged	As incurred	Utility companies
Vehicle (6) (3 months)	\$1,800	\$2,400	As arranged	As incurred	Supplier
Professional service fees (7)	\$500	\$5,000	As arranged	As incurred	Professionals
Travel and living expenses during initial training (per person) (8)	\$600	\$2,000	As arranged	As incurred	Third parties
Filing fees (9)	\$25	\$100	As arranged	As incurred	State authority
Franchise sales advertising (3 months) (10)	\$3,000	\$4,500	As incurred	As incurred	Vendors
Computer system (11)	\$1,500	\$2,500	As arranged	As incurred	Suppliers
Technology Fees (3 months) (11)	\$750	\$750	Automatic debit	Monthly	Us
High Speed Internet (11)	\$300	\$500	As arranged	Monthly	Third parties
Additional funds (3 months) (12)	\$5,000	\$15,000	As arranged	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$96,675	\$309,750			

Explanatory Notes:

1. We discuss the Development Fee in detail in Item 5 of this Disclosure Document. We and our affiliates do not offer any financing for this fee. Fees paid to us are not refundable.
2. You may operate your Regional Developer Business from any location you choose (“Sales Office”). We will not select the location of your Sales Office. We will not approve or disapprove the Sales Office. There is no deadline for you to select a location for your Sales Office. If you decide to operate your Sales Office from a leased location, you will be required to pay rent and possibly, the cost of constructing, equipping, and furnishing your leased premises. Since the size and nature of each Regional Developer’s Sales Office space will vary, an estimate is difficult. The estimate shown is for an office consisting of a reception area, one secretarial station, one conference room and two offices. The amount of your rent will vary according to the area, the type of office location (office building, strip center, or free-standing building), and various other factors.

3. If you decide to operate your Sales Office from a leased Sales Office, you may also be required to pay a security deposit. In addition, in certain lease transactions, if you are an entity, the landlord may require your Principal Owners to personally guarantee the lease. Whether this fee is refundable depends on your agreement with your landlord.
4. You must obtain and maintain, at your own expense, insurance coverage for your Regional Developer Business, and the vehicle(s) and any buildings you use or operate in connection with your Regional Developer Business. Insurance costs depend on a variety of factors. Annual premiums are typically paid to the insurer immediately, with refunds being issued if you cancel the insurance. This estimate reflects our estimate of the costs of your insurance for the first year of operation. The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment history. Our insurance requirements are contained in our Manuals.
5. If you decide to operate from a leased Sales Office, you may be required to pay deposits for utilities. The amount of these deposits will vary depending on the practices of the utility companies and whether any impact or hook-up fees are required.
6. You may be required to purchase or lease a vehicle to conduct franchise sales activities. If you decide not to utilize your own vehicle, we estimate it will cost you approximately \$600-\$800 per month to cover the cost of your vehicle, tax, title, and licensing. You will not incur these expenses if you already own a suitable vehicle.
7. We recommend that you retain the services of an attorney and other consultants to assist you in forming your business entity and in purchasing and establishing your Regional Developer Business. The estimated range of professional fees incurred reflects our estimate of the fees you will pay for such services. The cost of these services will vary depending on the different services providers. You will not incur these expenses if you choose not to retain professionals to assist you.
8. You will incur expenses related to our initial Regional Developer training program. We provide a training program, a training location, instructors, and instructional materials. You will need to arrange for transportation, food, and lodging for your designated attendees. The costs you incur will depend on the distance you must travel and the type of accommodations you choose.
9. State law may require you to register as a franchise broker prior to undertaking your franchise development activities under the Regional Developer Agreement. There may be fees associated with registering as a franchise broker. This is our estimate. This is our estimate of the fees associated with that registration.
10. We estimate that you will spend between \$1,000 and \$1,500 each month to advertise the sale of Franchised Businesses in your Development Area. The precise amount will be determined by the population of your Development Area after consultation with, and consent by, us. Advertising expenditures must be documented to us upon our request. This includes the cost of sales and marketing materials.
11. You must purchase a personal computer system and printer for your Regional Developer Business that is compatible with our computer equipment, so that you will be able to use our proprietary office management software, receive e-mail, use Internet and Intranet services, and receive other electronic information we send. We estimate the initial cost to purchase the computer system to be between \$1,500 and \$2,500. You will pay us a monthly Technology Fee beginning when you sign a lease. Initially, we will collect \$750 and this reflects the technology fees for your first three (3) months of operation. Thereafter, you will be required to pay a technology fee of \$250 per month for the continuing use and upgrade of our proprietary office management software. Technology Fees are not refundable. You will need to have an

internet connection as part of your Computer System. We estimate the cost of internet service/DSL (high-speed) internet access to be less than \$100 per month.

12. You will need capital to cover on-going expenses including payroll, utilities, and franchise sales advertising. New businesses often generate a negative cash flow. The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's draw. We estimate that the amount shown will be sufficient to cover ongoing expenses for the start-up phase of the Franchised Business, which is three months. That being said, this is only an estimate, however, and there is no assurance that additional working capital will not be necessary during or after this start-up phase of at least three (3) months, and sometimes longer. This estimate is based upon the experience of Franchisor's officers in developing and operating regional developer businesses.

ITEM 8 : RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.

Approved Products, Approved Services, Distributors And Suppliers

You must purchase approved products only from us or a third party designated and licensed by us to prepare and sell such products ("Designated Suppliers") and purchase from manufacturers, distributors, vendors and suppliers approved by us ("Approved Suppliers") all other goods, products, materials and supplies (collectively, "Goods"), as well as advertising materials, furniture, fixtures, equipment, menus, forms, paper and plastic products, packaging or other materials (collectively, "Materials") that meet the standards and specifications promulgated by us from time to time. We may require you to use only certain brands (collectively, "Approved Brands") and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand. One of the shareholders of our parent, iFlex, Inc., Sean Riehl, is a Designated Supplier of certain artwork that Franchisees are required to include in their iFlex Stretch Studios. Except for the artwork described above, neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials although we reserve the right to appoint Franchisor or an affiliate as an Approved Supplier or Designated Supplier of one or more Goods of Materials.

Currently, we do not require our Regional Developers to purchase any products, supplies, or equipment from us, other than our proprietary software and marketing materials. We estimate that the purchase of required proprietary software and marketing materials from us or required suppliers represents between 5% and 10% of your total purchases and leases in establishing the Regional Developer business and approximately 25%-35% of your total purchases and leases, on an annual basis, in operating your Regional Developer Business.

The franchisor or its affiliates receive no revenue derived from rebates or other material considerations based on the required purchases or leases.

No office of franchisor owns an interest in a supplier of products, supplies or equipment to Regional Developers.

From time to time, we also may modify the list of Designated Suppliers and/or Approved Suppliers, and you may not, after receipt of such modification in writing, order any approved products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. Approval of a supplier or vendor may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to

complaints, concentration of purchases, as stated above, or other criteria, and may be temporary pending a further evaluation of such supplier by us. These criteria and standards are included in the Manuals.

We and our affiliates, from time to time, may receive payments from suppliers or vendors (including Designated Suppliers and/or Approved Suppliers) on account of such suppliers' dealings with you and other iFlex Stretch Studio franchisees, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of iFlex Stretch Studios or any other group of businesses franchised or operated by us or our affiliates.

If you propose to purchase any Goods or Materials (that you are not required to purchase from a Designated Supplier or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier to do so itself. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

We negotiate purchasing arrangements with Approved Suppliers so that, whenever possible, you can take advantage of the economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We may receive discounts that are not available to franchisees on the purchase of certain products. We may also receive rebates on products, supplies, and equipment that you purchase from some of our Approved Suppliers. In 2023, we received rebates totaling \$0. In the calendar year ended December 31, 2023, rebates received totaled 0% of our total revenue of \$108,710 for the same time period.

Advertising Specifications

You must obtain our approval before you use any advertising and promotional materials, signs, forms and stationery unless we have prepared or approved them during the twelve (12) months prior to their proposed use. You must purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any advertising of your Regional Developer Business unless we have previously approved the medium, content and method.

In the calendar year ending December 31, 2023, and as of the effective date of this disclosure document, 0% of our revenue (or \$0 of \$108,710) was derived from the sale of the approved products, marketing materials, inventory, and supplies.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional iFlex Stretch Studios) based upon whether you purchase approved products from Designated Suppliers or Goods and Materials from Approved Suppliers; however, if you purchase approved products, Goods or Materials from unapproved suppliers or if you purchase unapproved Goods or Materials, we will have the right to terminate the Regional Developer Agreement.

Insurance Requirements

Before you open your Regional Developer Business, you must obtain and maintain throughout the term of the RD Agreement no less than \$1,000,000 in errors and omissions insurance coverage, naming Franchisor, its owners, affiliates, members, subsidiaries, parents, employees, and offers as an additional insured. We may increase these limits or have new types of coverage added at any time after giving you notice. You must maintain this insurance coverage, as required by your Regional Developer Agreement, from a responsible carrier. Our current insurance requirements are summarized in the Manuals. You must obtain the insurance

necessary to operate your franchise from our required vendor. If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

All insurance policies must be purchased through an agent or broker on our Approved Supplier list and be written by an insurance company that meets our approval. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration.

These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory.

Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

Computer Hardware and Software

We estimate the cost of purchasing the Computer System and related software will range from \$1,500 to \$2,500. In addition to the cost of purchasing the hardware and software associated with the Computer System, you will be required to pay reoccurring charges associated with the continuing use and upgrade of our proprietary office management software. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. Currently this technology fee is \$250 per month but is subject to change. You will also be required to pay the monthly cost of maintaining high speed internet access at your site.

ITEM 9 FRANCHISEE'S OBLIGATIONS.

This table lists your principal obligations under the Franchise Agreement 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.

Obligations	Section in Regional Developer Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	2.3	Item 11
(b) Pre-opening purchases/leases	2.1, 2.3	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	2.3	Items 7, 8, and 11
(d) Initial and ongoing training	5.1	Item 11
(e) Opening	2.3	Item 11
(f) Fees	7, 8	Items 5, 6 and 7
(g) Compliance with standards and policies	6	Items 11 and 16
(h) Trademarks and proprietary information	9	Items 13 and 14
(i) Restrictions on products/services offered	5.5(a)	Item 16
(j) Warranty and Customer Service Requirements	5.5(g)	None
(k) Territorial Development and Sales Quotas	2.1, 2.2	Item 12
(l) On-going products/services purchases	Not Applicable	Item 8
(m) Maintenance, appearance and remodeling requirements	Not Applicable	None
(n) Insurance	6.5	Item 7
(o) Advertising	6.7	Items 6, 7, and 11
(p) Indemnification	9.5, 15.2	Items 6, 13 and 17
(q) Owners Participation management/staffing	6.13	Items 11, 15 and 16
(r) Records/reports	5.7	Item 6
(s) Inspections/audits	5.7	Item 6
(t) Transfer	11	Items 6 and 17
(u) Renewal	4.2	Items 6 and 17
(v) Post-termination obligations	13.2	Item 17
(w) Non-competition covenants	12	Item 17
(x) Dispute resolution	14	Item 17
(y) Guaranty	11.8(c)	Item 15

ITEM 10 FINANCING.

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

ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.

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

Before your Regional Developer Business opens for business, we or our designee will:

1. We will provide the RD Training Program (Regional Developer Agreement, Section 5.1). Franchisor’s initial training program for Regional Developers (“RD Training Program”) is available to all Owners. Before opening for business, the Owner must attend and complete the RD Training Program to the satisfaction of Franchisor. We provide the RD Training Program free of charge to you; however, you must pay the wages, food, lodging and travel expenses for all of your attendees. The RD Training Program will last for approximately two (2) days and will be conducted by us or our designee at our corporate headquarters in Chandler, Arizona, or another location we designate. All persons who participate in the RD Training Program must complete it to our satisfaction at least one (1) day before beginning operations of the Regional Developer Business.

Our RD Training Program currently includes the following:

TRAINING PROGRAM FOR REGIONAL DEVELOPERS

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Welcome, Introduction and RD Responsibilities	0.5		Corporate Office
Franchise Sales Process and Legal Issues	1.0		Corporate Office
FDD and Franchise Agreement	1.0		Corporate Office
Developing a Compliance System	1.0		Corporate Office
Profiles and Evaluation of Franchise Buyers	0.5		Corporate Office
Marketing the Franchise	1.0		Corporate Office
Dashboard	0.5		Corporate Office
Demographics, Site Selection and Project Development Program	1.0		Corporate Office
Human Resources, System Standards and Ongoing Assistance	1.0		Corporate Office
Zenotti Online Software	1.0	1.0	Corporate Office/In Region
Regional Sales Plan		1.0	In the Region
Unit Pro-forma		1.0	In the Region
Total Hours	8.5	3.0	

(a) Most of these subjects are integrated throughout the approximately two (2) day training program (comprised of 8.5 hours of classroom training and 3 hours of on-the-job training). On the job training may take place in a variety of ways, including via telephone conferences, or web-based meetings or courses. We plan to be flexible in scheduling training. Regional Developer training is typically

conducted on a monthly basis but may be held more or less often depending on the circumstances, in particular, the number of Regional Developers that need to be trained.

(b) The instruction materials for our training programs include handouts, computer training, the Manuals, group discussions, and lectures.

(c) Although the individual instructors of the training program may vary, all of our instructors have at least 2 years' experience in their designated subject area(s). The following are our main instructors at this time along with a general description of their designated subject areas:

(i) Lyle Myers-Chief Development Officer

Mr. Myers has been with us since July 2022. Mr. Myers has been a leader in franchise development and franchise management for fitness and wellness related franchises since 2015, with over 7 years of experience in the field.

2. Prepare and/or register any disclosure documents or other documentation that must be prepared, amended, or registered for you to fulfill your responsibilities to solicit, recruit, and screen prospective Franchisees (Regional Developer Agreement, Section 5.4). Federal and state franchise or business opportunity laws govern the sale and offering of iFlex Stretch Studios and may require the preparation, amendment, registration, or registration of all certain documentation and disclosures relating to the iFlex Stretch Studios offered in your Development Area (the "Documentation") before you can solicit prospective franchisees. While we will prepare and register all Documentation necessary for you to begin soliciting prospective franchisees, you must provide us with any documentation or information we may need to prepare or register the Documentation and will be responsible for all costs applicable to you. You must review and become fully familiar with all Documentation related to franchises sold in your Development Area. Before soliciting a Prospective Franchisee, you must confirm with Franchisor, who is ultimately responsible for the accuracy of the Documentation, that the information contained in the Documentation or other materials related to the offer or sale of iFlex Stretch Studios is true, correct, and not misleading, or in violation of applicable state law.

3. Lend you one copy of our Manuals, which contains our mandatory and suggested specifications, standards, and procedures for operating Regional Developer Businesses (Regional Developer Agreement, Section 5.2) and our mandatory and suggested specifications, standards and procedures for operating iFlex Stretch Studios. Exhibit H to this Disclosure Document sets forth the Table of Contents for our Manuals. The Manuals are approximately 66 pages. The subjects included in the Manuals and the pages devoted to each subject are as follows: Introduction and Structures (7 pages), Regional Developer Responsibilities (2 pages), Regional Developer/Franchise Communication and Partnership (3 pages), Franchise Sales Regulations (7 pages), Franchisee Compliance (3 pages), Generating Franchises Sales Leads (4 pages), Franchise Sales Processes (10 pages), Finalizing Franchise Sales (3 pages), Opening Studios Processes (21 pages), Vendors (3 pages), Sales Office Development and Staffing (3pages)

We may modify the Manuals periodically to reflect changes in System Standards, or as we deem appropriate. You may view our Manuals at our corporate headquarters before purchasing your Regional Developer Business but must first sign a Confidentiality/Non-Disclosure Agreement (Exhibit E) promising not to reveal any of the information contained in the Manuals without our permission.

4. Review and approve or disapprove your advertising, marketing, and promotional materials (Regional Developer Agreement, Section 6.8). See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.

5. You are not required to secure a separate office location (although we recommend it) for your Regional Developer Business although you will be required to have adequate office space somewhere (whether at home, an office location) to operate your Regional Developer Business. (Regional Developer Agreement, Section 2.3). You may operate your Regional Developer Business from any location you choose (“Sales Office”). We will not select or lease the location of your Sales Office or approve your Sales Office. We will not approve or disapprove of the Sales Office you select. There is no deadline for you to select a location for your Sales Office. We will not provide assistance with confirming the premises to local ordinances and building codes nor obtain any required permits, and/or constructing, remodeling or decorating the premises, and/or hiring and training employees. We will not provide assistance or provide equipment, signs, fixtures, opening inventory, or supplies.

Post-Opening Obligations:

After your Regional Developer Business opens for business, we or our designee will:

1. As we deem appropriate, provide you with additional or refresher training programs (Regional Developer Agreement, Section 5.1(b)). You will be required to participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses. We may require you to attend up to two (2) additional or refresher training courses each year at our corporate offices, or another location we designate. You may also be required to attend a national business meeting or convention of up to three (3) days each year. We will determine the location, frequency, and instructors of these training programs. We may charge reasonable fees for any courses, conventions, webinars, sales calls, and programs. You must also pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel.
2. Continue lending to you a copy of our Manuals (Regional Developer Agreement, Section 5.2).
3. Provide you with general guidance through bulletins or other written materials (Regional Developer Agreement, Section 5.3).
4. If we agree to do so, provide you with additional or special guidance, training, or assistance that you request (Regional Developer Agreement, Section 5.3). If we provide this training, you must pay all of our then-applicable charges, including all per-diem fees and travel, lodging, meal, and living expenses of our personnel.
5. As necessary, amend, maintain, or renew any documentation and/or registrations necessary for you to continue to solicit prospective Franchisees (Regional Developer Agreement, Section 5.4).
6. Approve or disapprove prospective Franchisees (the “Prospective Franchisees”) recommended by you, and their proposed franchise locations (Regional Developer Agreement, Section 5.5(f)). You must advertise for, solicit, recruit, and screen Prospective Franchisees to purchase iFlex Stretch Studios in your Development Area. You must investigate each Prospective Franchisee and any proposed locations for iFlex Stretch Studios to determine if they meet our standards and policies. After ensuring that a Prospective Franchisee meets our standards, you may recommend to us the approval of the Prospective Franchisee. You must provide us with all information that we may request to evaluate your recommendation. We may approve or reject a Prospective Franchisee for any reason. If we disapprove any Prospective Franchisee, we will notify you in writing of our reasons for the disapproval. If we approve the Prospective Franchisee, you must provide the Prospective Franchisee with a copy of our then-current Franchise Agreement for the Prospective Franchisee to sign.

7. Review and approve or disapprove your advertising, marketing, and promotional materials (Regional Developer Agreement, Section 6.8). See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.
8. Pay you any compensation that you are owed under the Regional Developer Agreement (Regional Developer Agreement- Section 8).
9. Allow you to continue using our Marks and Confidential Information in operating your Regional Developer Business (Regional Developer Agreement, Sections 9). See Items 13 for additional information.
10. Indemnify you against damages and expenses you incur in a trademark infringement proceeding disputing your authorized use of any Mark in compliance with the Regional Developer Agreement (Regional Developer Agreement, Section 9.5).
11. If we establish a local or regional advertising cooperative that covers all or any part of your Development Area, we will approve or disapprove any advertising, marketing, or promotional materials created by the cooperative (Regional Developer Agreement, Sections 6.7(b)). Though there currently are no local or regional cooperatives, we may create a cooperative to support the advertising and marketing needs of their respective members. See Items 6, 8, and the rest of this Item 11 for additional information about the local and regional advertising cooperatives that we may create.

Advertising and Marketing

Advertising by You

You may develop, at your cost, advertising, and promotional materials for your use, but may not use them until after we have approved them in writing. You must submit to us for our approval samples of all advertising and promotional materials not prepared or previously approved by us that you wish to use. We will not unreasonably withhold our approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. Any materials submitted to us for approval will become our intellectual property. (Regional Developer Agreement, Section 6.7(a)) We anticipate that you will spend between \$1,000 and \$1,500 a month in advertising in your Development Area although we will establish the minimum monthly requirement when we sign the Regional Developer Agreement.

Advertising by Us

We do not have nor do we plan to have any advertising co-ops or an RD Advertising Fund. Similarly, we do not have, nor plan to have, any advertising advisory councils.

Website

You may not have a website separate from our website. You also may not host social media websites relating to your franchise, such as Facebook, Instagram, LinkedIn, or other similar sites or platforms.

Computer System

You must use the computer hardware and software (collectively, “Computer System”) that we periodically designate to operate your Regional Developer Business. (Regional Developer Agreement, Section 6.12) You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may include or be limited to us and/or our affiliates).

(See Items 7 for more information regarding the cost and fees associated with the Computer System) We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license new or modified computer hardware and/or software and obtain service and support for the Computer System. The Regional Developer Agreement does not limit the frequency or cost of these changes, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We may charge you a reasonable fee for (i) installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require. See Items 6 and 7 for information regarding the cost of required computer software, and the monthly fees associated with operating your Computer System.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded. Your Computer System must be capable of supporting our required software, with internet capability. The Computer System is used to track and store sales, leads, disclosures, communication with prospective franchisees, and your performance of support obligations to franchisees, relating to the operation of your Regional Developer Business and the other Regional Developer Businesses in the System. We have the right to access all information stored on your Computer System which relates to your franchise.

We estimate the cost of purchasing the Computer System and related software will range from \$1,500 to \$2,500. In addition to the cost of purchasing the hardware and software associated with the Computer System, you will be required to pay reoccurring charges associated with the continuing use and upgrade of our proprietary office management software. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. Currently this technology fee is \$250 per month but is subject to change. You will also be required to pay the monthly cost of maintaining high speed internet access at your site.

We will have independent access to the information that will be generated and stored on your Computer System. There are no limitations on when or how we may access such information.

Social Media

We may organize and schedule national promotions that we identify on our iFlex Stretch Studio National Marketing Calendar (“National Promotions”). National Promotions may include, but are not limited to, charity events, price promotion (limited time deals and offers) and business segment drivers (events, open houses, charity promotion). You must participate in all National Promotions. Participation will require you, at a minimum, advertising the National Promotions, promoting all National Promotions in your Development Area, and through approved social media platforms.

Time between Agreement Signing and Opening

The typical time from signing the Regional Developer Agreement to opening the Regional Developer Business is approximately one (1) month.

ITEM 12 TERRITORY.

Your Regional Developer Agreement grants you an exclusive Development Area, the specific size and location of which depend on population demographics, your capacity to recruit prospective Franchisees and provide support services in the Development Area, and the number of iFlex Stretch Studios we believe the Development Area can sustain. You and we will mutually agree on your Development Area when you sign the Regional Developer Agreement. There is no specific minimum or maximum area that we must include in your Development Area. However, your Development Area will usually be a geographic area such as a state or county but could vary depending on the circumstances. Your Development Area may not be changed unless you and we both agree to the change in writing.

If you comply with your Regional Developer Agreement, we and our affiliates will not operate, establish, grant, or operate another Regional Developer Business offering, or any iFlex Stretch Studios not required to be developed under your Regional Developer Agreement in your Development Area. The continuation of your territorial exclusivity depends upon your compliance with the minimum development obligations defined in your Regional Developer Agreement. If you do not meet the minimum development obligations of your Regional Developer Agreement, you will not have territorial exclusivity, and we may, at our option, terminate the Regional Developer Agreement.

Your territorial exclusivity is limited to the total number of franchises you are authorized to develop in your Development Area at the time of signing your Regional Developer Agreement. You may have the option to purchase the right to develop additional iFlex Stretch Studios within your Development Area and receive additional territorial protection for additional iFlex Stretch Studios within your Development Area (“Additional Studios”) but we are under no obligation to grant you such rights to develop Additional Studios. If you choose not to exercise the right to purchase the rights to develop additional iFlex Stretch Studios within your Development Area, we retain the right to develop or sell the right to develop Additional Studios within your Development Area, and you will not receive any compensation or Royalty Fees for such iFlex Stretch Studios.

You may not relocate your Development Area without our express written consent. We do not currently permit Regional Developers to relocate their Development Area although we reserve the right to do so in the future on a case by case basis.

You may solicit prospective Franchisees residing outside your Development Area but interested in opening a franchise within your exclusive Development Area without having to pay any special compensation to us or any other Regional Developer. Likewise, Regional Developer outlets owned by us, our affiliates (if applicable), or other Regional Developers may solicit Prospective Franchisees residing in your Development Area but interested in opening a franchise in another Development Area without having to pay you any special compensation. You may not solicit Prospective Franchisees for an iFlex Stretch Studio located outside of your exclusive Development Area. We will forward to you any leads or referrals that we receive from Prospective Franchisees interested in purchasing a Franchised Business in your Development Area, and you will be entitled to the compensation referred to in Item 11 only if these Prospective Franchisees purchase a Franchise in your Development Area.

You may only use the internet, telemarketing, or other direct marketing to attract Franchisees in the manner we designate or approve in writing.

Company Reserved Rights

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Regional Developer Agreement does not expressly prohibit, whenever and wherever we desire, including the right to:

(a) establish and operate franchises, and granting rights to other persons to establish and operate franchises, on any terms and conditions we deem appropriate and at any locations other than within the Development Area;

(b) establish and operate iFlex Stretch Studios and/or grant other persons the right to establish and operate iFlex Stretch Studios within the Development Area during the initial term, to the extent that such additional franchises exceed the total number of franchises you are authorized to development within your Development Area, and you decline to purchase the right to develop such additional iFlex Stretch Studios;

(c) provide and grant rights to other persons to provide, goods and services dissimilar to and/or not competitive with those provided by iFlex Stretch Studios to customers located within your Development Area;

(d) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at iFlex Stretch Studios, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within your Development Area); and

(e) be acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at iFlex Stretch Studios, or by another business, even if such business operates, franchises and/or licenses competitive businesses within your Development Area.

Neither we nor our affiliates intend to use other channels of distribution, such as the Internet, catalogs sales, telemarketing, or other direct marketing, to make sales within your Development Area of Products and Services under trademarks different from the ones you will use under the Regional Developer Agreement. Neither we nor our affiliates plan to operate or franchise a business under a different trademark that sells or will sell assisted stretch services similar to those you will offer although we reserve the right to do so in the future.

ITEM 13 TRADEMARKS.

In the Regional Developer Agreement, we grant you the right to operate a Regional Developer Business under the name “iFlex” and to use our other current or future Marks that we designate in the operation of your Regional Developer Business. Under a License Agreement with iFlex, Inc., we have the exclusive right to use and permit our franchisees to use the name and mark “iFlex” in addition to certain related trademarks, service marks and other commercial symbols in the development and support of franchises throughout the United States. The term of the License Agreement is perpetual in duration; however, iFlex, Inc. has the right to terminate the License Agreement if we commit a breach of the License Agreement by not policing the standards under which the Marks are used by our franchisees and Regional Developers. A termination of the license agreement by iFlex, Inc. may impact your rights to use the Marks.

iFlex, Inc. has registered the following principal Marks with the United States Patent and Trademark Office (“PTO”) on the Principal Register, and all required affidavits of continued use have been filed and accepted:

Mark	Serial No.	Registration No.	Issuance Date
IFLEX	90691798	6835304	August 30, 2022

There are no effective determinations of the PTO, of the Trademark Trial and Appeal Board, or of the trademark administrator of any state or court. There is no pending infringement, opposition, or cancellation proceeding or material litigation involving the Mark that is relevant to its use. There are no agreements currently in effect that significantly limit our rights within the United States, to use, or license the use, of the above-mentioned Mark in any manner material to the Franchise.

Except for the License Agreement, there are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials, Trade Dress, Manual or Confidential Information.

You will follow our rules when you use the Marks. You may not use any Mark as part of your corporate or legal business name or with modifying words, terms, designs, or symbols (except for those we license to you). You may not use any Mark in selling any unauthorized services or products or in any other way we have not expressly authorized in writing.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. In the event of an infringement, challenge, or claim, you may not communicate with any person other than our attorneys, your attorneys, and us. We may take the action we deem appropriate and control exclusively any litigation, PTO proceeding, or any other administrative proceeding from the infringement, challenge, or claim or otherwise concerning any Mark. You will sign any documents and take any action that, in the opinion of our attorneys, protects and maintains our interests in any litigation or PTO or other proceeding.

Provided that you have timely notified us of the claim or proceeding and complied with the Regional Developer Agreement, we will reimburse you for all damages you suffer in any trademark infringement proceeding from your authorized use of any Mark, and for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named a party. We may, at our option, defend and control the defense of any proceeding from your use of any Mark.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you will comply with our directions within a reasonable time after receiving notice. We will reimburse you for your reasonable direct expenses of changing trademarked items. However, we need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

You may not use the Marks on any Internet domain name, e-mail address or in the operation of any Internet website without our prior written consent. We may grant or withhold our consent in our sole discretion and may condition our consent on such requirements as we deem appropriate, including, among other things, that you obtain our prior written consent of: (1) any and all Internet domain names and home page addresses related to the iFlex Studio; (2) the proposed form and content (including any visible and non-visible content such as meta-tags) of any website related to the iFlex Studio; (3) your use of any hyperlinks or other links; (4) your use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has an ownership interest; and (5) any proposed modification of your website. We may designate the form and content of your website and/or require that any such website be hosted by us or a

third party designated by us, using one or more websites that we own and/or control. In addition, we may require you to establish hyperlinks to our website or another website designated by us. We may charge you a fee for developing, reviewing, and approving your website and/or for hosting the website.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

ITEM 14 : PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.

We do not own any patents that are material to your iFlex Studio or the System. We claim trade secret and copyright protection for our Manuals, trade dress, and certain business forms, architectural, engineering and construction plans, advertising materials, product specifications, computer programs, newsletters, training materials and operations and accounting materials. We have not registered those materials with the United States Registrar of Copyrights. You may use these items only in the way we specify and only while operating your iFlex Studio.

The Manuals and these other materials contain the System Standards, which include mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating Regional Developer Businesses and iFlex Studios and information on your other obligations under the Regional Developer Agreement. Our Manuals and other materials also contain Confidential Information (as defined below) including the instructions, methods, and techniques used in the key management areas of iFlex Studios including marketing and promotion, daily operations, personnel, and financial management. We may modify the Manuals periodically to reflect changes in System Standards. The contents of the Manuals are confidential and you may not disclose the Manuals to any person other than your employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manuals.

We possess certain confidential information, some of which constitutes trade secrets under applicable law (“Confidential Information”), relating to the development and operation of iFlex Stretch Studios. Confidential Information includes, among other things: site selection criteria; service techniques, beauty product formulas, marketing techniques, management and operation systems and other products, systems, services; training and operations materials and manuals; and marketing and advertising programs. You do not acquire any interest in the Confidential Information, other than the right to use the Confidential Information as we specify in operating a Regional Developer Business during the term of the Regional Developer Agreement. The Confidential Information is proprietary to us. You cannot use the Confidential Information in any unauthorized manner or disclose it to any third person, except as we permit. If we permit you to disclose any Confidential Information to a third party, we can require that the third party sign a confidentiality and nondisclosure agreement, in the form we specify.

You will not be entitled to compensation under the franchise agreement if we require you to modify or discontinue using the subject matter covered by any patent or copyright utilized in the operation of Regional Developer Business.

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

We recommend but do not require that you personally participate in the direct operation of your Regional Developer Business. If you do not personally participate in the direct operation of your franchise on a full-time basis, then you are obligated to have a fully trained Manager operate the Regional Developer Business. While we do not require that your Manager have an equity interest in the Regional Developer Business, we believe that only a person with an equity interest can

adequately ensure that our standards of quality and competence are maintained. The Regional Developer Agreement requires that you be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the Franchised Business. While in most cases Franchise Owners will seek additional assistance for the labor-intensive portions of the business, we have built our reputation on Franchise Owner participation and believe it is crucial for continued success.

Any Manager you employ at the launching of your franchise operations must complete the initial management-training course required by Franchisor. All subsequent Managers must be trained fully according to our standards by either the Franchise Owner or Franchisor. However, Franchisor may charge a fee for this additional training.

Each individual who holds an ownership interest in the Franchise Owner must personally guarantee all of the obligations of the Franchise Owner under the Regional Developer Agreement. (See Exhibit 4 to the Regional Developer Agreement –Owner’s Guaranty and Assumption of Obligations)

At Franchisor’s request, you must obtain and deliver executed covenants of confidentiality and non-competition from any persons who have or may have an ownership interest in the Owner or in the Regional Developer Business, or who receive or have access to Confidential Information under the System. The covenants must be in a form satisfactory to us and must provide that we are a third-party beneficiary of and have the independent right to enforce the covenants.

ITEM 16 : RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.

You must operate the Regional Developer Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as described in the Manuals and in other writings by Franchisor from time to time. You must use your Regional Developer Business Sales Office only for the operation of the Regional Developer Business and may not operate any other business at or from such office without the express prior written consent of Franchisor.

Regional Area may only solicit franchises that will be operated in the Development Area. Regional Developer may solicit franchisees reside outside of the Development Area but only if the franchise will be operated in the Development Area.

Franchisor requires you to offer and sell only those goods and services that Franchisor has approved. Franchisor maintains a written list of approved goods and services in its Manuals, which Franchisor may change from time to time.

You must offer all goods and services that Franchisor designates as required for all franchises. In addition, Franchisor may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before Franchisor will allow you to offer certain optional services.

We reserve the right to designate additional required or optional services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. There are no express limitations on our right to designate additional or operational services; however, such services will be reasonably related to our System or model.

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

Provision	Section in Regional Developer Agreement	Summary
a. Length of the term of the franchise	4.1	10 years.
b. Renewal or extension of the term	4.2	Your renewal rights permit you to remain a Regional Developer after the Initial Term of your Regional Developer Agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to one (1) Renewal Term of 10 years.
c. Requirements for you to renew or extend	4.2	You must: have substantially complied with Regional Developer Agreement; give notice of intent to renew; sign new Regional Developer Agreement in our then-current form which may include terms and conditions materially different from those in the original Regional Developer Agreement, including (e.g., no further renewals, higher royalty fees, etc.) (other than those terms that we specify in this Regional Developer Agreement will not change in a successor Regional Development Agreement); sign general release of claims against us and related parties (see Exhibit G); pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us.
d. Termination by you	Not Applicable	You may terminate the Regional Developer Agreement on any grounds available at law.
e. Termination by us without cause	Not Applicable	Not applicable.
f. Termination by us with cause	13.1	Only upon written notice to you.
g. "Cause" defined — curable defaults	13.1	You do not pay us amounts due within 10 days after written notice; or you do not comply with any other provision of the Regional Developer Agreement within 30 days after written notice of default.
h. "Cause" defined — defaults which cannot be cured	13.1	You make an unauthorized transfer; you fail to meet your Minimum Development Obligation for any development period; you make material misrepresentation or omission in acquiring or operating the franchise; you do not satisfactorily complete initial training; you are convicted of or plead guilty to a felony; you fail to maintain

Provision	Section in Regional Developer Agreement	Summary
		required insurance; you engage in dishonest, unethical, or illegal conduct, or any conduct that we believe adversely affects the reputation of us, our franchises, or goodwill of the Marks; you knowingly make unauthorized use or disclosure of the Manuals or Confidential Information; you fail on 2 or more occasions in any 12-month period or 3 or more separate occasions in any 24-month period to timely pay amounts due or submit required reports, or comply with the Regional Developer Agreement; you become insolvent, or make an assignment for the benefit of creditors; or any attachment or seizure of the franchise assets is not vacated within 30 days.
i. "Transfer" by you - defined	11.3	Transfer includes: any voluntary, involuntary, direct or indirect assignment, sale, or gift of the franchise; transfer of ownership, merger, exchange, issuance of additional ownership interests, redemption of ownership interests, or sale of exchange of voting interests in you (if you are a legal entity); transfer of interest in the Regional Developer Agreement, you, the franchise, or its assets because of divorce, insolvency or dissolution, or operation of law; transfer because of the death of you or an Owner of you; or any pledge of the Regional Developer Agreement or ownership interest in you.
j. Your obligations on termination/non-renewal	13.2	You must cease using our Marks and Confidential Information; cease identifying yourself as our franchisee; cancel fictitious or assumed names related to your use of the Marks; deliver to us within 30 days all advertising, forms, and other materials containing the Marks or related to the franchise; notify search engines of termination and your right to use domain names, websites, or other search engines related to the Marks or our franchises; and provide us with evidence of your compliance with the above obligations within 30 days of termination.
k. Assignment of contract by us	11.1	Fully transferable by us.

Provision	Section in Regional Developer Agreement	Summary
1. Franchisor approval of transfer by franchisee.	11.2	Any assignment or transfer without our approval is a breach of this Agreement and has no effect.
m. Conditions for our approval of transfer by you	11.4	You must pay all amounts owed to us; new owner assumes your obligations; new owner, its affiliates, and its owners do not have any interest in or work for a competitive business; new owner completes or agrees to complete initial training; new owners signs our then-current Regional Developer Agreement and ancillary agreements; new owner has strictly complied with obligations to us and is not in default of those obligations; you pay us a transfer fee (see Item 6); you sign a release; you do not identify yourself as current or former franchisee of ours, or use any Mark. You may transfer the Regional Developer Business and its assets to a newly formed legal entity principally controlled by you and your principals if the new entity operates the Regional Developer Business and complies with the Regional Developer Agreement, and you provide information about the transfer to us and the entities owners.
n. Our right of first refusal to acquire your business	11.8	We have 30 days to match any offer.
o. Our option to purchase your business	N/A	N/A
p. Your death or disability	11.7	Executor, administrator, or other representative must transfer interest of franchisee or Owner within 9 months of your or an Owner's death or disability. All transfers are subject to provisions in Regional Developer Agreement regulating transfers.
q. Non-competition covenants during the term of the franchise	12.1	Neither you, your principals, nor any immediate family members of you or them may perform services for or have any interest in any competitive business subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires	12.2	Neither you, your principals, nor any immediate family members of you or them may perform services for or have any

Provision	Section in Regional Developer Agreement	Summary
		interest in any competitive business within the Development Area, the Development Area of any other Regional Developer, or within 25 miles of any iFlex Stretch Studio for 18 months. This provision is subject to applicable state law.
s. Modification of the agreement	15.11	No modifications unless you and we both sign; we may amend Manuals at any time.
t. Integration/merger clause	15.11	The Regional Developer Agreement supersedes all prior agreements, representations, and promises. However, nothing in the Regional Developer Agreement will have the effect of modifying or limiting the representations made in this Franchise Disclosure Document or any of its attachments or addenda. No claim made in any Regional Developer or Franchise Agreement is intended to disclaim the express representation made in this Franchise Disclosure Document (subject to applicable state law.)
u. Dispute resolution by arbitration or mediation	14	Except for certain identified claims, you and we must mediate all disputes between filing a demand for arbitration. Except for certain claims, you and we must arbitrate all disputes in Maricopa County, Arizona (subject to applicable state law).
v. Choice of forum	15.7	Maricopa County, Arizona (subject to applicable state law).
w. Choice of law	15.7	Arizona law governs, except for matters regulated by the United States Trademark Act (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchises. You have no right to use the name of any public figure for purposes of promotional efforts, advertising or endorsements, except with our prior written consent. No public figure has any investment in the System or us.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Lyle Myers at 7131 W Ray Road #38, Chandler, Arizona 85226 and lwmyers@iflexfranchise.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
Systemwide Outlet Summary
For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	1	+1
	2023	1	9	+8
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	1	+1
	2023	1	9	+8

TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
All states	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

TABLE NO. 3
Status of Franchised Outlets
For years 2021 to 2023

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Florida	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Idaho	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Indiana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Texas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
Virginia	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Utah	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Washington	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
All Other States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	8	0	0	0	0	9

TABLE NO. 4
Status of Affiliate owned Outlets
For years 2021 to 2023

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

*There is one Regional Developer whose territories include Utah, Idaho, and parts of Washington.

TABLE NO. 5
Projected Openings as of December 31, 2023

State	Regional Developer Agreements Signed But Outlet Not Opened	Projected New Regional Developer Outlets In The Next Fiscal Year	Projected New Company-Owned Regional Developer Outlets in the Next Fiscal Year
California	0	2	0
Colorado	0	1	0
Florida	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Missouri	0	1	0
Nevada	0	1	0
Ohio	0	1	0
Oregon	0	1	0
Pennsylvania	0	1	0
Total	0	11	0

The tables included in this Item 20 only reflect Regional Developer franchises and do not include unit franchises which are identified and disclosed in a separate franchise disclosure document.

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

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

If you are purchasing a company-owned outlet from one of our affiliates that was previously owned by a franchisee but is now owned and operated by our affiliate, or us we will provide you with an addendum to this Disclosure Document disclosing additional information for that outlet.

There are no trademark-specific franchisee organizations associated with the franchise system being offered under this Disclosure Document that have been created, sponsored, or endorsed by us.

Each of the iFlex Regional Developer franchises as of December 31, 2023 are listed in reflected in Exhibit G.

There are no Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year; or that have not communicated with the Franchisor within 10 weeks of the disclosure document issuance date.

ITEM 21 FINANCIAL STATEMENTS.

The Franchisor has not been in business long enough to provide the financial statements generally required by this Item. Attached as Exhibit E is an audited opening balance sheet for iFlex Franchising LLC dated February 10, 2023 and audited financial statements for period beginning on January 1, 2023 and ending on December 31, 2023. The Franchisor's fiscal year end is December 31.

ITEM 22 : CONTRACTS.

The following contracts are attached as exhibits to this Disclosure Document.

- Regional Developer Agreement with State-Specific Addenda (Exhibit B)
- Owner's Guaranty and Assumption of Obligations (Exhibit 4 to Regional Developer Agreement)
- General Release
- Addenda Required by Certain States and Small Business Administration

ITEM 23 : RECEIPTS

Exhibit L 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 us.

Exhibit A
State Administrators/Agents for Service of Process

Following is information about our agents for service of process, as well as state agencies and administrators whom you may wish to contact with questions about iFlex Franchising LLC.

Our agent for service of process in the State of Arizona is:

Gallagher & Kennedy Service Corporation
2575 E. Camelback Road, Suite 100
Phoenix, Arizona 85016

List of Agents for Service of Process

CALIFORNIA

Commissioner of Financial Protection
and Innovation, Department of Financial
Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834

HAWAII

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

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

INDIANA

Securities Commissioner
Indiana Secretary of State
201 State House, Indianapolis, IN 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
410.576.6360

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

MINNESOTA

Minnesota Commissioner of Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
651-539-1600

NEW YORK

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

NORTH DAKOTA

Securities Commissioner of North
Dakota, State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505

RHODE ISLAND

Director of Department of Business
Regulation, Securities Division
John O. Pastore Center, Bldg. 69, 1st
Floor, 1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9585

SOUTH DAKOTA

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

VIRGINIA

Clerk, Virginia State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371.9733

WASHINGTON

Director, Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501

WISCONSIN

Wisconsin Commissioner of Securities,
Department of Financial Institutions, 4th
Floor
345 W. Washington Avenue
Madison, WI 53703

Exhibit A

Directory of Franchise Regulators, State Administrators, and Agents for Service of Process

Federal Franchise Regulators:
Federal Trade Commission
Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W., Room 238
Washington, DC 20580
202-326-2970

List of State Administrators

CALIFORNIA:

Department of Financial Protection
and Innovation
1-866-275-2677

Los Angeles

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

Sacramento

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

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

San Francisco

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559

HAWAII:

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

ILLINOIS:

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

INDIANA:

Securities Commissioner, Securities
Division, Room E-111, 302 West
Washington Street, Indianapolis, IN
46204, (317) 232-6681

MARYLAND:

Office of the Attorney General,
Division of Securities, 200 St. Paul
Place, Baltimore, MD 21202-2020
(410) 576-6360

MICHIGAN:

Kathryn Barron
Franchise Administrator Antitrust and
Franchise Unit
Consumer Protection Division,
Department of Attorney General
670 Law Building, 525 W. Ottawa
Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA:

Commissioner, Department of
Commerce
85 7th Place East, Suite #280, St.
Paul, MN 55101
(651) 539-1600

NEW YORK:

NYS Department of Law, Investor
Protection Bureau, 28 Liberty Street,
21st Fl, New York, NY 10005
212-416-8222

NORTH DAKOTA:

North Dakota Securities Department
State Capitol, 5th Floor, 600 East
Boulevard Avenue, Bismarck, ND
58505-0510
(701) 328-2910

OREGON:

Div. of Finance & Corp. Securities
(608) 266-8557
Department of Consumer & Business
Services, Room 410, 350 Winter
Street, NE, Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND:

Department of Business Regulation
Securities Division, Bldg. 69, First
Floor, John O. Pasture Center, 1511
Pontiac Avenue, Cranston, Rhode
Island 02920
(401) 462-9585

SOUTH DAKOTA:

Franchise Administrator
Division of Insurance, Securities
Regulation
124 South Euclid, Suite 104, Pierre,
SD 57501
(605) 773-3563

VIRGINIA:

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

WASHINGTON:

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

WISCONSIN:

Division of Securities, Bureau of
Regulation & Enforcement
Department of Financial Institutions,
4th Floor
345 W. Washington Avenue
Madison, WI 53703

Exhibit B
Regional Developer Agreement

REGIONAL DEVELOPER AGREEMENT

BETWEEN

iFLEX FRANCHISING LLC

AND

DATED: _____

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- Exhibit 4-Owner’s Guaranty And Assumption Of Obligations
- Exhibit 5- State-Specific Addenda To Regional Developer Agreement

REGIONAL DEVELOPER AGREEMENT

THIS REGIONAL DEVELOPER AGREEMENT (the “Agreement”) is made and entered into on _____ (the “Effective Date”), by and between iFlex Franchising LLC, an Arizona limited liability company (“Company” “Franchisor” “we” “us” or “our”) and _____, a _____ (“Regional Developer” or “you”), with reference to the following facts:

This Agreement has been written in an informal style to make it more easily readable and to be sure that you are thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. This Agreement includes several exhibits, all of which are legally binding and are an integral part of the complete Franchise Agreement. We refer to you as “you,” or “Regional Developer.” If you are a corporation, partnership, or limited liability company, you will notice certain provisions that are applicable to those principal shareholders, partners, or members on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as “Principal Owners.”

Through the expenditure of considerable time, effort, and money, we and our affiliates have devised a system for the establishment and operation of specialized training centers (each a “iFlex Stretch Studio”) that provide assisted stretch programs, techniques, and systems to people of all ages in a clean, friendly, customer friendly environment. We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the word marks “iFLEX” and certain associated taglines, designs, artwork, and logos, which we may change or add to from time to time (the “Marks”).

From time to time we grant to persons who meet our qualifications, the right to operate iFlex Stretch Studio Regional Developer Businesses who will open and operate or solicit and assist Franchisees in opening and operating an agreed number of iFlex Stretch Studios within a defined geographic area (the “Development Area”) (the “Development Rights”).

Regional Developer desires to establish a business (a “Regional Developer Business”) under which it will solicit, qualify, train, and assist franchisees (the “Franchisees”) to build and operate iFlex Stretch Studios within the Development Area, and we desire to grant to Regional Developer the right to operate the Regional Developer Business in accordance with the terms and upon the conditions contained in this Agreement.

WHEREFORE, IT IS AGREED:

1. GRANT OF RIGHTS. Subject to the terms of this Agreement, we hereby grant to Regional Developer, and Regional Developer hereby accepts the rights, during the Initial Term, to solicit, screen, qualify for final approval by us, train, and assist Franchisees to open and operate iFlex Stretch Studios in the Development Area.

2. REGIONAL DEVELOPER’S DEVELOPMENT OBLIGATION.

2.1 Minimum Development Obligations and Development Schedule.

(a) Regional Developer shall solicit, screen, qualify, train, and assist Franchisees to construct, equip, open and operate the total number of iFlex Stretch Studios described in Exhibit 2 (the “Minimum Development Obligation”), in the manner and within each of the time periods specified (the “Development Schedule”) within the Development Area.

(b) Each Franchise shall be the subject of a separate Franchise Agreement. We and the Franchisee shall enter into our then-current form of franchise agreement (the “Franchise Agreement”).

(c) iFlex Stretch Studios that are the subject of a Franchise Agreement executed according to this Agreement shall be counted in determining whether the Minimum Development Obligation shall have been met within the applicable Development Schedule.

2.2 Additional Studios.

(a) Your territorial exclusivity is limited to the total number of franchises you are authorized to develop in your Development Area at the time of signing your Regional Developer Agreement.

(b) We may, in our sole discretion, grant you the option to purchase the right to develop additional iFlex Stretch Studios within your Development Area, and receive additional territorial protection for additional iFlex Stretch Studios within your Development Area (“Additional Studios”). If we notify you that we believe that the Development Area can sustain Additional Studios and that you have the right to purchase the development rights for such Additional Studios, you will have thirty (30) days from receipt of such written notice to exercise such rights by delivering payment for such Additional Studios to us in immediately available funds. The Development Fee for the Additional Studios will be calculated using the formula utilized to establish the Development Fee under this Agreement. If you decline our offer to purchase or fail to pay the amount due for such Additional Studios before the end of the thirty (30) day period, we reserve the right establish and operate, and/or to grant other persons the right to establish and operate such Additional Studios within your Development Area or to open and operate such Additional Studios within your Development Area as company-owned studios. You will not receive any portion of the Initial Franchise Fees or Royalty Fees for any iFlex Stretch Studios for which you decline to purchase the development rights.

(c) If you choose not to exercise the right to purchase the rights to develop additional iFlex Stretch Studios within your Development Area, we retain the right to develop or sell the right to develop Additional Studios within your Development Area, and you will not receive any compensation or Royalty Fees for such iFlex Stretch Studios.

2.3 Regional Developer Sales Office and Opening. Regional Developer shall establish and operate a franchise sales office (“Regional Developer Sales Office” or “Sales Office”) from any location you choose. We will not approve or disapprove the location of the Sales Office. You must open your Regional Developer Business within 30 days after you receive your initial training from us, or 90 days after signing your Regional Developer Agreement, whichever occurs first.

3. EXCLUSIVITY.

3.1 Territorial Rights. Except as provided in Section 3.2, as long as this Agreement is in effect, and you are in compliance with this Agreement, and meet the Minimum Development Obligation stated in this Agreement, then we and our affiliates will not operate, establish or grant another Regional Developer Business offering iFlex Stretch Studios in your Development Area.

3.2 Rights Maintained by Company. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we desire, including, but not limited to:

(a) establish and operate iFlex Stretch Studios and Regional Developer Businesses, and granting right to other persons to establish and operate iFlex Stretch Studios or Regional Developer Businesses, on any terms and conditions we deem appropriate and at any locations other than within your Development Area;

(b) establish and operate iFlex Stretch Studios and/or grant other persons the right to establish and operate iFlex Stretch Studios within your Development Area to the extent that such additional iFlex Stretch Studios exceed the total number of franchises you are authorized to development within your Development Area as described in Exhibit 1, and you decline to purchase the right to develop such additional iFlex Stretch Studios;

(c) acquire the assets or ownership interest of one or more businesses providing Products and Services similar to those provided at iFlex Stretch Studios, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, including within your Development Area; and

(d) be acquired (regardless of the form of transaction) by a business providing Products and Services similar to those provided at iFlex Stretch Studios, or by another business, even if such business operates, franchises and/or licenses competitive businesses within your Development Area.

4. TERM.

4.1 The initial term of this Agreement (the “Initial Term”) shall be for a period of ten (10) years commencing on the Effective Date, unless sooner terminated in accordance with the provisions of Section 13.

4.2 Regional Developer shall have the right to extend the Term for an additional period of ten (10) years (“Renewal Term”) if (i) Regional Developer has substantially complied with the Minimum Development Obligation and all of the other terms of this Agreement during the Initial Term; (ii) Regional Developer and all of its Principal Owners and their spouses sign our general release form; (iii) we and Regional Developer mutually agree on new Minimum Development Obligations for the Development Area for the extension period; and (iv) Regional Developer has paid a renewal fee equal to twenty-five percent (25%) of the original Development Fee described in Section 7. Under the general release, Regional Developer and its Principal Owners and their spouses will waive any and all claims against us, our affiliates, and our and their owners, officers, directors, employees, agents, successors and assigns. If Regional Developer wishes to extend the Initial Term, Regional Developer must notify us in writing no more than one hundred eighty (180) days and no less than ninety (90) days before the Initial Term would otherwise expire. The Initial Term and Renewal Term are collectively referred to as the “Term.”

5. ADDITIONAL OBLIGATIONS OF COMPANY AND REGIONAL DEVELOPER.

5.1 Regional Developer Training. Within sixty (60) days after the Effective Date, but no later than thirty (30) days before you open your Regional Developer Business for business, we or our designee will provide approximately two (2) days of training to Regional Director on the operation of a Regional Developer Business. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters in Chandler, Arizona, and/or at any other location(s) we designate. Regional Developer must complete the initial training to our satisfaction and participate in all other activities we require before soliciting Franchisees in the Development Area. Although we provide this training at no additional cost to Regional Developer, Regional Developer must pay all travel and living

expenses which it and its attendees incur. We will not approve or disapprove the site where you choose to operate your Regional Developer Business.

(a) If we determine that Regional Developer cannot complete initial training to our satisfaction, we may, at our option, either (1) require Regional Developer to attend additional training at Regional Developer's expense (for which we may charge reasonable fees - not to exceed \$500/day), or (2) terminate this Agreement

(b) Regional Developer shall participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses and attend a national business meeting or convention of up to three days each year. We may also require Regional Developer to attend up to two (2) additional or refresher training courses each year at our corporate offices, or another location we designate. We may charge reasonable fees for these courses, conventions, webinars, sales calls, and programs. Regional Developer is responsible for all travel and living expenses.

(c) Because you are not required to operate iFlex Stretch Studios is unlikely that you will be required to organize or alter your business structure to ensure compliance with the laws that are applicable to Franchisees. We are not obligated to provide assistance in determining which specific state laws apply to you or iFlex Stretch Studios within your Development Area.

5.2 Regional Developer Manual.

(a) We shall loan one (1) copy of our Regional Developer manual (the "Manual for RDS") and one (1) copy of our operations manual for iFlex Stretch Studios ("Manual for Locations") (collectively referred to as the "Manuals") to Regional Developer. Regional Developer shall conduct all business activities in strict accordance with our standard operational methods and procedures as prescribed from time to time in the Manual for RDS. As used in the Agreement, the term "Manuals" shall be deemed to include the Manuals delivered or made available to Regional Developer, all amendments to the Manuals, and all supplemental bulletins, notices and memoranda which prescribe standard methods or techniques of operation, and which we may from time to time deliver to Regional Developer.

(b) We shall have the right to modify or supplement the Manuals. Such modifications and supplements shall be effective and binding on Regional Developer fifteen (15) days after notice thereof is mailed or otherwise delivered to Regional Developer. Regional Developer acknowledges and agrees that modifications of and supplements to the Manuals may obligate Regional Developer to invest additional capital or incur higher operating costs.

(c) The Manuals are our property and may not be duplicated, copied, disclosed, or disseminated in whole or in part in any manner except with our express prior written consent. Regional Developer shall maintain the confidentiality of the Manuals. Upon the termination of this Agreement, Regional Developer shall return to us all copies of the Manuals in its possession or control. If Regional Developer's copy of the Manuals is lost, destroyed, or significantly damaged, Regional Developer agrees to obtain a replacement copy at our then-applicable charge.

5.3 General Guidance. We will provide guidance to Regional Developer in the Manuals and other bulletins or other written materials, by electronic media, and/or by telephone consultation. If Regional Developer requests and we agree to provide additional or special guidance, assistance or training, Regional Developer must pay our then-applicable charges, including our personnel's' per diem charges and any travel and living expenses.

5.4 Franchise Registration and Disclosure. We will make commercially reasonable efforts to maintain, amend, and renew documentation and/or registrations necessary for Regional Developer to solicit prospective Franchisees in the Development Area. Neither Regional Developer nor any representative of Regional Developer shall solicit prospective Franchisees until we have registered our current Franchise Disclosure Document in applicable jurisdictions in the Development Area and have provided Regional Developer with the requisite documents, or at any time when we notify Regional Developer that our registration is not then in effect or our documents are not then in compliance with applicable law. If Regional Developer's activities according to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, then all requisite disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before Regional Developer may solicit prospective Franchisees for iFlex Stretch Studios. Costs of such registration applicable to Regional Developer shall be borne by Regional Developer. In particular, Regional Developer shall:

(a) prepare and forward to us verified financial statements of Regional Developer in such form and for such periods as shall be designated by us, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing or other legal requirements;

(b) promptly provide all information reasonably required by us to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout the Development Area; and

(c) execute all documents required by us for the purpose of registering Regional Developer and us to offer franchises throughout the Development Area.

Regional Developer agrees to review all information pertaining to Regional Developer prepared to comply with legal requirements for selling franchises in the Development Area and verify its accuracy if so requested by us. Regional Developer acknowledges that we and our affiliates and designees shall not be liable to Regional Developer for any errors, omissions or delays which occur in the preparation of such materials.

5.5 Investigation and Qualification of Prospective Franchisees.

(a) Each iFlex Stretch Studio opened by a Franchisee according to this Agreement shall be the subject of a separate Franchise Agreement with us, upon our then-current form. Regional Developer shall have no right to modify or offer to modify any Franchise Agreement or other contract.

(b) If we approve a Franchisee and a prospective franchise location, Regional Developer shall transmit to such Franchisee for execution copies of our then-current Franchise Agreement pertaining to the approved site and providing for a protected territory surrounding said iFlex Stretch Studio, as determined by us.

(c) Regional Developer shall investigate the qualifications of each prospective Franchisee and the suitability of each prospective franchise location in the Development Area in accordance with our standards, policies and procedures relating to qualification of Franchisees then in effect and shall obtain all information required of prospective Franchisees by us.

(d) After Regional Developer is satisfied that a prospective Franchisee meets the standards established by us, Regional Developer may recommend to us the approval of such prospective Franchisee. Regional Developer shall then furnish to us all information relating to the prospective Franchisee which shall be required by us in the form and manner customarily required by us.

(e) We may thereafter conduct or obtain such credit reports and background checks on Prospective Franchisees as we deem necessary or convenient.

(f) We may then approve or disapprove a Prospective Franchisee for any reason and may seek further information with respect to the prospective Franchisee. Regional Developer shall cooperate with us in any further investigation of the prospective Franchisee. If we reject a prospective Franchisee, we shall provide Regional Developer with a written explanation of the reasons therefor.

(g) Regional Developer shall deliver to us a copy of all correspondence with Franchisees which is material to the franchise relationship, concurrently with its being sent or received by Regional Developer.

(h) Regional Developer shall ensure that each Franchisee within your Development Area conducts a legal review of the laws applicable to Franchised Businesses within the Franchisee's state, and that such legal review is provided to us within thirty (30) days of signing their Franchise Agreement.

5.6 Training and Support. Regional Developer agrees to implement any training programs developed by us for iFlex Stretch Studios and to provide such assistance and services as we shall reasonably request and require from time to time in connection with the construction, equipping and opening of iFlex Stretch Studios within the Development Area, the sourcing of equipment, fixtures, furnishings, inventory and supplies for such iFlex Stretch Studios, the advertising and promotion of such iFlex Stretch Studios, and the supervision of the use, and compliance with our quality control standards in the use of the Marks at such iFlex Stretch Studios. All services and assistance provided to Franchisees in connection with the operation of iFlex Stretch Studios located in the Development Area will be provided by Regional Developer and such obligations of Regional Developer will not be transferred, delegated or subcontracted to any other person.

5.7 Inspection of iFlex Stretch Studios and Operations. Regional Developer shall conduct inspections of all of the iFlex Stretch Studios in the Development Area, and of its operations and the review of the operations of all iFlex Stretch Studios in the Development Area, in accordance with the standards from time to time established by us, upon such schedules and according to such procedures as shall be agreed upon by us and Regional Developer, acting in good faith, but, in any event, at least once during each calendar quarter. Regional Developer shall provide reports to us with respect to the findings of such inspections, in such form and at such time as we shall require. We reserve the right to conduct periodic inspections of your Regional Developer Business to ensure that you comply with this Agreement, the Manual for RDS, standards, and any of our other written directives. Regional Developer shall participate in all promotion and marketing activities required by us of our Regional Developers, as required in the Franchise Agreements, or otherwise.

6. OPERATING STANDARDS.

6.1 Standard of Service. Regional Developer shall at all times give prompt, courteous and efficient service to iFlex Stretch Studios in the Development Area. Regional Developer shall, in all dealings with Franchisees, prospective Franchisees and the public, adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct.

6.2 Compliance with Laws and Good Business Practices. Regional Developer shall secure and maintain in force all required licenses, permits and certificates relating to Regional Developer's activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. Regional Developer acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to a franchise

agreement, including, without limitation, laws concerning disclosure requirements. Regional Developer agrees promptly to become aware of and to comply with all such laws and legal requirements in force in the Development Area and to utilize only disclosure documents that we have approved for use in the applicable jurisdiction.

6.3 Accuracy of Information. Before it solicits any Prospective Franchisee, Regional Developer shall take reasonable steps to confirm with Franchisor that the information contained in any written materials, agreements, and other documents related to the offer or sale of franchises is true, correct, and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. We shall provide Regional Developer with any changes to our disclosure documents and other agreements on a timely basis and upon request, provide Regional Developer with confirmation that the information contained in any written materials, agreements, or documents being used by Regional Developer is true, correct, and not misleading, except for information specifically relating to disclosures regarding Regional Developer. If Regional Developer notifies us of an error in any information in our documents, we shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information.

6.4 Notification of Litigation. Regional Developer shall notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, and decree, by any court agency or other governmental instrumentality, which names Regional Developer or any of its Owners or otherwise concerns the operation or financial condition of Regional Developer, the Regional Developer Business or any Franchisee.

6.5 Insurance. Regional Developer shall at all times during the term of this Agreement maintain in force, at Regional Developer's sole expense, insurance written on an occurrence basis for the Regional Developer Business of the types, in the amounts and with such terms and conditions as we may from time to time prescribe in the Regional Developer Manual or otherwise. All of the required insurance policies shall name us and affiliates designated by use as additional insured, contain a waiver of the insurance company's right of subrogation against us and the designated affiliates, and provide that we will receive thirty (30) days' prior written notice of termination, expiration, cancellation, or modification of any such policy. You are responsible for any and all claims, losses, or damages, including to third persons, originating from, in connection with, or caused by your failure to name us as an additional insured on each insurance policy. You agree to defend, indemnify, and hold us harmless of, from, and with respect to any such claims, loss or damage arising out of your failure to name us as additional insured, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. You are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Regional Developer Business, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. In addition to the requirements of the foregoing paragraphs of this Section 6.5, you must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your lease or purchase of any premises used to operate your Regional Developer Business. Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Agreement. If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you, and you will be required to reimburse us the amount we paid on your behalf plus ten percent (10%) as an administrative fee within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

6.6 Proof of Insurance Coverage. Regional Developer will provide proof of insurance to us before beginning operations of its Regional Developer Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are cancelled or modified. We have the right to change the types, amount, and terms of insurance that Regional Developer is required to maintain by giving Regional Developer prior reasonable notice. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement, and in the event of any lapse in insurance coverage, we shall have the right, in addition to all other remedies, to demand that Regional Developer cease operations of its Regional Developer Business until coverage is reinstated or, in the alternative, to pay any delinquencies in premium payments and charge the same back to Regional Developer.

6.7 Advertising Requirements, Funds, and Cooperatives.

(a) Minimum Advertising Requirement. You must meet the minimum advertising requirement we establish for your Regional Developer Business (“Minimum Advertisement Requirement”). We will establish the Minimum Advertising Requirement at the time you sign this Agreement. You may be required to provide receipts to show you are meeting this requirement. We reserve the right to increase the Minimum Advertisement Requirement for your Regional Developer Business if we determine that it is necessary for you to meet your Minimum Development Obligation.

(b) We may establish a regional advertising cooperative that includes your Development Area. If we establish a local or regional advertising cooperative that covers all or any part of your Development Area, we will approve or disapprove any advertising, marketing, or promotional materials created by the cooperative. Though there currently are no local or regional cooperatives, we may create a cooperative to support the advertising and marketing needs of their respective members. You will be required to participate in the regional cooperative and to manage the cooperative on behalf of franchisees in the Development Area.

6.8 Approval of Advertising. Prior to their use by Regional Developer, samples of all advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. Regional Developer shall not use any advertising or promotional materials that we have not approved or have disapproved. Regional Developer acknowledges and understands that certain states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. Regional Developer agrees fully and timely to comply with such filing requirements at Regional Developer’s own expense unless such advertising has been previously filed with the state by us. We may charge Regional Developer for the costs incurred by us in printing large quantities of advertising and marketing materials supplied by us to Regional Developer at Regional Developer’s request.

6.9 Websites. As used in this Agreement, the term “Website” means an interactive electronic document contained in a network of computers linked by communications software that refers to the Marks, System, and iFlex Stretch Studios, and includes but is not limited to, Internet and World Wide Web pages. You agree that you will not establish a separate Website for your Regional Developer Business, nor will you use any social media websites, such as Facebook, Instagram, LinkedIn, etc., in connection with your franchise.

6.10 Accounting, Bookkeeping and Records. Regional Developer shall maintain at its business premises in the Development Area all original invoices, receipts, checks, contracts, licenses, acknowledgement of receipt forms, and bookkeeping and business records we require from time to time. Regional Developer shall furnish to us, within one hundred twenty (120) days after the end of Regional Developer’s fiscal year, a balance sheet and profit and loss statement (audited by a CPA, if requested by us) for Regional Developer’s business for such year (or a monthly or quarterly statement if required by us,

in which case such statements also shall reflect year-to-date information). In addition, upon our request, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other forms, records, books, and other information as we periodically require regarding Regional Developer's business, shall be furnished to us. Regional Developer shall maintain all records and report of the business conducted according to this Agreement for at least two (2) years after the date of termination or expiration of this Agreement.

6.11 Reports. Regional Developer shall, as often as required by us, deliver to us a written report of its Regional Developer Business activities in such form and detail as we may from time to time specify, including information about efforts to solicit prospective Franchisees, the status of pending real estate transactions and the status of iFlex Stretch Studios.

6.12 Computer Systems.

(a) Regional Developer agrees to use in the development and operation of the Regional Developer's business the computer systems and operating software ("Computer System") that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications), and that the cost to you of obtaining the Computer System (or additions or modifications), including software, may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications). Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support Computer System related services that we or our affiliates furnish to you. You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

(b) The monthly technology fee for Regional Developers is currently \$250 per month ("Technology Fee"). The Technology Fee allows you to access our intranet site, including, training programs and our propriety software. Your monthly technology fee will be payable beginning the first month after you complete your initial training. We have the right to increase this amount in the future upon written notice to you.

(c) In addition, we may, at any time and from time to time, contract with one or more software providers, business service providers, or other third parties (individually, a "Service Provider") to develop, license, or otherwise provide to or for the use and benefit of you and other franchises the Computer System, software applications, and software maintenance and support services related to the Computer System that you must or may use in accordance with our instructions with respect to your Computer System.

6.13 Management of Business. You must personally participate in the direct operation of your Regional Developer Business. If you do not personally participate in the direct operation of your Regional

Developer Business on a full-time basis, then you are obligated to have a fully trained Manager operate the Regional Developer Business. We believe that only a person with an equity interest can adequately ensure that our standards of quality and competence are maintained. We require that you be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the Franchised Business. Any Manager you employ at the launching of your franchise operations must complete the initial management-training course required by the Company. All subsequent Managers must be trained fully according to our standards by either the Regional Developer or the Company. However, the Company may charge a fee for this additional training.

7. DEVELOPMENT FEE.

Regional Developer shall pay us a non-refundable “Development Fee” payable upon execution of this Agreement in the amount specified on Exhibit 1 to this Agreement. If we require Regional Developer to acquire an in-depth demographic analysis of the Development Area, Regional Developer shall also purchase the demographic analysis from us or our designated supplier for the then-applicable fee.

8. PAYMENTS TO REGIONAL DEVELOPER.

8.1 Initial Fee Commission and Conditions of Payment. During the term of this Agreement, Regional Developer shall be paid a flat fee commission, as described in this Section, paid from the initial franchise fees paid by Franchisees and/or Regional Developer for the purchase of iFlex Stretch Studios to be located within the Development Area (the “Initial Fee Commission”), subject to fulfillment of the following conditions: (a) the Franchisee (or Regional Developer) executes a Franchise Agreement with us and an initial franchise fee has been paid to and actually received by us (we shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us); and (b) Regional Developer has complied with all of its other obligations under this Agreement with respect to such sale and has verified the same to us in writing in a form prescribed by us. The Initial Fee Commission with respect to the sale of iFlex Stretch Studio franchises shall be an amount equal to fifty percent (50%) of the Initial Franchise Fee for each iFlex Stretch Studio franchise that is sold according to this Agreement minus any broker’s fees or sales commissions, if any, and will be payable to Regional Developer within twenty (20) days after the conditions of this Section 8.1 have been fulfilled. Currently at the time of this Agreement, the Initial Franchise Fee is \$39,000 and one half (50%) of the Initial Franchise Fee is Nineteen Thousand Five Hundred Dollars (\$19,500). In the event of a multi-unit discount or future increase of the Initial Franchise Fee, RD shall still receive 50% of the Fee Commission.

8.2 Commissions on Royalty Fees. We shall pay to Regional Developer, on the 10th day of the month after royalty payments are actually received by us from each Franchisee located in the Development Area:

8.3 From iFlex Stretch Studio Franchisees. Three percent (3%) of the gross revenues actually received by us from each Franchisee located in the Development Area during the applicable period according to their Franchise Agreement (“Royalty Fees”). The terms “gross revenues” shall, for purposes of this Agreement, mean the total of all revenue and receipts derived from the operation of a iFlex Stretch Studio, including all amounts received at or away from the site of a iFlex Stretch Studio, or through the business the Franchisee conducts (such as fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits the Franchisee actually makes. If the Regional Developer has failed to conduct the periodic inspections described in Section 5.7 and/or failed to perform, in any material respect, with respect to one (1) or more Franchisees located in the Development Area, the other services described in Section 5 to be provided to Franchisees located in the Development

Area during any applicable month, then Regional Developer shall not be entitled to receive commissions on Royalty Fees with respect to such Franchisees for the period during which inspections, reports or services were not provided.

8.4 Commissions After Termination. All payments under this Section 8 shall immediately and permanently cease after the expiration or termination of this Agreement, although Regional Developer shall receive all amounts which have accrued to Regional Developer as of the effective date of expiration or termination.

8.5 Application of Payments. Our payments to Regional Developer shall be based on amounts actually collected from Franchisees, not on payments accrued, due or owing. In the event of termination of a Franchise Agreement within the Development Area, we shall apply any payments received from a Franchisee to pay past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from us or our affiliates, interest, or any other indebtedness on that Franchisee to us or our affiliates. To the extent that such payments are applied to a Franchisee's overdue Royalty Fee payments, Regional Developer shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third parties.

8.6 Setoffs. Regional Developer shall not be allowed to set off amounts owed to us for fees or other amounts due under this Agreement against any monies owed to Regional Developer by us, which right to set-off, is hereby expressly waived by Regional Developer. We shall be allowed to set off against amounts owed to Regional Developer for commissions, Royalty Fees or other amounts due under this Agreement any monies owed to us by Regional Developer.

9. MARKS.

9.1 Ownership and Goodwill of Marks. Regional Developer's right to use the Marks is derived only from this Agreement and is limited to Regional Developer's operation of its Regional Developer Business. Regional Developer's unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Regional Developer acknowledges and agrees that Regional Developer's use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Regional Developer (other than the right to operate a Regional Developer Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize Regional Developer to use.

9.2 Limitations on Regional Developer's Use of Marks. Regional Developer may not use any Mark: (1) as part of any corporate or legal business name; (2) with any prefix, suffix or other modifying words, terms, designs, symbols other than logos we have licensed to Regional Developer; (3) in selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine, without our consent; or (5) in any other manner we have not expressly authorized in writing. Regional Developer may not use any Mark in advertising the transfer, sale or other disposition of Regional Developer's business under this Agreement or an ownership interest in Regional Developer (if a corporation, partnership, limited liability company or another business entity holds the Regional Developer Business at any time during this Agreement's term) without our prior written consent.

9.3 Notification of Infringements and Claims. Regional Developer agrees to notify us immediately of any apparent infringement of or challenge to Regional Developer's use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys and Regional Developer's attorneys regarding any infringement, challenge or claim. We may take action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent

and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. Regional Developer agrees to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

9.4 Discontinuance of Use of Marks. If we believe at any time that it is advisable for us and/or Regional Developer to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, Regional Developer agrees to comply with our directions within a reasonable time after receiving noticed. We need not reimburse Regional Developer for Regional Developer's expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Mark, or for Regional Developer's expenses of promoting a modified or substitute trademark or service mark.

9.5 Indemnification for Use of Marks. We agree to indemnify and reimburse Regional Developer against and for all damages for which Regional Developer is held liable in any trademark infringement proceeding arising out of Regional Developer's authorized use of any Mark according to and in compliance with this Agreement, and for all costs Regional Developer reasonably incurs in the defense of any such claim in which Regional Developer is named as a party, so long as Regional Developer has timely notified us of the claim, and have otherwise complied with this Agreement. At our option, we may defend and control the defense of any proceeding relating to any Mark. We have the exclusive right to control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Marks. Regional Developer agrees to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

10. CONFIDENTIAL INFORMATION. We possess (and may continue to develop and acquire) certain confidential information relating to the development and operation of iFlex Stretch Studios and Regional Developer Businesses (the "Confidential Information"), which includes (without limitation): site selection criteria; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating iFlex Stretch Studios and Regional Developer Businesses; marketing research and promotional, marketing and advertising programs for iFlex Stretch Studios and Regional Developer Businesses; knowledge of specifications for and suppliers or, and methods of ordering, certain operating assets and products that iFlex Stretch Studios and Regional Developer Businesses use; knowledge of the operating results and financial performance of iFlex Stretch Studios and Regional Developer Businesses; customer communication and retention programs, along with data used or generated in connection with those programs; graphic designs and related intellectual property; information generated by or used or developed in the operation of iFlex Stretch Studios and Regional Developer Businesses, including customer names, addresses, telephone numbers and related information; and any other information designated confidential or proprietary by us. Regional Developer acknowledges and agrees that by entering into this Agreement, Regional Developer will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in accordance with this Agreement, and that Regional Developer's use of any Confidential Information in any other business would constitute an unfair method of competition with us and our Franchisees.

10.1 Regional Developer acknowledges and agrees that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to Regional Developer only on the condition that Regional Developer agrees, and it does agree, that Regional Developer:

- (a) will not use any Confidential Information in any other business or capacity;

(b) will keep the Confidential Information absolutely confidential during and after this Agreement's term;

(c) will not make unauthorized copies of any Confidential Information disclosure via electronic medium or in written or other tangible form;

(d) will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation: (i) restricting its disclosure to Regional Developer's personnel and Franchisees needing to know such Confidential Information in order to develop and operate the iFlex Stretch Studios; and (ii) requiring those having access to Confidential Information to sign confidentiality and non-disclosure agreements. We have the right to regulate the form of agreement that Regional Developer uses and to be a third-party beneficiary of that agreement with independent enforcement rights; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

10.2 All ideas, concepts, techniques, or materials relating to iFlex Stretch Studios or Regional Developer Businesses, whether or not protectable intellectual property and whether created by or for Regional Developer or its employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this paragraph, Regional Developer assigns ownership of that item, and all related rights to that item, to us and agrees to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

10.3 "Confidential Information" does not include information, knowledge or know-how which is or becomes generally known in business consulting industry or which Regional Developer knew from previous business experience before we provided it to Regional Developer (directly or indirectly) or before Regional Developer attended our initial training program. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

11. ASSIGNABILITY.

11.1 Assignability by Company. We have the right to assign this Agreement or any of our rights and privileges under this Agreement to any other person, firm or corporation without Regional Developer's prior consent and we shall not be liable for any obligations accruing under this Agreement after the effective date of such assignment; provided the Assignee shall expressly assume and agree to perform our obligations under this Agreement and is reasonably capable of performing them. We have the right, but not the obligation, to cause a subsidiary or affiliate of ours to perform any or all of our obligations and exercise any or all of our rights under this Agreement and under any Franchise Agreement, and to require Regional Developer to perform any or all of its obligations hereunder, in favor or such subsidiary or affiliate, by delivery of written notice thereof to Regional Developer.

11.2 Assignment by Regional Developer. We have entered into this Agreement in reliance upon and in consideration of the singular personal skills, character, aptitude, business ability, financial capacity and qualifications of Regional Developer and the trust and confidence reposed in Regional Developer or, in the case of a business entity Regional Developer, its owners (individually, an "Principal Owner"). Therefore, neither Regional Developer's interest in this Agreement nor any of its rights or privileges hereunder shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of

law or otherwise, in any manner, without our prior written approval. Any assignment or transfer without our approval is a breach of this Agreement and has no effect.

11.3 In this Agreement, the term “Transfer” includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(a) transfer of record or beneficial ownership of capital stock in Regional Developer (if Regional Developer is a corporation), a partnership or membership interest (if Regional Developer is a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of Regional Developer’s profits or losses;

(b) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interest or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(c) any sale or exchange of voting interests or securities convertible to voting interests, or any agreement granting the right to exercise or control the exercise of the voting rights of any Principal Owner or to control Regional Developer’s operations or affairs;

(d) transfer of an interest in Regional Developer, this Agreement, or Regional Developer Business or its assets (or any right to receive all or a portion of Regional Developer’s business’ profits or losses or any capital appreciation relating to the Regional Developer’s business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(e) if Regional Developer or an Owner (if Regional Developer is a business entity) dies, transfer of an interest in Regional Developer, this Agreement, or the Regional Developer Business or its assets (or any right to receive all or a portion of Regional Developer’s or the Regional Developer Business profits or losses or any capital appreciation relating to the Regional Developer Business) by will, declaration or transfer in trust, or under the law of intestate succession; or

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in Regional Developer (if Regional Developer is a business entity) as security, foreclosure upon the Development Area franchises, or Regional Developer’s transfer, surrender or loss of the area development franchise possession, control, or management.

11.4 Conditions for Approval of Assignment or Transfer. We may impose any reasonable condition(s) to the granting of our consent to such assignments. Without limiting the generality of the foregoing, the imposition by us of any or all of the following conditions to our consent to any such assignment shall be deemed to be reasonable:

(a) that the Assignee (or the principal officers, shareholders, directors, or general partners of the Assignee in the case of a business entity Assignee) demonstrates that it has the skill, qualifications and economic resources necessary, in our judgment, reasonably exercised, to own and operate the Regional Developer Business;

(b) that Regional Developer has paid all amounts owed to us;

(c) that the Assignee shall expressly assume in writing for our benefit all of the obligations of Regional Developer under this Agreement and any other agreements proposed to be assigned to such Assignee;

(d) that neither the Assignee nor its owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business (defined in Section 12.2);

(e) that the Assignee shall have completed (or agreed to complete) our training program;

(f) that the Assignee signs our then-current form of Regional Developer Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and the term of which shall be the remaining term of this Agreement;

(g) that as of the date of any such assignment, the assignor shall have strictly complied with all of its obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(h) that the Assignee is not then in default of any of the obligation to us under any agreement between such Assignee and us;

(i) that the assignor shall pay us a transfer fee of Thirty Thousand Dollars (\$30,000), except for Transfers according to Section 11.5 below;

(j) that the assignor and the assignor's spouse (if any) shall sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns; and

(k) that assignor will not directly or indirectly at any time or in any manner identify himself, herself or itself or any business as a current or former iFlex Stretch Studio or as one of our Franchisees or Regional Developers, use any Mark, any colorable imitation of a Mark, or other indicia of a iFlex Stretch Studio or Regional Developer Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with us.

11.5 Regional Developer shall not in any event have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

11.6 Assignment to Entity Principally Controlled by You. The Regional Developer Business and its assets and liabilities may be assigned to a newly formed corporation or other legal entity that conducts no business other than the operation of the Regional Developer Business and in which you and any of your principals own and control in the aggregate not less than ninety percent (90%) of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

(a) that the proposed transferee complies with the provisions of this Agreement; and

(b) that you are empowered to act for said corporation or other legal entity; and

(c) that you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement; and

(d) that you shall submit to us a true and complete list of the shareholders, members or partners, showing number of shares or interests owned, and a list of the officers and directors if a

corporation or managers if a limited liability company, or managing partners if a partnership. We shall be promptly notified of any changes in said lists; and

(e) that all certificates of shares or interests issued by transferee at any time shall be endorsed thereon the appropriate legend to conform with state law, referring to this Agreement by date and name of parties and stating, "Transfer to This Certificate is Limited by the Terms and Conditions of a Regional Developer Agreement dated _____;" and

(f) that a copy of this Agreement shall be given to every shareholder, member, or partner; and

(g) that a copy of the organizational documents and any corporate resolutions and a Certificate of Good Standing will be furnished to us at our reasonable request, and prompt notification in writing of any amendments will be provided to us; and

(h) that the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members of partners must be approved by use and agree to be bound by this entire Agreement. Shareholders, members, or partners may make a separate agreement among them providing for purchase by the survivors amount them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as Franchisees under this Agreement. Shareholders, members, or partners must notify us in writing of any such agreement which affects control of the transferee.

11.7 Death or Disability.

(a) Upon the death or disability of Regional Developer or an Owner, the executor, administrator, conservator, guardian, or other personal representative must assign, sell, or transfer Regional Developer's interest in this Agreement, the Regional Developer Business and its assets, or the Owner's ownership interest in Regional Developer, to a third party approved by us. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights, within a reasonable time, not to exceed nine (9) months from the date of death or disability and is subject to all of the terms and conditions in this Section 11. A failure to transfer such interest within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Regional Developer from supervising the Development Area management and operation for ninety (90) or more consecutive days.

(b) If, upon the death or disability of Regional Developer or an Owner, a trained manager who we approve is not managing the day-to-day operations, then the executor, administrator, conservator, guardian, or other personal representative must, within a reasonable time not to exceed thirty (30) days from the date of death or disability, appoint a manager that we must approve to operate the Regional Developer Business. The manager must, at Regional Developer's or the Owner's estate's expense, satisfactorily complete the training we designate with the specified time period.

11.8 Company's Right of First Refusal.

(a) If Regional Developer at any time determines to sell or transfer an interest in this Agreement or the Regional Developer Business, or if Owner determines to sell or transfer a controlling ownership interest in Regional Developer, then Regional Developer or the Owner, as applicable (the

“Seller”) must obtain from a responsible and fully disclosed buyer, and send us a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in Regional Developer or this Agreement and the Regional Developer Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments).

(b) We may, by delivering written notice to the Seller within fifteen (15) days after we receive both an exact copy of the offer and all other information requested, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form of payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than thirty (30) days after notifying the Seller of our election to purchase or, if later, the closing date proposed in the offer; and (4) we must receive, and the Seller agrees to make, all customary representations and warranties, given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests and validity of contracts and the liabilities, contingent on otherwise, relating to the assets or ownership interests being purchased. If we exercise our right of first refusal, the Seller agrees that, for two (2) years beginning on the closing date, the Seller, Principal Owners, and members of their immediate family will be bound by the non-competition covenant contained in Section 12.2 below.

(c) If we do not exercise our right of first refusal, the Seller may complete the sale to the proposed buyer on the original offer’s terms, subject to our approval of the transfer as provided above. If the Seller does not complete the sale to the proposed buyer within sixty (60) days after we notify the Seller that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which the Seller must let us know promptly), our right of first refusal will continue as described in subsection (a) of this Section 11.8.

11.9 Ownership Structure. Regional Developer represents and warrants that all persons holding direct or indirect, legal or beneficial ownership interests in Regional Developer (collectively, the “Owners”) are listed in Exhibit 3 and that its ownership structure is as described on Exhibit 3. In consideration of, and as an inducement to, the execution of this Agreement, each Owner of the Regional Developer and their respective spouses shall personally and unconditionally sign our form Guaranty and Acceptance of Obligations (Exhibit 4), guarantying to us and our successors and assigns that the Regional Developer will punctually pay and perform each and every undertaking, agreement and covenant described in the Agreement; and agreeing to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Regional Developer shall not change its ownership structure without complying with all of the terms and conditions of this Section 11. Within ten (10) days of any change in Regional Developer’s ownership structure, Regional Developer shall submit a revised Exhibit 3 to us showing the new ownership structure, and any new Owners shall sign our form Guaranty and Acceptance of Obligations (Exhibit 4).

12. NON-COMPETITION.

12.1 During the Term of this Agreement, neither Regional Developer, any of the owners of Regional Developer (“Owners”), nor any member of Regional Developer’s or a Principal Owner’s immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, controlling shareholder, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business (defined below), whether located within or outside the Development Area, unless we shall first consent in writing.

12.2 For an eighteen (18) month period following the assignment, expiration or termination of this Agreement, for any reason, neither Regional Developer, any Owner, nor any member of Regional Developer's or an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Development Area; (b) within the Development Area of any of our other Regional Developers, (c) within twenty-five (25) miles of any iFlex Stretch Studio or Regional Developer Business in operation or development on the date of assignment, expiration or termination; or (d) within any unsold development areas. The term "Competitive Business" means any business which derives more than Fifty-Thousand Dollars (\$50,000) of revenue per year from assisted stretching programs, education, and services and related retail products, or any business which grants franchises or licenses to others to operate such a business, other than an iFlex Stretch Studio operated under a Franchise Agreement with us.

13. TERMINATION.

13.1 Termination by Franchisor. We may terminate this Agreement, effective upon written notice of termination to Regional Developer, if:

- (a) Regional Developer or one of its Owners makes or attempts to make a transfer in violation of Section 11;
- (b) Regional Developer fails to meet the Minimum Development Obligation for any period of the Development Schedule;
- (c) Regional Developer has made or makes a material misrepresentation or omission in acquiring the rights under this Agreement or in operating the Regional Developer Business;
- (d) Regional Developer does not satisfactorily complete initial training;
- (e) Regional Developer is convicted by a trial court of, or pleads no contest to, a felony;
- (f) Regional Developer fails to maintain the insurance we require from time to time;
- (g) Regional Developer or an Owner engages in any dishonest, unethical or illegal conduct or any other conduct which, in our opinion, adversely affects our reputation, the reputation or other iFlex Stretch Studios or the goodwill associated with the Marks;
- (h) Regional Developer knowingly makes any unauthorized use or disclosure of any part of the Manuals or any other Confidential Information;
- (i) Regional Developer (a) fails on three (3) or more separate occasions within any twenty-four (24) consecutive month period to submit when due reports or other data, information or supporting records, pay when due any amounts due to us (or our affiliates), or otherwise comply with this Agreement, whether or not Regional Developer corrects any of these failures after we deliver written notice to Regional Developer; or (b) fails on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligations under this Agreement, whether or not Regional Developer corrects either of the failures after we deliver written notice to Regional Developer;
- (j) Regional Developer makes an assignment for the benefit of creditors or admits in writing insolvency or inability to pay debts generally as they become due; Regional Developer consents to

the appointment of a receiver, trustee or liquidator of all or the substantial part of the assets of the Regional Developer Business; or the assets of the Regional Developer Business are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days following the order' entry;

(k) Regional Developer fails to comply with any other provision of this Agreement and does not correct the failure within thirty (30) days after we deliver written notice of the failure to Regional Developer;

(l) Regional Developer fails to pay any sums due to us and does not correct the failure within ten (10) days after we deliver written notice of that failure to Regional Developer; or

(m) Another agreement between Franchisor and Regional Developer or a Principal Owner or affiliate of Regional Developer is terminated.

13.2 Rights and Obligations Upon Termination or Expiration. Upon the expiration of the Initial Term or Renewal Term, as the case may be, or upon the earlier termination of this Agreement, Regional Developer shall have no further right to construct, equip, own, open or operate additional iFlex Stretch Studios (except as to a Franchise Agreement between Regional Developer and us which is in full force and effect on the date of expiration or termination). Upon expiration or termination of this Agreement, we may ourselves construct, equip, open, own or operate, or license others to construct, equip, open, own or operate iFlex Stretch Studios in the Development Area, except as provided in any Franchise Agreement executed according to this Agreement. When this Agreement expires or is terminated for any reason and except as required to perform Regional Developer's obligations under a valid Franchise Agreement with us, Regional Developer shall:

(a) not directly or indirectly at any time thereafter or in any manner: (a) identify itself or any business as a current or former Regional Developer or ours; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark or other indicia of an iFlex Stretch Studio in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) take the actions required to cancel all fictitious or assumed name or equivalent registrations relating to Regional Developer's use of any Mark;

(c) deliver to us within thirty (30) days all advertising, marketing and promotional material, forms and other materials containing any Mark or otherwise identifying or relating to the Regional Developer Business or to an iFlex Stretch Studio;

(d) if applicable, notify all search engines of the termination or expiration of Regional Developer's right to use all domain names, Websites and other search engines associated directly or indirectly with the Marks or iFlex Stretch Studios and authorize those search engines to transfer to us or our designee all rights to the domain names, Websites and search engines relating to the Marks or iFlex Stretch Studios. We have the absolute right and interest in and to all domain names, Websites and search engines associated with the Marks or iFlex Stretch Studios, and Regional Developer hereby authorizes us to direct all applicable parties to transfer Regional Developer's domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason whatsoever. All parties may accept this Agreement as conclusive of our right to such domain names, Websites and search engines and this Agreement will constitute the authority from Regional Developer for all parties to transfer all such domain names, Websites and search engines to us;

(e) immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned Regional Developer; and

(f) give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of Regional Developer's compliance with these obligations.

13.3 Termination Fee. In the event Regional Developer terminates this Agreement or ceases to do business, or Company terminates this Agreement according to Section 13.1 of this Agreement, the Regional Developer shall pay Company a termination fee equal to one-half of our highest then-current development fee for Regional Developer Businesses, plus our attorneys' fees and costs incurred in connection with the early termination.

14. MEDIATION AND ARBITRATION.

14.1 Mediation. If a dispute arises under this Agreement, the parties agree to try to settle the dispute through good-faith participation in a mediation conducted by a mediator who is acceptable to both parties before proceeding to arbitration. However, we will not be required to proceed with mediation if we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above.

14.2 Arbitration. Except insofar as we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above, all controversies, disputes or claims arising between us, our affiliates, owners, officers, directors, agents and employees (in their representative capacity) and you (and your Principal Owners and guarantors) arising out of or related to: (i) this Agreement or any provision thereof or any related agreement (except for any lease or sublease with us or any of our affiliates); (ii) the relationship of the parties; (iii) the validity of this Agreement or any related agreement, or any provision thereof; or (iv) any specification, standard or operating procedure relating to the establishment or operation of the Regional Developer Business, shall be submitted for arbitration to be administered by the office of the American Arbitration Association. Such arbitration proceedings shall be conducted in Maricopa County, Arizona, and, except as otherwise provided in this Agreement, shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. The arbitrator shall have the right to award or include in his award any relief which he or she deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties to this agreement and judgment on the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such an award. The provisions of this Section are intended to benefit and limit third party non-signatories and will continue in full force and effect subsequent to the expiration or termination of this Agreement. The parties agree that arbitration shall be conducted on an individual, not a class-wide basis, and that any such arbitration shall not be consolidated with any other arbitration proceeding.

15. GENERAL CONDITIONS AND PROVISIONS.

15.1 Relationship of the Parties.

(a) You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, employees, and others as the owner of your iFlex Stretch Studio

business under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

(b) We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the business you conduct under this Agreement.

(c) We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your iFlex Stretch Studio business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

15.2 Indemnification. To the fullest extent permitted by law, Regional Developer agrees to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the “Indemnified Parties”) from and against, and to reimburse any one or more of the Indemnified Parties for any and all claims, obligations and damages directly or indirectly arising out of: (1) the Regional Developer Business conducted by Regional Developer according to this Agreement, (2) Regional Developer’s breach of this Agreement, or (3) Regional Developer’s non-compliance or alleged non-compliance with any law, ordinance, rule or regulation. For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’ and expert witness’ fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at Regional Developer’s expense, and Regional Developer may not settle any claim or take any other remedial, corrective, or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Regional Developer. Regional Developer agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Regional Developer.

15.3 Waiver and Delay. Except as otherwise expressly provided to the contrary, no waiver by us of any breach or series of breaches or defaults in performance by the Regional Developer, and no failure, refusal or neglect of or by us to exercise any right, power or option given to us under this Agreement or under any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement) or to insist upon strict compliance with or performance of the Regional Developer’s obligations under this Agreement or any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement), shall constitute a novation, or a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

15.4 Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement or ancillary

agreements, shall be enforceable during said expiration or other termination of this Agreement for any reason whatsoever.

15.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of us and Regional Developer.

15.6 Joint and Several Liability. If either party consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the other under this Agreement are joint and several.

15.7 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) and except for all issues relating to arbitrability or the enforcement or interpretation of the agreement to arbitrate described in Section 14 that will be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law relating to arbitration, this Agreement and the Regional Developer Business will be governed by the internal laws of the State of Arizona (without reference to its choice of law and conflict of law rules), except that the provisions of any Arizona law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Section. You agree that we may institute any action against you arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) in any state or federal court of general jurisdiction in Maricopa County, Arizona, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

15.8 Consent to Jurisdiction. Subject to Section 14 and the provisions below, Regional Developer and its owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Regional Developer and us must be commenced in the State of Arizona, and in the state or federal court of general jurisdiction closest to where our principal business address then is located, and Regional Developer (and its Owners) irrevocably submits to the jurisdiction of those courts and waives any objection Regional Developer (or its owners) might have with either the jurisdiction of or venue in those courts. Nonetheless, Regional Developer and any of its Owners agree that we may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which Regional Developer or its Owners are domiciled.

15.9 Waiver of Punitive Damages and Jury Trial. Except for Regional Developer's obligation to indemnify us under Section 15.2 above and except where authorized by federal statute, we and Regional Developer and its Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and Regional Developer, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and Regional Developer irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

15.10 Limitation of Claims. Any and all claims arising out of or relating to this Agreement or our relationship with Regional Developer, except for claims for indemnification under Section 15.2 above, will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

15.11 Entire Agreement. This Agreement and the Exhibits incorporated in the Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. No other agreements, and all prior agreements, understanding and representations are merged in this Agreement and superseded by this Agreement. Each party represents to the other that

there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement, provided that we may modify or amend the Manuals at any time without notice to, or approval of, Regional Developer or any other person. Nothing in this Agreement shall have the effect of disclaiming any of the information in the Franchise Disclosure Document or its attachments or addenda.

15.12 Headings. Article and Section headings used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

15.13 Gender. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section or paragraph hereof may require.

15.14 Severability. Except as expressly provided to the contrary in this Agreement, each Section, paragraph, term and provision of this Agreement is severable, and if, for any reason, any part thereof, to be invalid or contrary to or in conflict with any applicable present or future law and regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation or, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, we and Regional Developer agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provisions to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Regional Developer agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

15.15 Fees and Expenses. Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

15.16 Notices. Except as otherwise expressly provided all written notices and reports permitted or required to be delivered by the parties according to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by mail, via registered or certified mail, return receipt requested; or one (1) business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

If to Franchisor:	iFlex Franchising LLC 7131 W Ray Road #38
-------------------	--

	Chandler, Arizona 85226
If to Regional Developer:	<hr/> <hr/> <hr/>

Or to such other addresses any such party may designate by ten (10) days' advance written notice to the other party.

15.17 Time of Essence. Time shall be of the essence for all purposes of this Agreement.

15.18 Lien and Security Interest. To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (a) all inventory now owned or after-acquired by you and the Regional Developer Business, including but not limited to all inventory and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of you and/or the Regional Developer Business now existing or subsequently arising, together with all interest in you and/or the Regional Developer Business, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of you and/or the Regional Developer Business, now existing or subsequently arising; and (d) all general intangibles of you and/or the Regional Developer Business, now owned or existing, or after-acquired or subsequently arising. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets.

15.19 Cross-Default. Any default by Regional Developer under any other agreement between Franchisor or its affiliate as one party and Regional Developer or any of Regional Developer's owners or affiliates as the other party, shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement without affording Regional Developer an opportunity to cure, effective immediately upon notice to the Regional Developer.

16. SUBMISSION OF AGREEMENT. This Agreement shall not be binding upon us unless and until it shall have been submitted to and signed by our authorized agent, and the date of said signing as described on the first page of this Agreement shall be the effective date of this Agreement.

17. ACKNOWLEDGMENTS. To induce us to sign this Agreement and grant Regional Developer the rights contained in this Agreement, Regional Developer acknowledges:

17.1 That Regional Developer has independently investigated the Regional Developer Business franchise opportunity and recognizes that, like any other business, the nature of the Regional Developer Business may, and probably will, evolve and change over time.

17.2 That an investment in a Regional Developer Business involves business risks.

17.3 That Regional Developer's business abilities and efforts are vital Regional Developer's success.

17.4 That performing Regional Developer's obligations will require a high level of customer service and strict adherence to the System.

17.5 That Regional Developer has not received, and we expressly disclaim making any representation, warranty or guaranty, express or implied, as to the revenues, profits or success of a Regional Developer Business or any iFlex Stretch Studio.

17.6 That any information Regional Developer has acquired from Franchisees or other Regional Developers regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

17.7 That Regional Developer has no knowledge of any representations made about the Regional Developer Business opportunity by us, our subsidiaries, or affiliates or any of their respective officers, directors, shareholders, or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms and conditions of this Agreement.

17.8 That in all of their dealing with Regional Developer, our officers, directors, employees, and agents act only in a representative, and not in an individual capacity and that business dealings between Regional Developer and them as a result of this Agreement are only between Regional Developer and us.

17.9 That Regional Developer has represented to us, to induce us to enter into this Agreement, that all statements Regional Developer has made and all materials Regional Developer has given to us in acquiring the Regional Developer Business are accurate and complete and that Regional Developer has made no misrepresentations or material omissions in obtaining the Regional Developer Business.

17.10 That Regional Developer has read this Agreement and our Franchise Disclosure Document and understands and accepts that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Regional Developer Business and iFlex Stretch Studio, and to protect and preserve the goodwill of the Marks.

SIGNATURES ON FOLLOWING PAGE

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be executed as of the first date stated above.

iFlex FRANCHISING, LLC, an Arizona limited liability company REGIONAL DEVELOPER:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

EXHIBIT 1
DEVELOPMENT AREA AND DEVELOPMENT RIGHTS

Development Fee: _____

The Development Area referred to in Recital D of this Agreement shall be the following geographic area:

The total Development Rights (total number of iFlex Stretch Studios authorized for development within the Development Area) are: _____

_____ iFlex Stretch Studios

If you purchase the right to develop additional iFlex Stretch Studios within your Development Area during the Term, the cost to purchase such additional iFlex Stretch Studios shall be the greater of \$ _____ or _____ percent (___%) of the then-current franchise fee for each applicable iFlex Stretch Studio that you purchase. If you do not purchase the right to develop additional iFlex Stretch Studios, we will have the right, in accordance with Section 2.2 of the Agreement, to develop such additional iFlex Stretch Studios on our own or to grant the development rights for such additional iFlex Stretch Studios to others.

Regional Developer's Initials

EXHIBIT 2
MINIMUM DEVELOPMENT OBLIGATION
DEVELOPMENT SCHEDULE

Minimum Development Obligation:

_____iFlex Stretch Studios

All iFlex Stretch Studios authorized for development as described in Exhibit 1.

Development Schedule:

All iFlex Stretch Studios authorized for development in Exhibit 1 must be open for business within five (5) years of the Effective Date of this Agreement. Accordingly, Regional Developer must sell the last iFlex Stretch Studio franchise agreement authorized for development in Exhibit 1 no later than 4 1/2 years from the Effective Date of this Agreement.

Regional Developer's Initials

EXHIBIT 3
OWNERSHIP STRUCTURE

Owner Name	Owner Address	Percentage Ownership
TOTAL		100%

EXHIBIT 4
OWNER’S GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the foregoing Regional Developer Agreement dated _____, 20__ (“Agreement”) by iFlex Franchising LLC, an Arizona limited liability company (“we” or “us”), and the Regional Developer (“Franchise Owner”), each of the undersigned owners of the Franchise Owner and their respective spouses (“you” or “Owner”), hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Franchise Owner will punctually pay and perform each and every undertaking, agreement and covenant described in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement or this Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes.

Each of you waives (1) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty; (2) any right you may have to require that an action be brought against Franchise Owner or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Franchise Owner which you may have arising out of your guaranty of the Franchise Owner’s obligations; and (4) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that (1) your direct and immediate liability under this Guaranty shall be joint and several; (2) you will make any payment or render any performance required under the Agreement on demand if Franchise Owner fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchise Owner or any other person; (4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; and (5) this Guaranty will continue and be irrevocable during the term of the Agreement and afterward for so long as the Franchise Owner has any obligations under the Agreement.

We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by us, including but not limited to: (1) services and products offered and sold at iFlex Stretch Studios; (2) knowledge of sales and profit performance of any one or more iFlex Stretch Studios; (3) knowledge of sources of products and services sold at iFlex Stretch Studios, advertising and promotional programs, and image and decor; (4) Computer Systems; (5) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of your iFlex Stretch Studios; and (6) the selection and methods of training employees. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, the Operations Manual, Computer Systems, and providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to your iFlex Stretch Studio that you disclose to us, and that we may then authorize you to use in the operation of your Franchise and may use or authorize others to use in other iFlex Stretch Studios owned or franchised by us or our affiliates. Any such information disclosed to or developed by you will be referred to in this Agreement as “Confidential Information.”

You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of your iFlex Stretch Studio, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade

secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

During the Term of the Franchise Agreement and for an eighteen (18) month period following the assignment, expiration or termination of the Franchise Agreement, neither Owner nor an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Development Area; (b) within the Development Area of any of our other Regional Developers, (c) within twenty-five (25) miles of any iFlex Stretch Studio or Regional Developer Business in operation or development on the date of assignment, expiration or termination; or (d) within any prospective development areas that we have made reasonable efforts to sell during the preceding 12 month. The term "Competitive Business" means any business which derives more than Fifty-Thousand Dollars (\$50,000) of revenue per year from Fifty-Thousand Dollars (\$50,000) of revenue per year from assisted stretching programs, education, and services and related retail products, or any business which grants franchises or licenses to others to operate such a business, other than a iFlex Stretch Studio operated under a Franchise Agreement with us.

If the scope of any restriction contained in this Guaranty is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consent and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Section 10 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Guaranty, you agree to reimburse us for any of the above-listed costs and expenses incurred by us.

Any capitalized terms not defined shall be defined in a manner consistent with the Regional Developer Agreement and/or Franchise Agreement. This Guaranty is now executed as of the date stated in the first paragraph of this Agreement.

SIGNATURE PAGE

OWNERS

OWNERS' SPOUSES

Printed Name: _____
Date: _____
Address: _____

Printed Name: _____
Date: _____
Address: _____

Printed Name: _____
Date: _____
Address: _____

Printed Name: _____
Date: _____
Address: _____

EXHIBIT 5
STATE-SPECIFIC ADDENDA
TO REGIONAL DEVELOPER AGREEMENT

CALIFORNIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. California Business and Professions Code Sections 20000 through 20043 provide rights to 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.
2. If any of the provisions of the Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.
3. The Agreement requires that it be governed by Arizona law. This requirement may be unenforceable under California law.
4. You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under Franchise Business Relations Act (Business and Professions Code 20000 through 20043).

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this California Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

HAWAII ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

- 1. The Franchise Agreements contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such release will exclude claims arising under the Hawaii Franchise Investment Law.
- 2. Any provisions of your Franchise Agreement that relate to non-renewal, termination, and transfer are only applicable if they are consistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.
- 3. The Franchise Agreement permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This Article may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101, *et seq.*).
- 4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Hawaii Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

_____	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

ILLINOIS ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Illinois law governs the agreements between the parties to this franchise.
2. Section 4 of the Illinois Franchise Disclosure Act states that any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees rights upon termination and non-renewal are described in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In Conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
6. 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 the applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Illinois Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

_____	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

INDIANA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 § 1(5).
2. Under Article 15.2, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures or products which were required by us, if such procedures were utilized by you in the manner required by us.
3. Article 14.2 is amended to provide that arbitration between you and us will be conducted at a mutually agreed-on location.
4. Article 15.7 is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, I.C. 23-2-2.5, and the Indiana Deceptive Franchise Practices Law, I.C. 23-2-2.7, will prevail.
5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.
6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Indiana Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

_____	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

MARYLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

Anything to the contrary described the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

- 1. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 2. The provision in Franchise Agreement which provides for termination upon bankruptcy of Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
- 3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- 4. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- 5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial; payments by area developers shall be deferred until the first franchise under the development agreement opens.
- 6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 7. Section 17 of the Regional Developer Agreement is deleted in its entirety.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

MINNESOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Article 9 is amended to add the following:

“We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.”

2. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such release will exclude claims arising under the Minnesota Franchise Law.

3. Article 13 is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, Subds., 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of your Franchise Agreement.

4. Article 15.10 is amended as follows:

Pursuant to Minn. Stat. § 80C.17, Subd. 5, the parties agree that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues.

5. Articles 15.8, and 15.9 are each amended to add the following:

Minn. Stat. Sec. 80C.2 1 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Under this statute and rule, franchisor cannot require you to consent to injunctive relief; however, franchisor may seek injunctive relief from the Court. A court will determine if a bond is required.

6. Article 15.9 is amended to add the following:

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Agreement.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Minnesota Addendum to Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

NEW YORK ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Article 11.1 is amended to add the following:

However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement, and all rights enjoyed by you and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will 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.

2. Article 15.7 is amended to add the following:

However, all rights enjoyed by you and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will 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.

3. Article 15.2 is amended to add the following:

However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of us.

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this New York Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona **REGIONAL DEVELOPER**
limited liability company

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

NORTH DAKOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal or transfer of the Regional Developer Business. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.
2. Article 15.7 and 15.8 will be amended to state that litigation involving a franchise purchased in North Dakota must be held in a location mutually agreed or if the parties cannot agree on a location, at a location to be determined by the arbitrator.
3. Article 15.4 is amended to add that covenants not to compete on termination or expiration of a Regional Developer Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.
4. Article 15.7 will be amended to add that any claim or right arising under the North Dakota Franchise Investment Law may be brought in the appropriate state or federal court in North Dakota, subject to the arbitration provision of the Agreement.
5. Article 15.8 will be amended to state that, in the event of a conflict of law, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will prevail.
6. Article 15.9 requires Franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law and are therefore not part of the Regional Developer Agreement.
7. Article 15.10 requirement that Regional Developer consent to a limitation of claims period of one year is not consistent with North Dakota law. The limitation of claims period under the Regional Developer Agreement shall therefore be governed by North Dakota law.
8. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this North Dakota Addendum to the Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona limited liability company

REGIONAL DEVELOPER

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

RHODE ISLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by Arizona law. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under Sec. 19-28.1-14.

3. Article 15.8 of the Agreement will each be amended by the addition of the following, which will be considered an integral part of this Agreement:

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

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act, §§ 19- 281.1 through 19-28.1-34, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Rhode Island Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona limited liability company

REGIONAL DEVELOPER

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

VIRGINIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Regional Developer 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the Regional Developer Agreement involved the use of undue influence by the Franchisor to induce Franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Virginia Addendum to Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona limited liability company

REGIONAL DEVELOPER

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

WASHINGTON ADDENDUM TO REGIONAL DEVELOPER 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.

Pursuant to RCW 19.100.140 area representatives operating in the state of Washington will be required to register as a franchise broker under the laws of Washington.

Section 4.2 of the Regional Developer Agreement is revised as follows: The General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Washington Addendum to Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

iFLEX FRANCHISING, LLC an Arizona limited liability company

REGIONAL DEVELOPER

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

SIGNATURES ON FOLLOWING PAGE

Exhibit C
Confidentiality Agreement

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of _____, (“Effective Date”), by and between iFlex Franchising LLC, an Arizona limited liability company (“iFlex Franchising”) and _____, _____ (“Party”) and certain of Party’s employees identified below (“Employees”) in favor of and for the benefit of iFlex Franchising.

RECITALS

As a result of the expenditure of considerable time, skill, effort and money, iFlex Franchising and its affiliates have developed and own a unique system (“System”) for the development and operation of a business under the name “iFlex Stretch Studios” that offers a stretch studio (“Studio(s)”) to provide assisted stretch programs, techniques, and systems, and related retail products (“iFlex Stretch Studios”).

Party has expressed interest in purchasing an iFlex Stretch Studios franchise from iFlex Franchising to operate one or more iFlex Stretch Studios.

In order to evaluate the possibility of entering into a franchise agreement with iFlex Franchising, to establish and operate one or more iFlex Stretch Studios, and/or to complete the Initial Training Program, Party desire to receive from iFlex Franchising certain confidential business information including, but not limited to the information contained in the iFlex Stretch Studios operations manual (“Manuals”). Party, Stretch Therapist, and Employees recognize the importance of maintaining the confidentiality of this information.

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

AGREEMENT

1. **Confidential Information**

(A) **Definition of Confidential Information.** As used in this Agreement, the term “Confidential Information” means all information that has been created, discovered or developed by iFlex Franchising and/or its parent and affiliates including but not limited to iFlex, Inc. that is in any way proprietary to iFlex Franchising and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, customer lists, the Manuals, as amended from time to time, and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting iFlex Stretch Studios, information contained in the Manuals, information regarding the retail and commercial operations of iFlex Franchising and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.

(B) **Exclusion from Definition of Confidential Information.** The term “Confidential Information” does not include: (1) information that is now or hereafter becomes publicly known through

no fault of Party or any Employee, or by any other person, firm or corporation affiliated with Party or any Employee; (2) information that was in Party's or any Employee's possession before the Effective Date; and (3) information that comes into Party's or any Employee's possession after the Effective Date from a source not under an obligation of secrecy to iFlex Franchising. As used in this Agreement, the phrase "publicly known" means readily accessible to the public in a written publication and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

(C) Treatment of Confidential Information. Party, Stretch Therapist, and Employees hereby acknowledge, understand and agree that the Confidential Information: (1) is the exclusive and confidential property of iFlex Franchising or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives iFlex Franchising and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of iFlex Franchising and its affiliates; and (3) is not generally known by non-iFlex Franchising personnel. Party shall at all times treat the Confidential Information in accordance with this Agreement.

(D) No License. This Agreement entitles Party to use the Confidential Information solely in connection with Party's exploration of the iFlex Stretch Studios franchise opportunity. No license, express or implied, in the Confidential Information is granted to Party or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.

2. Covenants of Party. As a consequence of Party's and Employees' acquisition or anticipated acquisition of Confidential Information, Party will occupy a position of trust and confidence with respect to iFlex Franchising's affairs and business. In view of the foregoing, Party agree that it is reasonable and necessary that Party agree, while this Agreement is in effect, to the following:

(A) Limited Use. Party shall use the Confidential Information solely for purposes of evaluating whether or not Party will invest in an iFlex Stretch Studios franchise. Neither Party nor Employees shall make any other uses of the Confidential Information. If Party does not invest in a franchise, the obligations described in this Section 2 will remain in effect for three (3) years from the date the Party decides not to invest in a iFlex Stretch Studios franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end two (2) years from the date the Party decides not to invest in a iFlex Stretch Studios franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Party decides not to invest in a iFlex Stretch Studios franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Party decides not to invest in a iFlex Stretch Studios franchise.

(B) No Disclosure. Party shall not disclose the Confidential Information to any person or entity other than Party's attorney or accountant as necessary to evaluate the opportunity provided by iFlex Franchising and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Party use to protect Party's Confidential Information.

(C) No Use, Copying or Transfer. Party shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Party use to protect Party's Confidential Information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products

or services which embody or are derived from Confidential Information. Party further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

(D) Applicability. These covenants shall apply to all Confidential Information disclosed to Party or Employees by iFlex Franchising prior to the date of this Agreement.

(E) Solicitation. Party agrees that neither they nor any of their agents, employees or representatives shall knowingly employ or seek to employ any person then employed by iFlex Franchising or any affiliate, subsidiary or franchisee of iFlex Franchising, or otherwise directly or indirectly induce such person to leave his or her employment without iFlex Franchising's prior written consent.

3. Return of Confidential Information. Nothing in this Agreement obligates either iFlex Franchising or Party to enter into a franchise agreement for the operation of an iFlex Stretch Studios. Party acknowledges that iFlex Franchising's decision to consider Party for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts, will be made by iFlex Franchising in its sole discretion. If, at any time, iFlex Franchising determines that it does not wish for Party to become a franchisee, or Party determines that it does not wish to invest in a iFlex Stretch Studios franchise, or if iFlex Franchising requests, at any time and for any reason, that Party do so, Party agree to: (A) immediately cease to use the Confidential Information; (B) immediately return to iFlex Franchising the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (C) at the request of iFlex Franchising, certify in writing that Party, Employees and all others to whom Party has provided such Confidential Information, have complied with subsections (A) and (B) above.

4. Notice to iFlex Franchising. Party shall immediately notify iFlex Franchising of any information that comes to their attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

5. Waiver. Party acknowledges that no waiver by iFlex Franchising of any breach by Party or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressed writing.

6. Enforcement.

(A) Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to conflicts of laws principles.

(B) Forum. To the extent any disputes cannot be resolved directly between Party, Employees and iFlex Franchising, Party agree to file suit against iFlex Franchising only in the federal or state court having jurisdiction where iFlex Franchising's principal offices are located at the time suit is filed. Party acknowledges that iFlex Franchising may file suit in the federal or state court located in the jurisdiction where Party's principal offices are located at the time suit is filed or in the jurisdiction where Party resides or does business or where the claim arose. Party consent to the personal jurisdiction of those courts and to venue in those courts.

(C) Injunctive Relief. It is hereby understood and agreed that: (1) a breach of this Agreement by Party or Employees would result in irreparable harm to iFlex Franchising, the extent of which would be difficult to ascertain; (2) monetary damages would be an inadequate remedy for such a breach; and (3) iFlex

Franchising shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to iFlex Franchising at law or in equity or by statute.

7. Reimbursement of Costs and Expenses. If iFlex Franchising brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, then iFlex Franchising will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

8. Third Party Beneficiary. Party hereby acknowledge and agree that iFlex Franchising is an intended third-party beneficiary of this Agreement with the right to enforce it.

9. Miscellaneous.

(A) Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable, or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

(B) Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

(C) Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

[THE REMAINDER OF THE PAGE IS INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Agreement as of the day and year above written.

PARTY

By: _____

Title: _____

Date: _____

Exhibit D
Form of General Release

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is executed on _____ by _____ (“Franchisee”) and _____ (“Guarantors”) as a condition of PICK ONE: the transfer of a iFlex Stretch Studio by Franchisee [or] the renewal of a iFlex Stretch Studio Franchise Agreement or Regional Developer Agreement dated _____ (“Franchise Agreement”) between Franchisee and iFlex Franchising [or] the termination of a iFlex Franchise Agreement or Regional Developer Agreement dated _____ (“Franchise Agreement”) between Franchisee and iFlex Franchising.

1. Release by Franchisee and Guarantors. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Franchisee Releasers”) freely and without any influence forever release and covenant not to sue iFlex Franchising and its parent, subsidiaries and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “iFlex Franchising Releasers”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Franchisee Releaser ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releaser and any iFlex Franchising Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasers) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasers are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasers have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasers) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of iFlex Franchising and each Franchisee Releaser.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. iFlex Franchising, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where iFlex Franchising's principal offices are located. iFlex Franchising may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

(A) This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly described in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

(B) The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

(C) The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

(D) All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

(E) All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

(F) This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

This General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder in accordance with RCW19.100.220(2).

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.

REGIONAL DEVELOPER

By: _____
Title: _____
Date: _____

GUARANTOR

By: _____
Title: _____
Date: _____

GUARANTOR

By: _____
Title: _____
Date: _____

[Attach additional signature pages as needed]

Exhibit E
Financial Statements



CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, AZ 85012-3111

phone 602-266-2248 fax 602-266-2907
CLAconnect.com

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

iFlex Franchising, LLC
Scottsdale, Arizona

We agree to the inclusion in the Regional Developer Franchise Disclosure Document February 26, 2024, issued by iFlex Franchising, LLC (Franchisor) of our report dated February 26, 2024, relating to the financial statements of Franchisor as of and for the year ended December 31, 2023 and the period from August 1, 2022 through December 31, 2022, and to the inclusion of our report dated August 17, 2022, relating to the balance sheet of Franchisor as of July 31, 2022.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 26, 2024

IFLEX FRANCHISING, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**IFLEX FRANCHISING, LLC
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INDEPENDENT AUDITORS' REPORT

Member
iFlex Franchising, LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of iFlex Franchising, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in member's equity (deficit), and cash flows for the year ended December 31, 2023 and the period from August 1, 2022 through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iFlex Franchising, LLC, as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and the period from August 1, 2022 through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- 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 iFlex Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about iFlex Franchising, LLC'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 26, 2024

IFLEX FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,013,615	\$ 432,320
Restricted Cash	4,265	-
Accounts Receivable	1,984	1,167
Inventory	9,948	-
Prepaid Expenses	28,046	32,981
Current Portion of Deferred Regional Development Costs	19,695	2,243
Total Current Assets	1,077,553	468,711
PROPERTY AND EQUIPMENT, Net	1,548	-
OTHER ASSETS		
Deferred Franchise Costs	106,500	-
Deferred Regional Development Costs, Net of Current Portion	166,830	19,995
Total Other Assets	273,330	19,995
Total Assets	\$ 1,352,431	\$ 488,706
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable	\$ 22,072	\$ 225,558
Current Portion of Deferred Regional Development Fee Revenue	196,950	22,425
Total Current Liabilities	219,022	247,983
LONG-TERM LIABILITIES		
Deferred Franchise Fee Revenue	204,000	-
Deferred Regional Development Fee Revenue, Net of Current Portion	1,668,306	199,956
Total Long-Term Liabilities	1,872,306	199,956
Total Liabilities	2,091,328	447,939
MEMBER'S EQUITY (DEFICIT)	(738,897)	40,767
Total Liabilities and Member's Equity (Deficit)	\$ 1,352,431	\$ 488,706

See accompanying Notes to Financial Statement.

IFLEX FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

	<u>Year Ended, December 31, 2023</u>	<u>August 1, 2022 through December 31, 2022</u>
REVENUES		
Regional Development Fees	\$ 102,375	\$ 1,869
Advertising Fund Revenue	3,085	1,467
Technology Fee Revenue	3,250	-
Total Revenues	<u>108,710</u>	<u>3,336</u>
OPERATING EXPENSES	<u>903,359</u>	<u>212,408</u>
LOSS FROM OPERATIONS	(794,649)	(209,072)
OTHER INCOME	<u>14,985</u>	<u>-</u>
NET LOSS	(779,664)	(209,072)
Member's Equity - Beginning of Year	<u>40,767</u>	<u>249,839</u>
MEMBER'S EQUITY (DEFICIT) - END OF YEAR	<u><u>\$ (738,897)</u></u>	<u><u>\$ 40,767</u></u>

See accompanying Notes to Financial Statement.

IFLEX FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

	<u>Year Ended, December 31, 2023</u>	<u>August 1, 2022 through December 31, 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (779,664)	\$ (209,072)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	81	-
Amortization of Deferred Regional Development Costs	10,424	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(817)	(1,167)
Inventory	(9,948)	-
Prepaid Expenses	4,935	(32,981)
Deferred Franchise Costs	(106,500)	-
Deferred Regional Development Costs	(174,711)	(22,238)
Accounts Payable	(203,486)	225,558
Deferred Franchise Fees	204,000	-
Deferred Regional Development Fees	1,642,875	222,381
Net Cash Provided by Operating Activities	<u>587,189</u>	<u>182,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(1,629)</u>	<u>-</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	585,560	182,481
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>432,320</u>	<u>249,839</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,017,880</u>	<u>\$ 432,320</u>

See accompanying Notes to Financial Statement.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

iFlex Franchising, LLC (the Company) was formed on June 2, 2022, in the state of Arizona. The Company is wholly owned by its parent company, iFlex, Inc. (the Parent). The Company was established for the purpose of selling franchises under the iFlex Stretch Studio brand.

Basis of Presentation

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Restricted Cash

Restricted cash relates to cash that franchisees and company-owned studios contribute to the Company's National Advertising Fund. Cash contributed by franchisees is to be used in accordance with the Company's Franchise Disclosure Document with a focus on regional and national marketing and advertising. While such cash balance is not legally segregated and restricted as to withdrawal or usage, the Company's accounting policy is to classify these funds as restricted cash.

Concentration of Credit Risk

The Company maintains cash balances that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk in this area.

Allowances for Credit Losses and Accounts Receivable

The Company records accounts receivable at their face amounts less an allowance for credit losses. The allowance represents an estimate of expected credit losses based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing rates, based upon the age of the receivable, historical experience and current and expected future economic conditions. The Company writes-off a receivable and charges it against its recorded allowance when management have exhausted collection efforts without success. As of December 31, 2023 and 2022, an allowance was not deemed necessary.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is recorded at the lower of cost or net realizable value. Inventory consists of various retail items.

Property and Equipment

Property and equipment, consisting of computer equipment, are stated at acquisition cost, net of accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets of five years.

Deferred Franchise and Regional Development Costs

Deferred franchise and regional development fees represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise or regional development agreement. These costs are recognized as an expense when the respective revenue is recognized, which is generally over the term of the related franchise or regional development agreement.

Deferred Franchise and Regional Development Fees

Deferred regional development fees represent regional development fees received that have not been fully earned and will be recognized as revenue in future periods.

Advertising Costs

Advertising costs include franchise and regional development sales marketing, and advertising costs. These costs are expensed as incurred. Advertising costs for the year ended December 31, 2023 and the period from August 1, 2022 through December 31, 2022 were \$190,362 and \$23,497, respectively.

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2023 and 2022, management of the Company does not believe it has any uncertain tax positions.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, regional development fees, advertising fund fees and technology fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of *Topic 606*, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

Royalties and Advertising Fund Revenue

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 7% of net sales and a marketing and advertising fee equal to 1% of net sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties and advertising fund fees are collected semimonthly.

Franchise Fees

The Company generally requires the entire nonrefundable initial franchise fee to be paid upon execution of the franchise agreement, which typically has an initial term of ten years from the date the franchisee studio first opens for business. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company generally does not provide financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Regional Development Fees

The Company has a regional development program where regional developers are granted an exclusive geographical territory and commit a minimum development obligation within that defined territory. Regional development fees paid to the Company are nonrefundable and are recognized as revenue ratably on a straight-line basis over the term of the regional development agreement, which is considered upon executive of the agreement. The Company's services under regional development agreements include training and general operational support of the regional developer. The services provided by the Company are highly interrelated with the development of the territory and resulting franchise licenses sold by the regional developer and as such are considered to represent a single performance obligation.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Technology Fees

The Company collects a monthly fee from franchisees for use of its software applications and other technology services. These technology services provided by the Company are considered a single performance obligation recognized each month as they occur.

Disaggregation of Revenue

The Company believes that the captions contained on the statements of operations appropriately reflect the disaggregation of its revenue by major type for the year ended December 31, 2023 and the period ended December 31, 2022.

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Company's consolidated financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through February 26, 2024, the date the financial statement was available to be issued.

NOTE 2 RECEIVABLES, CONTRACT ASSETS, AND CONTRACT LIABILITIES

Receivables and contract liabilities consists of the following:

	December 31, 2023	December 31, 2022	August 1, 2022
Accounts Receivable	\$ 1,984	\$ 1,167	\$ -
<u>Contract Liabilities:</u>			
Deferred Franchise Fee Revenue	\$ 204,000	\$ -	\$ -
Deferred Regional Development Fee Revenue	\$ 1,865,256	\$ 222,381	\$ -

The Company did not have any contract assets as of December 31, 2023 and 2022.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
AUGUST 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 3 RELATED PARTY TRANSACTIONS

The Company is party to a shared services agreement with the Parent, which allows for certain direct and indirect costs of the Parent to be allocated to the Company for services performed by the Parent on behalf of the Company. For the year ended December 31, 2023, the Company had incurred approximately \$580,000 of expenses related to these shared services, which were paid to the Parent during 2023. For the period ended December 31, 2022, the Company had incurred approximately \$195,000 of expenses related to these shared services, which was included in accounts payable as of December 31, 2022.



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



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INDEPENDENT AUDITORS' ACKNOWLEDGMENT

iFlex Franchising, LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated February 16, 2023, issued by iFlex Franchising, LLC (Franchisor) of our report dated February 10, 2023, relating to the financial statements of Franchisor as of and for the period ended December 31, 2022, and to the inclusion of our report dated August 17, 2022, relating to the balance sheet of Franchisor as of July 31, 2022.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 16, 2023

IFLEX FRANCHISING, LLC
FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022



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**IFLEX FRANCHISING, LLC
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PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Member
iFlex Franchising, LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of iFlex Franchising, LLC, which comprise the balance sheets as of December 31, 2022 and July 31, 2022, and the related statements of operations and changes in member's equity, and cash flows for the period from August 1, 2022 through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iFlex Franchising, LLC, as of December 31, 2022 and July 31, 2022, and the results of its operations and its cash flows for the period from August 1, 2022 through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- 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 iFlex Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about iFlex Franchising, LLC'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.



CliftonLarsonAllen LLP

Phoenix, Arizona
February 10, 2023

IFLEX FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND JULY 31, 2022

	<u>December 31,</u> <u>2022</u>	<u>July 31,</u> <u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 432,320	\$ 249,839
Accounts Receivable	1,167	-
Prepaid Expenses	32,981	-
Current Portion of Deferred Regional Development Costs	2,243	-
Total Current Assets	<u>468,711</u>	<u>249,839</u>
DEFERRED REGIONAL DEVELOPMENT COSTS, Net of Current Portion	<u>19,995</u>	<u>-</u>
Total Assets	<u><u>\$ 488,706</u></u>	<u><u>\$ 249,839</u></u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 225,558	\$ -
Current Portion of Deferred Regional Development Fees	22,425	-
Total Current Liabilities	<u>247,983</u>	<u>-</u>
DEFERRED REGIONAL DEVELOPMENT FEES, Net of Current Portion	<u>199,956</u>	<u>-</u>
Total Liabilities	447,939	-
MEMBER'S EQUITY	<u>40,767</u>	<u>249,839</u>
Total Liabilities and Member's Equity	<u><u>\$ 488,706</u></u>	<u><u>\$ 249,839</u></u>

See accompanying Notes to Financial Statement.

IFLEX FRANCHISING, LLC
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
PERIOD ENDED DECEMBER 31, 2022

	August 1, 2022 through December 31, 2022
REVENUES	
Regional Development Fees	\$ 1,869
Advertising Fund Revenue	1,467
Total Revenues	<u>3,336</u>
OPERATING EXPENSES	<u>212,408</u>
LOSS FROM OPERATIONS	(209,072)
Member's Equity - Beginning of Year	<u>249,839</u>
MEMBER'S EQUITY - END OF YEAR	<u><u>\$ 40,767</u></u>

See accompanying Notes to Financial Statement.

**IFLEX FRANCHISING, LLC
STATEMENT OF CASH FLOWS
PERIOD ENDED DECEMBER 31, 2022**

	August 1, 2022 through December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	\$ (209,072)
Reconciliation of Net Loss to Net Cash Provided by Operating Activities	
Changes in Assets and Liabilities:	
Accounts Receivable	(1,167)
Prepaid Expenses	(32,981)
Deferred Regional Development Costs	(22,238)
Accounts Payable	225,558
Deferred Regional Development Fees	222,381
Net Cash Provided by Operating Activities	182,481
NET INCREASE IN CASH AND CASH EQUIVALENTS	182,481
Cash and Cash Equivalents - Beginning of Year	249,839
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 432,320

See accompanying Notes to Financial Statement.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

iFlex Franchising, LLC (the Company) was formed on June 2, 2022, in the state of Arizona. The Company is wholly owned by its parent company, iFlex, Inc (the Parent). The Company was established for the purpose of selling franchises under the iFlex Stretch Studio brand.

Basis of Presentation

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Deferred Regional Development Costs

Deferred regional development fees represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a regional development agreement. These costs are recognized as an expense when the respective revenue is recognized, which is generally over the term of the related regional development agreement.

Deferred Regional Development Fees

Deferred regional development fees represent regional development fees received that have not been fully earned and will be recognized in future periods.

Advertising Costs

Advertising costs include franchise and regional development sales marketing, and advertising costs. These costs are expensed as incurred. Advertising cost for the period ended December 31, 2022 was \$23,497.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2022, management of the Company does not believe it has any uncertain tax positions.

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, regional development fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

Royalties and Advertising Fund Revenue

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 7% of net sales and a marketing and advertising fee equal to 1% of net sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties and advertising fund fees are collected semimonthly.

Franchise Fees

The Company generally requires the entire nonrefundable initial franchise fee to be paid upon execution of the franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company generally does not provide financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Regional Development Fees

The Company has a regional development program where regional developers are granted as exclusive geographical territory and commit a minimum development obligation within that defined territory. Regional development fees paid to the Company are nonrefundable and are recognized as revenue ratably on a straight-line basis over the term of the regional development agreement, which is considered upon executive of the agreement. The Company's services under regional development agreements include training and general operational support of the regional developer. The services provided by the Company are highly interrelated with the development of the territory and resulting franchise licenses sold by the regional developer and as such are considered to represent a single performance obligation.

The Company entered into one regional development agreement during the period ended December 31, 2022, for which it received \$224,250, which was deferred as of the transaction date and is recognized as revenue ratably on a straight-line basis over the term of the regional development agreement.

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through February 10, 2023, the date the financial statement was available to be issued.

NOTE 2 REVENUE DISCLOSURES

Franchising Fees, Royalty Fees, and Advertising Fund Revenue

The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees, (b) continuing franchise fees (royalties), and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

IFLEX FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2022
AND JULY 31, 2022

NOTE 2 REVENUE DISCLOSURES (CONTINUED)

Disaggregation of Revenue

The Company believes that the captions contained on the statements of operations appropriately reflect the disaggregation of its revenue by major type for the period ended December 31, 2022.

NOTE 3 RECEIVABLES, CONTRACT ASSETS AND CONTRACT LIABILITIES

Receivables and contract liabilities consists of the following:

	<u>December 31,</u> <u>2022</u>	<u>July 31,</u> <u>2022</u>
Accounts Receivable	\$ 1,167	\$ -
<u>Contract Liabilities:</u>		
Deferred Regional Development Fees	\$ 222,381	\$ -

The Company did not have any contract assets as of December 31, 2022 and July 31, 2022.

NOTE 4 RELATED PARTY TRANSACTIONS

The Company is party to a shared services agreement with the Parent, which allows for certain direct and indirect costs of the Parent to be allocated to the Company for services performed by the Parent on behalf of the Company. For the period ended December 31, 2022, the Company had incurred approximately \$195,000 of expenses related to these shared services, which was included in accounts payable as of December 31, 2022.



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Exhibit F
Addenda Required by Certain States and Small Business Administration

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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.

See the cover page of the disclosure document for iFlex Franchising's URL address.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT <http://www.dfpi.ca.gov>.

COVER PAGE, RISK FACTOR:

Spousal Liability: Your spouse will be 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.

ITEM 3, LITIGATION.

The following statement is added to Item 3:

Neither Franchisor nor any person listed in Item 2 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 parties from membership in such association or exchange.

ITEM 5, INITIAL FEES.

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

ITEM 6, OTHER FEES.

The highest interest rate allowed in California is ten percent (10%) per annum.

ITEM 17, ADDITIONAL DISCLOSURES.

The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of the iFlex Stretch Studio. If the Regional Developer Agreement contains any provision that is inconsistent with the law, the law will control.

The Regional Developer Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release if you transfer or renew your franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the Regional Developer Agreement.

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

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

Your rights upon Termination and Non-Renewal of an agreement are stated in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial; payments by area developers shall be deferred until the first franchise under the development agreement opens.

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 the applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES

REQUIRED BY THE STATE OF MARYLAND

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

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to modify any liability under the Maryland Franchise Registration and Disclosure Law.

The provision in the franchise agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 5 is Amended. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial; payments by area developers shall be deferred until the first franchise under the development agreement opens.

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.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF MINNESOTA

1. Cover Page and Item 17, Choice of Forum and Law. The following statement is added to the cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document, the Regional Developer Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the relevant Minnesota statute are met independently without reference to the Additional Disclosures.

2. Item 17, Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Regional Developer Agreement and 180 days' notice for non-renewal of the Regional Developer Agreement.

3. Item 17, General Release. The following statement is added to Item 17:

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

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the relevant Minnesota statute are met independently without reference to the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

4. Minn. Stat. Sec. 80C.21 may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, as provided for in Minn. Rule 2860.4400J, nothing in the Franchise Disclosure Document or Regional Developer Agreement requires a franchisee to waive any of his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or, to consent to liquidated damages, termination penalties, or judgment notes; provided that the requirement to arbitrate, as described in Section 20 of the Regional Developer Agreement is enforceable. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Franchise Disclosure Document and Regional Developer Agreement are amended to state that we will comply with Minnesota Statute 80C.17 subdivisions 5, Limitation on actions.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF NEW YORK

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

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE DEFINED 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 2 a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

ADDITIONAL DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF VIRGINIA

Additional Disclosure. The following statements are added to Item 17.h.

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

Additional Risk Factor. The following statement is added to the Special Risks to Consider About This Franchise page.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$96,675 to \$309,750. This amount exceeds the franchisor’s members’ equity (deficit) as of December 21, 2023, which is (738,897).

ADDITIONAL DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF WASHINGTON

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.

Pursuant to RCW 19.100.140 area representatives operating in the state of Washington will be required to register as a franchise broker under the laws of Washington.

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

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

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

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

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

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


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

INSTRUCTIONS FOR USE OF SBA FORM 2462 ADDENDUM TO FRANCHISE AGREEMENT

SBA has issued a revised version of the Addendum to Franchise Agreement (SBA Form 2462) which became effective January 1, 2018. SBA's Standard Operating Procedure (SOP) 50 10 5(J) explains updates made to the franchise review process for the 7(a) and 504 loan programs. By executing this Addendum, the franchisor agrees that any terms in its franchise agreement or any other document the franchisor requires the franchisee to sign that are related to control by the franchisor or its franchisees (resulting in a determination by SBA of affiliation between the Franchisor and its franchisees, as defined in 13 CFR part 121 and SBA's Standard Operating Procedure 50 10) will not be enforced against the franchisee during the life of the SBA-guaranteed loan.

SBA Form 2462 has **three** locations with drop down menu options at the beginning of the form (see example below). Once a drop down option is chosen (i.e. #1 "Franchise" #2 "Franchisor" and #3 "Franchisee"), the user must hit the "tab" key to automatically populate the appropriate term in all fields.

Example of Drop-Down Options


ADDENDUM TO Franchise AGREEMENT

Franchise
License
Distributor
Membership
Other

THIS ADDENDUM ("Addendum") is made _____, 20____, by and
between _____ ("Franchisor")
located at _____, and
_____ ("Franchisee"),
located at _____.

1
2
3

Once the drop down options have populated in all three locations, the remaining fillable fields must be completed manually (see example below). These fields will either be blank or contain the language "(Enter type of)" or "(type of agreement)." In each of these fields, enter the type of agreement, e.g., franchise, license, dealer, membership, etc. When completing SBA Form 2462, the text may not be altered except to insert the information required to complete the form.

Example of Fillable Fields to be Completed Manually

FORCED SALE OF ASSETS

- If Franchisor _____ has the option to purchase the business personal assets upon default or termination of the Franchise _____ Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee _____ owns the real estate where the franchisee _____ location is operating, Franchisee _____ will not be required to sell the real estate upon default or termination, but Franchisee _____ may be required to lease the real estate for the remainder of the (enter type of) _____ term (excluding additional renewals) for fair market value.

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor _____ and Franchisee _____. Additionally, the applicant Franchisee _____ and the (type of agreement) _____ system must meet all SBA eligibility requirements.



ADDENDUM TO FRANCHISE

1 AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between _____ ("Franchisor"), located at _____, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the (enter type of) term (excluding additional renewals) for fair market value.

1 While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR :

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE :

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the (type of agreement) system must meet all SBA eligibility requirements.

Exhibit G
Franchisee Lists

LIST OF IFLEX REGIONAL DEVELOPERS
AS OF DECEMBER 31, 2023

Northern Virginia
David Fink
401 Torre Pine Court
Chesapeake, VA 23322

Gulf Coast Florida
Michael Kemper
1030 3rd Avenue South, Unit 209
Naples, FL 34102

Austin/San Antonio/Houston/Dallas
Brad D. Sanders, Lewis W. Pope
3710 Drake Street
Houston, TX 77005

San Jose, CA
Michael Kevin Bowes Jr.
3229 El Camino Real Apt. #142
Santa Clara, CA 95051

Utah/Idaho/Spokane, WA
Scott Hatter
1620 East Emerson Avenue,
Salt Lake City, UT 84105

Phoenix, AZ
Cody Helgeson
4027 North 38th Place
Phoenix, Arizona 85018

Indiana
Kevin Needler
18711 Terra Vista Place
Westfield, IN 46074

LIST OF REGIONAL DEVELOPERS WHO CEASED OPERATIONS DURING 2023

None.

Exhibit H
Manuals Table of Contents (Regional Developer)



Subject	<u>Pages (approx.)</u>
SECTION 1	7
Welcome to iFlex Stretch Studios	
Vision	
Values	
Franchise Structure	
Confidentiality Statement	
Acknowledgement of Receipt	
SECTION 2	2
Regional Developer Responsibilities	
Developing Your Region	
Ongoing Franchise Partner Support	
SECTION 3	3
Communication	
RD / Franchise Corporate Relationship	
RD / Franchise Partner Relationship	
Potential Conflicts	
SECTION 4	5
Legal Issues	
Federal Regulation	
State Regulation	
Legal Documents	
SECTION 5	3
Developing a Compliance System	
Additional Compliance Issues	
Compliance Beyond the Sale	
SECTION 6	4
Generating Franchise Sales Leads	
Franchise Marketing Tools	
SECTION 7	10
The Franchise Sales Process Checklist	
Initial Contact	
Initial Data Entry and Communications	
Follow-up Communications	
Qualifying the Prospect	
Presenting the FDD	
Overcoming Objections and Concerns	
Preparing the Prospect for Discovery Day	



Getting to a Discovery Day
Discovery Day
Decision Time

SECTION 8 3

Completing the Sales Process
When a Candidate is Not Approved
Awarding Franchise Approval
Signing the Franchise Agreement

SECTION 9 21

Facility Opening
Project Development
Human Resources
Marketing and Advertising
FlexNet Software
System Standards
Grand Opening Workbook
Ongoing Operational Assistance

SECTION 10 3

Vendors and Products
Submitting Vendors for Approval
Required Vendors
Recommended Vendors
Approved Vendors
approved products
Approved Services

SECTION 11 2

Your Regional Developer Office
Office Hours
Recommended Office Equipment
Regional Staffing Positions

Exhibit I
State Effective Dates

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**Exhibit J
Receipt (2 copies)**

**RECEIPT
(RETAIN THIS COPY FOR YOUR RECORDS)**

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 Franchisor offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. Applicable state law in (a) Michigan requires us to provide you this Disclosure Document at least 10 business 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 and (b) New York requires us to provide you this Disclosure Document the earlier of the first personal meeting or 10 business 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.

If Franchisor 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 appropriate state agency.

The issuance date for this Franchise Disclosure Document is February 26, 2024.

I have received a Disclosure Document dated February 26, 2024 that included the following Exhibits:

- | | | | |
|---|--|---|--|
| A | State Agencies and Administrators Franchise's Agent for Service of Process | F | State Specific Disclosures and Addendums |
| B | Regional Developer Agreement | G | Franchise List |
| C | Confidentiality Agreement | H | Operations Manual Table of Contents |
| D | General Release | I | State Effective Dates |
| E | Financial Statements | J | Receipts (2 copies) |

Prospective Franchisee

Prospective Franchisee

Print Name: _____

Print Name: _____

Date: _____

Date: _____

Instructions for returning the receipt: If the Disclosure Document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via email to the Franchisor: _____.

Franchise seller's name: _____
Principal business address: _____
Email: _____
Telephone number: _____

Franchise seller's name: _____
Principal business address: _____
Email: _____
Telephone Number: _____

**Exhibit J
Receipt (2 copies)**

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If Franchisor offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. Applicable state law in (a) Michigan requires us to provide you this Disclosure Document at least 10 business 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 and (b) New York requires us to provide you this Disclosure Document the earlier of the first personal meeting or 10 business 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.

If Franchisor 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 appropriate state agency.

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Prospective Franchisee

Prospective Franchisee

Print Name: _____

Print Name: _____

Date: _____

Date: _____

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Franchise seller's name: _____
Principal business address: _____
Email: _____
Telephone number: _____

Franchise seller's name: _____
Principal business address: _____
Email: _____
Telephone Number: _____

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